

Policy Proposals & Recommendations for Member States to tackle In-Work Poverty

WP: 5. Targeted Policies
Deliverable number: 5.1
Author: EAPN



Deliverable	D5.1
Deliverable name	Policy proposals and recommendations for Member States to tackle in-work poverty
Dissemination level	Public
Related work package	WP5
Task leader	EAPN
Authors	Katherine DUFFY and Florence TORNINCASA
Release date	31.05.2022

Table of contents

Table of contents	3
Executive summary	5
CHAPTER 1: Categories of work identified by the WorkYP project that put workers at higher risk of in-work poverty	11
PART 1: the four vulnerable and underrepresented groups	11
PART 2: Characteristics of Group 1: low skilled standard employees in poor sectors, and their risk of in-work poverty	12
PART 3: Characteristics of Group 2, solo self-employed workers, and their risk of poverty.....	14
Part 4: Characteristics of Group 3, temporary and involuntary part-time workers, and their risk of poverty	15
PART 5: The characteristics of Group 4 casual and platform workers and their risk of poverty..	18
PART 6: Recommendations on concepts, research and comparable data.....	19
CHAPTER 2: The impact of low wages, low annual hours and flexible labour market conditions on poverty risks for vulnerable and underrepresented workers, and recommendations to cut in-work poverty	22
PART 1: Low annual and periodic hours raise the risk of in-work poverty.....	22
PART 2: limited opportunities for wage enhancement through upskilling and further qualifications	24
PART 3: Employer incentives to create flexible work and whether it is a voluntary choice for workers	26
PART 4: How have Member States and social partners sought to address the risks associated with flexible work?	31
PART 5: Recommendations to cut in-work poverty and improve the quality of work.....	37
CHAPTER 3: Statutory minimum wages and collectively bargained wages: assessment of their adequacy, coverage and efficacy and recommendations for improving direct protection against poverty	43
PART 1: Minimum wages and 'living' wages	43
PART 2: Collective labour agreements and coverage of the four vulnerable and underrepresented groups	46
PART 3: Recommendations to improve the protection from poverty provided by statutory minima and bargained wages	51
PART 1: Variations in the preventative and compensatory capacity of social security systems..	56
PART 2: Employer sponsored insurance-based wage replacement benefits for vulnerable and underrepresented groups	57
PART 3: Income support not related to employment status.....	62

Part 4: Recommendations to improve income replacement for interrupted and lost work,
cutting the risk of poverty for working age households 65

References..... 71

Executive summary

The purpose of this D5.1 report of the WorkYP project is to make general recommendations to Member States (MS) on combatting in-work poverty. The project investigates four categories of work that put workers at higher risk of poverty in seven MS: Belgium, Germany, Italy, Luxembourg, the Netherlands, Poland and Sweden. The categories of work investigated in which workers are vulnerable and underrepresented are: i) Low skilled employees working full-time on standard contracts in 'poor sectors' defined as those with 20% or more of workers receiving low wage; ii) Solo self-employed workers; iii) Temporary (fixed-term and temporary agency) workers and involuntary part-time workers; iv) Casual (on-call and intermittent) and platform workers.

The Recommendations are based on evidence provided in the work WP project, and draw on the European Anti-Poverty Network's (EAPN) long experience of combating poverty, including in-work poverty.

PART 1: The content of the chapters: risks and remedies

Chapters 1 and 2 of this report set out the situation of the four Groups of vulnerable and underrepresented workers. Chapters 3 and 4 describe the operation of institutional preventative and protective mechanisms and make recommendations to improve them.

Chapter 1 describes the characteristics and poverty risks of the four vulnerable and underrepresented Groups; it makes recommendations regarding concepts and categories and availability of data, including EU comparable data. It refers to the need for further research on individual MS, especially of specific policies and approaches and transferable lessons.

Chapter 2 discusses the impact of flexible labour markets on poverty risks for vulnerable workers. It considers the weak access to, and limited effectiveness of, training and upskilling that help workers to progress to jobs and sectors with a lower risk of in-work poverty. Besides low wages, the Chapter identifies the importance of lower than full-time annual hours, especially if these are intermittent and unpredictable, or the workers do not have employee status. It makes comments on the effectiveness of the regulatory regimes and the trend by MS to 'row back' on some aspects of flexibility in the labour market. The Chapter makes recommendations concerning enlarging the notion of 'employee,' which makes coverage by statutory minimum and collectively bargained wages more accessible to many groups of atypical workers whose current status is non-employee. It makes recommendations to reduce government sponsored incentives to low hours work, and to improve protection for workers most vulnerable to exploitative practices. Finally it makes recommendations on access to training and job re-design and enrichment.

Chapter 3 discusses levels, coverage and efficacy of statutory minimum and collectively bargained wages. It refers to 'poverty' pay and 'adequate' or 'decent' wages'; it refers also to 'fair' wages and to 'living' wages, and the situation of groups excluded from their protection. These wage concepts

concern, respectively, protection against poverty pay; how to address relative wages and worker rewards for input, and how to protect households from in-work poverty, benchmarked from a cost-of-living perspective. The Chapter notes trends of declining unionisation (more than coverage) and the impact on risk of poverty of derogations from collective labour agreements, especially in segregated labour markets. The Chapter makes recommendations towards achieving general coverage by statutory minimum wages and collectively bargained wages. The Chapter recommends equal treatment for flexible employees, including limitations on derogations from collective labour agreements and potentially extending the scope of the notion of a 'comparable' employee. The Chapter recommends addressing the specific risks of low pay, low hours and occupational concentration for women and disadvantaged and discriminated workers. The Chapter recommends restricting extreme flexibility; more fully including self-employed and casual workers in protections, and reducing self-employment due to misclassification.

Chapter 4 discusses social security income replacement for unemployment or interrupted work due to maternity, sickness, etc. Social Security here includes employer sponsored benefits for loss or interruption of work and tax-financed social assistance incomes of last resort. There is also mention of universal category-based benefits unrelated to income, such as tax-financed family benefits. Chapter 4 first outlines five typified social security systems with different protective capacities, which provide the context for the discussion of the effects of social security on risk of poverty. The Chapter reviews the inclusiveness of employer-sponsored social security benefits and means-tested social assistance, and effective access to the benefits for the four vulnerable and underrepresented groups. It notes that employer-sponsored benefits are rarely adequate to protect the four vulnerable and underrepresented groups from in-work poverty, and that social assistance benefits provide only a low subsistence income. The Chapter outlines the weaker inclusiveness and support for flexible employees and for non-entrepreneurial workers who are solo self-employed. The Chapter asks what social security systems are for? It notes that in flexibilised labor markets with more heterogenous workforces, a dual role of protection from poverty and insertion in the labour market is more challenging to achieve. The interaction between labour markets, social protection systems and 'made work pay policies' will need to be readdressed. The Chapter makes an overall recommendation to prioritise eliminating severe material deprivation. It recommends also addressing take-up of existing benefits and increasing the value of universal cash transfers. It recommends reducing and removing the main poverty inducing elements in systems, such as having no minimum benefit threshold in employer sponsored benefits; long and unequal waiting times; the low level of replacement incomes for low paid workers and the impact of exclusion of third country nationals from some protections. The Chapters recommends more system responsiveness to flexible workers and more inclusiveness for non-employee workers. It emphasises the importance of an adequate minimum social assistance income, as a floor under all other incomes, which keeps households out of poverty.

PART 2: Key messages

Wages are too low to always keep the households of even full-time low paid workers securely out of in-work poverty over the lifecycle. The risk is much higher with lower than full-time annual hours; wage-setting and insurance-based and social assistance protective mechanisms provide inadequate levels of replacement income and are not fully inclusive. Low annual hours therefore heighten the risk of in-work

poverty, even where hourly wages appear adequate to keep households above the poverty threshold. Flexible labour markets and non-employee work are undermining universality, solidarity and equity in institutional systems, and shifting the impact of economic risk and uncertainty to workers and to public expenditure, which expands to compensate for many of the consequences of in-work poverty. It is time to refocus institutional systems on quality in work and protection from in-work poverty. Key features will be reining in flexible and low hours work; equalising access to training and upskilling; generalising inclusion in adequate minimum wage and collective bargaining systems; generalising inclusion in social security including insurance-based benefits and social assistance, and providing better universal cash transfers. The aims are to increase hours of work and quality of work and to achieve wages and benefits which are adequate to prevent poverty pay, household monetary poverty (AROP) and severe material deprivation (SMD) according to Eurostat definitions, and which provide budgets that enable decent lives for vulnerable and underrepresented workers and their households.

Data and knowledge

- There is much heterogeneity in the four vulnerable and underrepresented groups, as well as within and amongst MS. But there are common features in many MS of declining social protection coverage and declining universality and adequacy, and shared challenges concerning the capacity and effectiveness of systems to cope with flexible labour markets and poverty risks.
- Closer exchange between MS and researchers on specific topics would assist in identifying what features of systems cause and prevent poverty and assessing how transferable lessons are, to other MS and policy contexts.
- There is scope for refining categories of flexible and casualised workers for enhanced data collection.
- In categorising workers, it is less important how workers get work (e.g. apps) and more important is the usual performance of the work.
- The notions of 'voluntary' and 'involuntary' work, in making policies on in-work poverty, are of limited relevance for vulnerable and underrepresented workers, who face tightly constrained choices. It is more useful to clearly identify constraints on hours of work and occupations and to address these constraints.
- There are data at the level of the European Union (EU) for the self-employed, but limited information on risks of in-work poverty for the type of non-entrepreneurial solo self-employed who are casualised or platform workers, plus some gaps in data for other types of very flexible workers. The situation of these workers may require further in-depth primary research to understand trends and whether EU comparable data are feasible and useful.
- The in-work poverty indicator is measured at the household level, but in so doing disguises the greater risks of individual poor pay for women. This must be properly considered in research and policy making.
- There is a particular need for national and comparable data (with appropriate safeguards) on in-work poverty risks for racialised and minority ethnic and religious groups and for groups at risk of disadvantage due to sex or gender identity. Available national evidence suggests there is discrimination against some but possibly not all, groups, but good policy is difficult to make without good evidence.

Wages and coverage by protective systems

- Coverage by statutory minimum wages is restricted according to employment status, and MS have addressed this by partial inclusion of groups of workers with non-employee status. These range from 'hetero-organised' workers in Italy, who have similar employment rights to employees, to various other 'employee-like' workers in other MS, who have intermediate status somewhere between employee and self-employed, to some groups of non-entrepreneurial self-employed workers. A more comprehensive approach could adapt the notion of employee to focus more strongly on dependency.
- Statutory minimum wages are mostly too low to protect low paid workers from in-work poverty. They should rise towards 60% of median equivalised wages in the MS concerned, while ensuring a positive hierarchy with minimum social assistance incomes. There should be a threshold expenditure capacity for a modest but adequate household living standard. In relatively low-income MS, this could mean minimum wages above 60% of median.
- There is declining unionisation, but coverage is declining more slowly due to extension regulations and conventions in many, but not all, MS in the study. This decline must be counteracted as collectively bargained wages appear to be the most effective primary preventative mechanism against in-work poverty.
- Derogations by social partners and encouragement of them by MS, can put flexible workers more at risk of in-work poverty. Risks of insider-outsider segregation must be addressed.
- MS and social partners should focus strongly on protection from the impact of low annual hours.
- Very low wages and non-employee status for young workers designated as non-employee apprentices or trainees, or as long duration probationers (the latter also a problem for labour market re-entrants over the age 50 to 55 in some MS) should be ended.

Social Security inclusiveness and protection from poverty

- Benefits could be linked to trends in bargained wages, and with a minimum threshold.
- Social Security systems rarely protect even full-time low wage workers from household poverty unless they experience no loss or interruptions from work - unlikely over a lifecycle. Flexible workers, who are more likely to have lower annual hours, are much more at risk. Insurance-based benefits have to better adapt to flexible work, including alternative means to qualify for benefits, changes to rates of decalage, etc. Current income, duration and reference periods often produce low benefits relative to contribution costs and exclude some workers entirely.
- Universal categorical cash transfers unrelated to income have high take-up; are important in reducing risk of poverty for families and people with a disability; do not have disincentive taper rates for working more hours; can improve public support for social welfare and should move towards paying all additional costs for the category.
- Universal child benefits should rise; there should be the same level of financial support for each child (based on rights of the child). Since they are category-based benefits that contribute to the additional household costs of children, one would not expect there to be differentiation in amounts paid according to parents' or guardians' income.

- Social assistance income of last resort is much too low and is poverty inducing. It should rise towards 60% of net equivalised median income in the MS, but with a cost-of-living threshold (as for minimum wages) for a modest but adequate standard of living.
- Effective access to social assistance is weaker for extremely flexible workers due to incomes too low, and for self-employed workers because of means-testing of business assets and requirements to cease business activity completely to access benefits. These restrictions must be addressed to equalise access conditions for all workers.
- 'Work first' approaches with definitions of 'suitable work' that are very broad and have very low thresholds for income, can drive workers into poverty in work. There is no evidence that harsh and punitive conditionality is more effective in getting workers into sustainable work and out of poverty. A shift to positive activation has to take place.
- The current policy approach can encourage creation of 'discretionary' work, benefiting from low wages and lax regulation. Such work has higher risks of poverty, especially for workers for whom such work is not short-term. It can undermine the principles and the base of the tax and benefits systems and should be discouraged.
- There are lifecycle and systemic risks in government schemes to incentivise workers to take up low hours work, and in regulations that disincentivise working more hours. These should be comprehensively reviewed with a view to removal as the social and personal costs outweigh the benefits.
- Employer incentives to encourage workers to change their status from employee to self-employed contractor, should be removed.

Flexible and non-employee work

- Flexible work is usually more advantageous to employers than workers. Employers lose responsibility for severance pay, sometimes for recruitment costs, for seniority wages, and for sickness pay etc., These advantages can result in expanded poor work sectors, higher risks of poverty in work and higher public expenditure to ameliorate the risks. Employers (including temporary work agencies and dominant clients of self-employed workers, who may be misclassified employees) must take greater responsibility for incomes between assignments and for interrupted work, due to maternity, paternity, and ill-health.
- Non-payment for additional hours, or inadequate payment, seems to be widespread for low hours and flexible workers; social partners and MS should fix this.
- Overall, extreme flexibility – resulting in low hours, irregular hours, non-employee or other in-between status, mainly benefits employers and raises risks of in-work poverty over the lifecycle, including poverty in old age. Flexible forms of work increase public spending by transferring risk. They should be reined in and remaining flexibility better regulated, with one-sided incentives to flexibility removed to create a level playing field. This can reduce in-work poverty, public expenditure on ameliorating risk, deadweight and substitution waste, and the effects of narrowing the tax and contribution base.
- Flexibility that better supports employees' work-life balance, especially more support for caring responsibilities, would reduce the constraints on increasing work hours.
- Home-working may rise post Covid pandemic, or due to changes in the nature of work. This could lead to new risks for health and safety, hours of work, intrusive surveillance and

the right to 'disconnect.' Social partners and MS should be prepared to prevent these new risks.

CHAPTER 1:

Categories of work identified by the WorkYP project that put workers at higher risk of in-work poverty

The WorkYP project focuses on risks of in-work poverty and how to remove or reduce them.

Part 1 of this Chapter briefly describes the four types of work that make workers vulnerable to poverty and underrepresentation. It uses data from seven Member States (MS) included in the WorkYP project: Belgium, Germany, Italy, Luxembourg, the Netherlands, Poland and Sweden.

Parts 2,3,4, and 5 describe in turn the characteristics of each group and their risk of in-work poverty. In-work poverty is an indicator measured at household level with a poverty income threshold of 60% or less of the median equivalised income in the MS concerned.

Part 6 presents recommendations regarding the need for further work in clarifying some concepts and in providing comparable data.

PART 1: the four vulnerable and underrepresented groups

Group 1: Low or unskilled employees in poor sectors, working on standard contracts

Group 1 are employees deemed low or unskilled, with standard contracts, who are employed in 'poor sectors.' For the WorkYP project, '*standard employment*' means subordinate work (for an employer or their agent) under a full-time, open-ended, contract. Weekly hours deemed '*full-time*' vary by sector and by Member State but are generally in the range 35-40 hours. '*Poor sectors*' are deemed to be those where 20% or more of the workforce have low wages. *Low wage workers* are defined according to Eurostat's definition to mean employees who earn two-thirds or less of national median gross hourly earnings.

This chapter will show that standard employees, even if less-skilled and employed in 'poor sectors' are relatively well protected in paid work, but at higher risk of in-work poverty when they experience loss or interruption of their work. These Group 1 workers can be a benchmark for comparing the poverty risks of the three other groups of vulnerable and underrepresented workers who are described below.

Group 2: solo self-employed workers

Group 2 are very different in their labour market position. They are formally self-employed rather than employees. Compared to Group 1, Group 2 have very high risks of monetary poverty; they are lower paid on average and are largely outside of the protective mechanisms enjoyed by standard employees.

The self-employed are a very heterogenous group. WorkYP focused on the sub-group of dependent self-employed without employees, who are most at risk of in-work poverty. 'Dependent' includes both

economically dependent, usually understood as dependent on one dominant client, and personally dependent, where the principal (the organisation using the person's work) controls most aspects of the performance of the work. Some of these dependent workers may be 'bogus' self-employed, in that they should be legally classified as employees, but the boundaries are difficult to determine and hard to police.

Group 3: Temporary workers (fixed-term and temporary agency workers) and 'involuntary' part-time workers

Group 3, flexibly employed workers, are composed of three sub-groups which vary in extent and character in the seven MS. The three sub-groups are: fixed-term workers, temporary agency workers and involuntary part-time workers. Like Group 1 (full-time employees on open-ended contracts), Group 3 are (mainly) employees. Like Group 2 (solo self-employed) they are at greater risk of monetary poverty than the general workforce. Unlike Group 2 they have also high rates of severe material deprivation (SMD) as well as high rates of relative monetary poverty (AROP).

Fixed-term employees have a specific termination date, event or task. *Temporary agency* workers are employees of a work placement agency, which assigns them temporarily to an end-user organisation for work under that organisation's direction. For purposes of the WorkYP project, *involuntary* part-time workers are those whose normal hours are formally less than those of a comparable full-time worker, either against their will and/ or because of family caring responsibilities.

Group 3 employees are more likely to have lower annual hours than Group 1, full-time standard employees in low-wage sectors, due to their higher risk of periods of loss of employment or low periodic hours.

Group 4: Casual workers (intermittent work and on-call work) and platform workers

Like the other three Groups, Group 4 is heterogenous. It contains two sub-groups, casual workers and platform workers. Casual workers can be further subdivided into intermittent and on-call workers. *Intermittent work* refers to short term contracts to conduct a specific task. It can be related to an individual project or seasonally occurring job. *On-call work*: the principal calls upon the worker as and when needed, leading to the likelihood of strong fluctuations in hours and incomes. On-call work includes zero hours contracts and those with some limitations to flexibility, e.g. minima and maxima. *Platform workers* are matched via an app or a website, to work for the benefit of a third customer. While the definition is clear, there are issues about who should be included in this definition.

PART 2: Characteristics of Group 1: low skilled standard employees in poor sectors, and their risk of in-work poverty

Characteristics of Group 1

In most EU Member States, the majority of employed people work on standard contracts. This is true in six of the seven Member States that are included in the WorkYP project. Nowadays, they constitute only about 40% of all workers in the Netherlands, up to about 70% in Luxembourg.

Although women are 40-50% of the EU workforce, they are a smaller share of standard employees except in Poland where they are 48%. A focus on 'poor sectors' increases the share of women, especially in Italy and Poland, but also Belgium, Netherlands and Sweden. A focus on 'poor sectors' also increases the share of people with a migrant background.

Hießl (D3.4 pp12-19) discusses education and skills of standard employees. There has been a rise in the proportion of jobs classified as highly skilled, and, until recently, a decline in the proportion of jobs classified as low skilled, at least by reference to occupation. Most MS have unfilled vacancies for highly skilled jobs, suggesting greater competition for the remaining low-skilled jobs.

The EU workforce has become increasingly well educated. Regarding education and formally recognised skills, the workforces in the seven MS included in WorkYP are diverse internally and cross-nationally. Poland has one of the most highly educated workforces, though with much less attention and spending on skill development and opportunities for life-long learning, while Italy has one of the largest proportions of less educated workers. Germany has a relatively small proportion of graduates from tertiary education, more attention to upskilling and vocational training, but a large low wage sector (over 20% of the workforce in Germany and Poland, but lower than 4% in Sweden).

EU data on Statistics and Living Conditions (EU-SILC) show the majority of workers in occupations classified as low skilled have a medium level of education (this rises to 80% in Poland). Medium level means that they have completed school or apprentice based upper secondary education. In addition, highly educated workers are an increasing share of workers in low skilled occupations, and this is even more the case for 'poor sectors.'

In-work poverty risks for Group 1, low skilled standard employees in poor sectors

Standard employees have about half of the monetary poverty levels and two-thirds of the rate of severe material deprivation of the *general* workforce, which also includes all those working less than full-time full-year and all forms of non-standard contract for employment or other kind of work contract. Even those standard employees in low-skilled occupations (i.e., the standard employees included in WorkYP research), have below average monetary (AROP) poverty rates, except in Luxembourg where already high rates are even higher for this group.

Group 1 – standard employees in poor sectors

For Group 1, i.e., *low skilled standard employees in 'poor sectors'*, only in some MS are monetary poverty and deprivation rates above average for the workforce. Monetary poverty rates for low-skilled employees in poor sectors range from 20% in Luxembourg, to 4.4% in the Netherlands. Interpreting this comparison is key to appropriate policy. Whereas over 70% of Luxembourg employees are on standard contracts, it is about half that proportion in the Netherlands; indeed in 2019, low skilled standard employees were just 14.4% of the Netherlands workforce. It may be that in the Netherlands, the most vulnerable workers most at risk of in-work poverty, are to be found amongst those on non-standard contracts, e.g. in Groups 2,3, and 4 (Hießl, 2022, D3.4, p10).

Within Group 1, those with the lowest education levels are most at risk of poverty. Low wages increase risk, and both Germany and Poland have large low wage sectors, at more than 20% of the national workforce. The risk of low pay is largely sector-specific and concentrated in certain poor sectors, especially accommodation and food, where at EU level 38.6% of workers are low paid. There

is very significant country variation. Sweden has sectoral low pay ranges between 0.74% and 11.46% (and this range excludes employees in public entities not included in the data, who are 100% unionised and generally better paid) and Germany has sectoral low pay ranging from 1.44% to 66.09%. In all, Swedish and Polish workers on full-time permanent contracts are largely protected from poverty, except for the youngest workers.

PART 3: Characteristics of Group 2, solo self-employed workers, and their risk of poverty

Self-employed share of the workforce

The self-employed are about 7% of the EU workforce, down from about 8.5% in the early 2000s, though within the group, there has been a shift in the nature of self-employment. There has been a decline in agricultural self-employment (as emphasised in the Polish National Report); a shift from selling goods to service provision, and an increase in solo self-employment (i.e. without employees).

Of the seven MS in the WorkYP study, three are in the top four EU states for self-employment share of the workforce, (Italy, the Netherlands and Poland with between 18% and 21% shares). Three WorkYP MS are in the bottom four, with shares below 10% (Germany, Luxembourg and Sweden). Only the Netherlands has had a rising share of self-employed in the last fifteen years – up four percentage points.

Characteristics of the self-employed

Women are about one-third of the EU self-employed, but around 40% in four of the MS studied for the WorkYP project (Germany, Luxembourg, the Netherlands and Poland). Older people (over age 50) are a larger share of the self-employed than younger people. The proportion varies significantly in the MS of WorkYP, from 26.6% in Luxembourg, through 36.9% in Italy to 55% in Germany.

Young people aged 18–34 are about one-fifth of the self-employed in Italy and Poland, but Luxembourg has 30.8% and Sweden only 14.1%.

Solo self-employed, who are the focus of WorkYP, are three-quarters of the self-employed and that share is larger for young people. As well, the solo self-employed are less well-educated and more likely to be non-nationals of the country in which they work.

One in five of the solo self-employed have just one dominant client. This raises the question discussed later in this chapter, of whether many of the solo self-employed are misclassified, and legally, they are employees.

In-work poverty risks for Group 2, solo self-employed

There is substantial income polarisation amongst the very heterogenous group of the self-employed, but their median income at EU level is lower than that of employees, as it is in the seven MS of the WorkYP project, though the difference is small in the Netherlands and Sweden.

Self-employed people's lower median earnings are reflected in a much higher risk of in-work poverty. In four of the MS in WorkYP, the monetary poverty rate is three times that of the general workforce

(Belgium, Germany, Poland and Sweden) and even greater if the focus is on the solo self-employed only. The difference with employees is great enough in Sweden that while between 2013 and 2019 monetary poverty fell for all employees, in 2019, the higher share of the self-employed in the Swedish workforce raised the monetary poverty rate for the whole workforce.

People are classified according to their main occupation, self-defined, and there is not enough information on multiple job holding. However a Eurostat Labour Force Survey (LFS) of 2017 found 5% of the solo self-employed had a second job, and it seems from other data, that the other job is as an employee in 75% of cases, a combination referred to as 'hybrid' economic activity. The Polish National Report says that 31% of the self-employed workforce is hybrid and the German National Report estimated hybrid workers at 16.6%. These are small proportions of the total workforce (e.g. just under 3% in Poland) but are large absolute numbers of workers and their numbers are rising steeply. An issue which may need more research is to what extent, for hybrid workers, solo self-employment is a 'side-hustle,' compared to what extent part-time employed hybrid workers are essentially under-employed self-employed workers. There are challenges in the latter case for providing adequate replacement incomes.

Monetary poverty reached 20% in all seven of the MS studied, at least in one of the recent years; in 2019 it reached 28.9% in Poland. In contrast to their much higher monetary poverty levels, the solo self-employed at EU level have only slightly higher levels of severe material deprivation. Researchers have raised questions about the accuracy of income data for the self-employed. But it cannot be assumed that high monetary poverty rates are due to significant income under-reporting. Deprivation rates for housing and durables could be influenced over a longer period if there is significant variability in self-employed income or changes in employment status between employment and self-employment.

In-work poverty rates are higher for the more disadvantaged demographic groups of self-employed workers

More disadvantaged workers have higher monetary poverty rates. For example, there are AROP rates of 40% or more for: solo self-employed with a migrant background in Italy; single-earner households in Sweden and single self-employed in Germany (52.9% in 2019). These rates are much above Group 1 standard contract workers where monetary poverty rates of 20% were reached in only two of the seven MS, for two sub-groups – people with a migrant background and single earner households. Although monetary poverty rates for employees in Italy and Luxembourg are much higher than in the other five MS of WorkYP, the gap with the other MS in the study shrinks due to the high rates of monetary poverty amongst the self-employed in all seven MS of WorkYP.

Part 4: Characteristics of Group 3, temporary and involuntary part-time workers, and their risk of poverty

Temporary and part-time workers' share of the workforce

Fixed-term work

At EU level, for two decades the share of fixed-term work has been about 15%-16%, with a slight decrease during the Covid pandemic. For the seven MS included in the WorkYP project, the fixed-

term employee share varies from below 10% in Luxembourg to over 20% in the Netherlands, with a spike to 27.3% in early 2021. The direction of trend varies, with a steep decline in Poland since 2018 and a shallower decline in Germany.

Temporary agency work

Temporary agency employees are the smallest of the three sub-groups. Since measurement began in 2008, they have been around 2% of the EU workforce. In 2020, national shares ranged from 0.5% in Poland to 3% in the Netherlands.

Involuntary part-time work

Involuntary part-time work is a small share of all EU employees, between 1.25% and 4.4% of all employees. The exception is Italy (12%). In 2020, as a share of all EU *part-time* employment (Labour Force Survey (LFS) measurement), *involuntary part-time employment* was below 25%, having declined in the years that followed the financial crisis. In the seven MS of WorkYP, there is a very wide range of involuntary part-time employment shares, from below 5% of all part-time employment in Belgium, to a historic high of two-thirds of all part-time employment in Italy. The other five WorkYP have involuntary part-time shares below the EU average. This lower share of involuntary part-time employment is in a context in which six of the seven MS studied in WorkYP have general part-time employment rates above the EU average of 17-18% (the exception is Poland).

Characteristics of Group 3, temporary and involuntary part-time workers

In the seven MS studied in WorkYP, Group 3 employees are more likely than all workers to be young (aged 18-34) and female, and less likely to be highly educated or qualified as highly skilled. *Young* workers are between 20.5% of the total workforce in Italy and 30.8% in Luxembourg, but their share of Group 3 varies from 34.2% in Luxembourg to 51.5% in Sweden. The share of *women* employees in Group 3 ranges from 52.3% in Poland to 77.2% in the Netherlands. Regarding a low level of *education*, in the total workforce this ranges from 5.1% in Poland to 30.8% in Italy; but in Group 3, the share of the less educated varied from 8.6% in Poland to 41.7% in Italy. For employment in *low-skilled occupations*, the Group 3 shares ranged from 51% in the Netherlands to 77.4% in Italy, compared to national workforce shares ranging from 43.2% in the Netherlands to 62.9% in Poland.

National variation in the size of the three sub-groups of Group 3 is linked to the demographic composition of Group 3 in each MS. For example, fixed-term workers dominate Group 3 in Poland, and these are more likely to be men, thus diminishing the overall share of women in the Polish Group 3. But in the Netherlands, the very high share of women in Group 3 is due to the domination of part-time employees, who are more likely to be women. The prevalence of young workers is due to their high shares in fixed-term and temporary agency work.

The aggregate data also disguise a high share of non-nationals and non-residents in temporary agency work, for example in Germany, Luxembourg, Sweden and Poland. In Poland, a third of temporary agency workers are foreigners, most often Ukrainians. Low educational qualifications are also concentrated in certain sub-categories, in this case, temporary agency work; but there is also a polarisation of educational qualifications in fixed-term work (Hießl, 2022, D3.4 p42).

Impact of differing definitions and data sources on estimates of the size of Group 3

Different data sources and categorisations provide different estimates in some sub-groups. This is partly because of different definitions in each source. The EU-SILC data only includes temporary agency workers if they are also fixed-term or involuntary part-time employees. This is a negligible issue in six of the WorkYP MS as temporary agency workers are hired on fixed-term contracts everywhere except Sweden.

Another issue is that in Poland more than half of temporary agency workers are on self-employed contracts, therefore with much weaker regulatory protection, and also protection due to collective labour agreements. And there appears to be under-registration of seasonal workers in the Netherlands leading to undercounting of some of the most vulnerable of fixed-term workers. As the National Reports from Poland and the Netherlands also point out, the *volume* of hours can change more than the *number* of workers.

The size of the involuntary part-time subgroup is heavily affected by what is included in the definition of involuntary and whether a threshold number of hours is defined for 'part-time.' There are three main notions of involuntary: i) *cannot find full-time work* (Labour Force Survey, LFS), ii) *would work more hours* – a broader definition but then narrowed by the qualification that the respondent must be *currently available* to work more hours (Organisation for Economic Cooperation and Development, OECD); iii) *cannot do more hours due to caring responsibilities* (EU Statistics on Income and Living Conditions, EU-SILC). The EU-SILC results also depend on whether, for example, the respondent with caring responsibilities or a disability chooses the option that they do not want more hours, or instead, the option that they cannot work more hours due to caring responsibilities or other reasons. etc.

The impact of the differing definitions of 'involuntary' on the estimated size of the labour reserve of underemployed part-timers is enormous. Using the EU-SILC definition, compared to the LFS, the share is twice as high in Germany and Luxembourg, four times as high in Belgium and five times as high in the Netherlands. This is due to the high number of responses referring to care and 'other reasons.' But the EU-SILC definition also narrows compared to other definitions as it has a threshold number of hours at which respondents are asked for the reasons for part-time working (thirty hours or less; the thirty hours total can be the sum of several smaller jobs). In Italy, Poland and Sweden, the LFS estimate is larger than EU-SILC, suggesting other reasons for involuntary part-time work, especially the narrower reason of 'cannot find a full-time job.'

In-work poverty rates for Group 3, temporary and involuntary part-time employees

Group 3 monetary poverty rates are about twice those of the general workforce, though they are lower than the monetary poverty rates of Group 2 (the solo self-employed, with rates around three times the general workforce rate). In general, the risk of poverty for Group 3 is rising. The most striking exception is Poland, which has experienced a steep decline in the poverty risk of Group 3.

For Group 3, there are strong differences in their degree of protection from in-work poverty in MS which all have low overall in-work poverty rates. In Sweden and Belgium there are low overall risks of in-work poverty, but Group 3 are at high risk of poverty, with three times the general in-work poverty rate. In the Netherlands, also with a low in-work poverty rate, and with a high Group 3 share of the

workforce, Group 3 are not significantly more at risk. In the other MS studied in WorkYP, Group 3 are smaller in size, but with a high risk of poverty.

Group 3 members who are particularly at risk of in-work poverty are single earners and foreign-born employees. These same groups are especially at risk in all four of the vulnerable and underrepresented Groups studied in WorkYP. In Group 3, over 40% of foreign-born employees in Italy and Sweden are at risk of poverty and over 40% of single earners are at risk in Luxembourg. But factors that are protective for many other workers are less effective for Group 3. These include being highly educated and highly skilled, nationals of the MS concerned, and two-earner households without children.

In six out of seven MS in WorkYP, Group 3 stands out also for their *very high severe material deprivation rates* (Hießl, 2022, D3.4 p43), twice as high as for all employees. The exception is the Netherlands where Group 3 are a quarter of the workforce and their severe material deprivation rates are similar to all workers; this may be linked to the high share of women second-earners and probationary workers who are not the only earner in their household. Two countries with high severe material deprivation rates for Group 3, but with a downward trend, are Italy (13.9% in 2019), which has high but declining severe material deprivation rates, and Poland, in which both severe material deprivation rates and monetary poverty rates, have fallen dramatically.

PART 5: The characteristics of Group 4 casual and platform workers and their risk of poverty

Group 4 (casual and platform workers), like Group 2 (solo self-employed), are at risk of misclassification as self-employed and they are excluded from many protective mechanisms. Like Group 3 (temporary and part-time workers) they are (even more) at risk of poverty from involuntary low annual hours. However Group 4 is also more likely than other Groups to hold multiple jobs in which their casual or platform activity is a 'side' activity, possibly as a needed top-up income.

Hießl (D 3.4 p82) states that '*...Group 4 could be seen as a category which assembles the most vulnerable sub-groups of all other groups – with the majority being either dependent (and potentially bogus) self-employed and fixed-term and/or part-time employees, and the few standard employees (working on call or via platforms) very likely to be low-skilled*'.

On-call work

The LFS for 2004 asked employees to indicate if they were working *exclusively* when called. The EU average was 1.8% but rising to 6% in the Netherlands and Poland. 0.5% of respondents said they had hours too variable to pick an interval (e.g. 1-9 hours, 10-19 hours etc) rising to 5% in Belgium; but note that data are absent for half of EU countries including most WorkYP MS (Hießl, 2022, D3.4 p66).

There is some more up-to-date information provided in the WorkYP National Reports, which refer only to employees, and not to the self-employed with similar characteristics. The Netherlands puts zero-hours and on-call employees at 6.1% and Sweden reports 8% of casual employees and rising. Germany reports 5% for a strict definition of on-call work (no fixed working hours); but if low hours part-time work is combined with extensive on-call overtime the share gets closer to 15%. Sweden also notes that 25% of part-time employees (5% of the workforce) report regular overtime of one to

six hours a week, but a 'non-negligible' share report ten to twenty hours extra in a typical week (p111 of the German, and p157 of the Swedish, National Reports). The data show a high share of low-skilled work concentrated in few sectors and with a large share of the youngest and oldest age groups.

Platform workers

There are data issues also for platform workers. Some studies are referred to below, but there have been methodological challenges to them and criticism that they overstate the share of the workforce relying on platform work for their main source of income. One such is a 2017 comparative study of fourteen EU MS. It found Dutch, German and Italian workforce shares of 10% for platform work, of whom 80% did such work at least once a month, and that 2-3% of the total MS workforce relied on it for their main income. But another study puts the share of German and Dutch platform workers at less than 1% of the national workforce (Hießl, 2022, D3.4 p67).

All studies agree that for the majority of platform workers, it is a side activity and that it is likely to involve an increasing share of workers in future. There are also common findings that people with a migrant background, young, male and low-skilled workers predominate, but with a non-negligible number of high-skilled workers.

The most usual form of platform work is 'on demand,' via an app (e.g. Belgium and Italy). Germany also has crowdwork platforms. The Dutch National Report raised the question of whether other platform work, such as low-skilled 'clickwork' (micro-tasks) with a globally competitive workforce, is less relevant to EU MS.

In-work poverty rates for Group 4, casual and platform workers

Comparable data on in-work poverty rates are absent for Group 4. There is just a 2014 study from the Netherlands that finds a 10.2% in-work poverty rate for on-call workers, three times the monetary poverty rate for all workers and well above the 6% share for Group 3 in the 2013 EU-SILC.

In the absence of poverty data for other WorkYP MS, Hießl suggests making inferences from incomes data (Hießl, 2022, D3.4 p68). In Dutch surveys, incomes from platform work were higher than those reported from German studies, but none would put a single earner above the poverty threshold. However in the Netherlands, two-thirds reported having another job, mainly as an employee, and in Germany only 2% of respondents said platform work was their main source of income.

While data are lacking it may be reasonable to assume that intermittent and unpredictable work is unlikely to result in stable incomes above the poverty line for those reliant on it. However, just as for some sub-groups of Group 3, there may not be a strong link with in-work poverty at household level, but the loss or reduction of this top-up income may plunge households into poverty. Since employers often use casualised workers to meet fluctuating demand, this is highly likely to occur.

PART 6: Recommendations on concepts, research and comparable data

Clarify the reasons for working lower than full-time hours

- The varying poverty and severe material deprivation risks of the four vulnerable and underrepresented groups show that lower than full-time annual hours of paid work are a core

proximate cause of in-work poverty; increasing annual hours of work can be an important remedy. Low hours are discussed in more detail in Chapter 2.

- More research effort is needed on concepts, definitions and data comparability to address reasons for low annual or periodic hours, which may differ in different MS and may be employer or worker driven, or both to varying extents. The labour reserve is not fixed, even without considering migration options. But if MS want to boost domestic labour force participation, then they first need detailed knowledge about what inhibits people from working full-time.
- In surveys, care and other reasons for low hours should be included in a frame that makes explicit the context in which the survey questions are being asked. Issues about actual and preferred hours worked reflect the tightness of particular labour markets, but also the presence and effectiveness of flanking measures and policies that support people to seek and take more hours of work in a sustainable manner.

Consider common definitions and thresholds for part-time work and involuntary part-time work, or dispense with these distinctions

- WorkYP analysis of Group 3 flexible workers indicated that the different working modes of this heterogeneous Group involve different demographic groups with quite different drivers and therefore policy solutions. Future research could 'drill down' in the flexible work categories to enhance understanding of the drivers and variations in individual status over time.
- MS and social partners have very different thresholds for considering work to be part-time, in various tax and benefit regimes. Consider the possibility of a common threshold of hours that is considered part-time or dispense with threshold distinctions altogether.
- Different conceptions of the meaning of 'involuntary' in relation to part-time work, from narrow to broad, provide vastly different estimates of the size of Group 3 'involuntary' part-timers. This report doubts this is a useful distinction as all choice is likely to be constrained choice for vulnerable and underrepresented people of working age. Since low and irregular hours of work create an enhanced risk of poverty and of exclusion from tax and social insurance systems, governments that wish to reduce in-work poverty can directly address the main causes cited by respondents: 'caring responsibilities' (mainly cited by women) and 'cannot find a full-time job,' (mainly cited by men) for not increasing hours of work.

Aim to produce a common EU definition of casual work and collect contemporary data

- There are no common definitions in EU data sets and therefore no common thresholds for concluding that a worker is engaged in casual work. The little data available to substantiate the situation of Group 4 is old, especially at EU level. LFS data for on-call work is available only for 2004. A move to common definitions enables collection of comparable data. An earlier stage is more in-depth primary research on zero-hours and on-call and platform work.
- The small total workforce percentages for Groups 2, 4 and sub-groups of Group 3, represent millions of workers across the EU at higher risk of in-work poverty, and should get regulatory

attention. The numbers fluctuate strongly with economic and regulatory conditions, but they may grow in unanticipated and unwanted directions, if not subject to closer scrutiny.

- In classifying a type of work, less attention should be paid to the nature of the tool for getting work (online app etc.) and more attention should be paid to the characteristic performance of the work.

CHAPTER 2: The impact of low wages, low annual hours and flexible labour market conditions on poverty risks for vulnerable and underrepresented workers, and recommendations to cut in-work poverty

This chapter focuses mainly on the impact of flexible work on risk of in-work poverty and makes recommendations to reduce and remove risk for the vulnerable and underrepresented groups identified in the WorkYP project.

Part 1 of this chapter notes the poverty risk borne even by standard contract workers, in low wage sectors, then focuses on the most affected vulnerable groups (solo self-employed; temporary workers and involuntary part-time workers; casual and platform workers). The low-hours household poverty risk can arise from variable demand for these workers over the course of an economic cycle, or from specific employer cost-cutting strategies. Such workers are likely to have lower annual incomes than their wages would suggest, and some will have a low capacity to replace lost income from paid work.

Part 2 of this chapter outlines a second common feature of flexible work: the limited anti-poverty impact of possessing further and higher education and skills and the limited access to training and upskilling, even for low-skilled workers on standard full-time open-ended contracts. This raises the issue of whether these are 'bad' workers or 'bad' jobs, with implications for the relevant policies to combat in-work poverty.

Part 3 discusses employer incentives for offering flexible work and asks whether these kinds of jobs are workers' voluntary choice.

Part 4 indicates that MS are 'rowing back' on some aspects of flexibility, but more needs to be done.

Part 5 makes recommendations to improve the quality of work and reduce poverty risks for the vulnerable groups.

PART 1: Low annual and periodic hours raise the risk of in-work poverty

Full-time work is a declining share of all work and is a minority of work in the Netherlands. All four vulnerable groups are more at risk of lower than full-time annual hours and therefore of an annual income that is inadequate to keep their households out of poverty. It is concerning especially for single and single earner households. Single earner households are most at risk because one wage does not support the full costs of domestic household reproduction (housing and other bills, child rearing, other dependent care, and 'rainy day' savings).

Group 1: low-skilled workers on standard contracts in poor sectors

Despite their low wages, Group 1, low-skilled employees on standard contracts, are relatively well protected from in-work poverty by their predictable full-time annual hours, even when they work in 'poor' sectors. Group 1's main poverty risk arises from interrupted work (e.g. due to sickness) or loss of work, due to unemployment. As standard employees, they are generally covered for income loss by wage setting and social security mechanisms, but their low wages in-work may mean poverty-inducing benefits out of work, if these are below 100% replacement rate. Since replacement rates are very unlikely to be 100%, one can conclude that despite their relatively protected position compared to the other vulnerable groups, in general, their wages are too low to protect against interrupted and lost work; wages must rise to protect their households from lifecycle risks of poverty.

Group 2: the solo self-employed

For Group 2, full-time work is less of a protective factor than for Group 1 (low-skilled standard employees in poor sectors). The self-employed are more at risk of low annual hours due to unemployment and underemployment. Self-employment may be especially interesting to those workers who are least risk averse concerning their potential future needs for social protection and most optimistic about their entrepreneurial capacities.

Compared to employees, periods without work are a bigger poverty risk for self-employed workers, who have limited protection in systems of wage setting or social security, other than means-tested social assistance. During the first pandemic phase of Covid, the solo self-employed were losing up to two-thirds of their income in the lockdown period. Billions of euros were paid out to support self-employed people in the Netherlands and Germany. This has made many MS think again about the net costs and benefits to society and to public expenditure, of encouraging solo self-employment.

The relative inability of the self-employed to provide for themselves during Covid is not so surprising given their income is on average lower than employees. It suggests they gain little profit from client(s) and are unwilling or unable to save sufficient resources from their work income to provide for interrupted work, periods of unemployment or old age.

Group 3: temporary and part-time workers

About two-thirds of fixed-term contracts have a duration of less than one year, implying a high risk of working shorter than full-time annual hours. In the seven WorkYP MS, the commonest duration was six to twelve months. There is variation amongst the MS. 90% of fixed-term workers in the Netherlands have contracts of up to one year. In Poland, a third of fixed-term contracts last more than thirty-three months, including renewals. So, there is some stability in employment, but often a more frequent risk of unemployment, including longer term unemployment. The National Report for the Netherlands says that compared to other workers, unemployed fixed-term and temporary agency workers are twice as likely to be unemployed or inactive one year later. The Report also notes that if one includes probationary workers with the possibility of an open-ended contract in the temporary work statistics, the risk of loss of work and income for other temporary workers, is disguised.

Weekly hours of part-time work are very diverse, as are the characteristics of those doing it. Belgium and Sweden have high numbers of part-time workers, but frequently working thirty hours or more. On the other hand the Netherlands and Germany have high shares of workers on very low hours

contracts. The Swedish National Report (p15) suggests that 75% of full-time hours is the threshold for a single earner household to avoid poverty. In the Netherlands, low part-time hours are mainly worked by women second-earners, which may disadvantage them in the social security system, but there is little immediate link to household poverty, though more research is needed on effects over the lifecycle, positive and negative.

Group 4: casual and platform workers

There are no comparable data for this group, but there is evidence that for many of them casual or platform work is a 'side' activity. So more of these workers may be multiple job-holders. That does not excuse poor wages and conditions in any job, but it does loosen the link to household in-work poverty. Hießl (report D3.4 p52) says that labour force survey data show lower monetary poverty rates for multiple job holders, but that two MS studied in WorkYP have higher monetary poverty rates for multiple job holders. Multiple job-holding may be commonly a means of income top-up. A German survey (National Report p105) showed financial difficulties were the decisive reason for 53% of multiple job-holders. There is a rising share of second job-holders in Germany and most of the second jobs are low skill 'mini-jobs.'

PART 2: limited opportunities for wage enhancement through upskilling and further qualifications

Compared to the overall workforce, Group 1 and to some extent Group 3 employees, have fewer educational qualifications and fewer formally recognised skills, though there are significant variations by MS in the overall proportions of less educationally qualified and less skilled workers, by occupational category. Compared to employees, education and even high-skilled occupation have much less impact in preventing risk of monetary poverty for the self-employed than for employees.

There are more limited opportunities for training that supports progression to higher wages and better conditions, reinforcing the risk of poverty,

Training opportunities for workers in low education, low skill work

Overall, MS active labour market spend varies from 0.42% of GDP in Poland to 1.25% in Sweden.

There is variation amongst MS in terms of focus on education relative to skills training. Poland is an example of MS with amongst the most highly educated population in the EU. In 2016 Poland had half the EU rate of adult training, and for those with a lower education level, below a quarter of the EU average.

Generally, in the EU, those with more education tend also to get more training. Across the EU, fewer than one-quarter of lower secondary educated adults are participating in any kind of training – formal or non-formal. On average (with large variations between MS), twice as many people who have completed upper secondary education, receive training, and three times as many people with tertiary education.

It may be that employers of highly educated workers in non-poor sectors, train them because they expect to retain them, and provide wages and working conditions that support that. Whereas employers of less educated workers, especially for lower skilled jobs, can offer lower quality and less

stable employment and absorb the relatively lower costs of higher turnover of staff. But this choice has wider effects on quality in work and risk of in-work poverty.

Capacity of employers to absorb high level education and skills

Hießl (D3.4 pp13-14) says that skills training is more likely than education per se, to generate expansion in sectors able to absorb it. There has been debate about whether the usual educational entry qualifications are needed for many of the jobs using them, or are they merely a barrier to entry, with a risk of wasting resources through education inflation? However, whether education adds value per se or merely stamps a quality mark on natural capacity, employers seem to prefer better educated workers. There is an increasing trend for medium and tertiary educated workers to be found in 'poor sectors,' where one would assume their higher education and soft skills cannot be utilised. The German National Report says there is an overqualification rate of 74% in the lowest skilled occupations and an increasing trend for job vacancies for skilled workers. There is both skills mismatch and a crowding of the workers with lower education and skills into the riskiest of jobs even in the poor sectors, so these workers' poverty levels are higher than those of more highly educated workers in the same sectors.

A key question for policy is whether these are low productivity workers, merely matched to low productivity jobs, or whether the jobs themselves limit the capacity of workers to use their productive education and skills, thus reducing a country's overall productivity. A factor that may affect productivity also, is quality in work from the workers' perspective. Job redesign has affected professionally skilled as well as 'low-skilled' jobs. Artificial intelligence software has hollowed out intermediate jobs in many sectors, from banking to health, and job redesign to routinize tasks is a feature of education and marketing work that cheapens professional labour. Attention must be paid to job design as well as training, to ensure quality in work.

'Bad workers' or 'bad jobs?'

The evidence above suggests that rather than poor quality workers, many low skill, low wage jobs are poor quality jobs. That is, the jobs cannot provide profitable scope for critical thinking skills, personal judgement and autonomy, innovation, job enrichment, upskilling and career progression. This may be a deliberate outcome of job design to lower labour costs. It may be also that the vacancy structure in companies or industries, encourages a number of 'ports of entry' to different occupation levels, with formal educational qualifications as the entry ticket at each level. This inhibits vertical progression through a job hierarchy, of the type once common in some police forces, where entry level experience as a foot patrol police officer, then progression through the 'ranks,' with internal examination, was a requirement for upward progression.

'Bad jobs,' in the sense of low incomes, poor working conditions and limited opportunities for progression, may be an expanding part of the labour market, with greater risks of poverty over the lifecycle.

The role of collective bargaining institutions in supporting training

Trades unions have a key role to play in supporting quality in work. Sweden shows that trades unions, as part of institutional collective bargaining, are an essential source of pressure for vocational

training and also for 'pre-emptive' training, where there is a risk of collective redundancy. Group 1 workers are covered by this anticipatory reskilling (also prevalent in the Netherlands and Germany).

In Poland, the combination of company level bargaining without extensions and no individual right to training, are suppressive factors for provision of training. Whereas in 2016 Poland had 5.4% of lower educated workers participating in training (but training for less educated workers is now increasing), Sweden had 45%, and also the lowest risk of long-term unemployment in the EU. In Germany and the Netherlands, half of all companies employ initial vocational training participants, including apprentices.

Hießl (D3.4 p15) is clear on the benefits of ownership of training and vocational education by the social partners, and the German National Report draws attention to studies showing their beneficial effect on training equity and efficiency.

PART 3: Employer incentives to create flexible work and whether it is a voluntary choice for workers

Employer incentives to create flexible work: variable demand, and cost advantages arising from the regulatory framework

Regarding *self-employment*, there are incentives for employers (and often for employees) to change employee status to self-employed sub-contractor. The employer may lose responsibility for most social security contributions and may not have to pay employee benefits such as sick and holiday pay, unemployment benefit, severance pay and pensions. Former employees may also lose the protection of collective labour agreements if they become self-employed contractors. This can help employers further cut costs by pushing incomes down more easily. There is the attractive possibility for employers, of undercutting competitors on product or service provided, encouraging a 'race to the bottom' on wages and employment conditions for contractors. There is the further attraction for employers of dependent solo self-employed 'waiving' their rights in return for sub-contracts.

Just like Group 2 (the solo self-employed), it is easier for employers to use a 'buffer' supply of Group 3 *temporary workers* to manage highly cyclical demand. Employers have an incentive to conclude *fixed-term contracts*, to match variations in aggregate demand and to avoid severance costs of open-ended contracts. In Germany, 40% of new hires are fixed-term contracts, at least initially - if contracts are under two years duration no reason has to be given for ending the contract.

Like fixed-term employees, *temporary agency employees* have fewer labour rights regarding dismissal. More often than not, their wages end with their temporary agency work placement, because the agency ends its contract with them at the same time. Otherwise, they may be paid a small remuneration if retained as employees of the temporary work agency work until the next assignment.

Fixed-term contracts fell during the pandemic phase of Covid, especially in the Netherlands. Temporary agency workers were even more affected by falls in demand for labour in this period. In Germany, one-quarter of temporary agency workers lost their jobs in the first half of 2020 (Hießl, 2022, D3.4 p48). The Polish National Report notes that a combination of reform of the maximum

duration of these contracts and strong economic growth, thus the need to compete for staff, has reduced the prevalence of these contracts.

As well as unfavourable treatment regarding dismissal notice and compensation, temporary agency workers may be outside of equal treatment provisions, as deviations are allowed in the European Directive on Temporary Agency Work. German temporary agency workers are excluded from equal pay for a duration longer than most assignments that are on offer. Swedish white collar agency workers usually have permanent contracts with temporary work agencies, set under collective agreements around wage scales, but are not covered for equal pay and earn less than standard employees in similar occupations.

Overall, temporary work is precarious work, often with less effective protection, even where the same rules apply. Temporary workers, with variable income, are at high risk of lack of access to affordable credit to help with income smoothing, and will have difficulties in taking on debt, including mortgage debt, and in planning a family. Since temporary and part-time workers have poorer access to training, they will also have greater difficulties with career progression. Thus flexible working, if sustained, has higher poverty risk over the life-cycle, and inter-generationally. Flexible working is a dead-end for many workers, encouraged by many governments.

Part-time workers are not, as a category, a cheaper option for employers, as they are usually covered by the same regulations as full-timers. Nevertheless, employers can take advantage through the widespread practice of higher actual than stipulated hours and unpaid overtime. The German National Report (pp 37 and 103) states that regular unpaid overtime was reported for 10% of full-time workers but 38.5% of part-timers and over 50% of mini-jobbers. The Italian National Report (p146) says that unpaid overtime is especially prevalent in the construction sector. That many part-timers undertake regular overtime, may suggest that they want and need more hours, but employers are regularly exceeding contractual agreements, suggesting there is scope for better quality jobs to be provided. One-third of marginal part-time workers stated that employer opposition was the reason they did not work more hours. Another issue with part-time work contracts is one-sided flexibility, e.g. in Italy. Employees may be given a written contract and sign it, but the employer can reserve the right to change elements of the contract at short notice; the employee has much less flexibility.

Intermittent and platform work is a very short form of fixed-term work. It is attractive to employers for one-off types of tasks, and repeating tasks where timing is unpredictable. Framework arrangements with a number of workers who can be contacted at short notice reduces recruitment costs, and blurs the distinction with on-call workers, who have one continuous contract, but without specified hours in any short period. *On-call work* is very attractive to employers; essentially, they get an immanent worker, appearing only at the moments needed, then disappearing, with no commitment from the employer.

The lack of employer investment in these workers suggests most intermittent and on-call jobs are not quality jobs and it would be inadvisable for workers to get stuck in casualised work in the long term.

Are workers voluntarily choosing flexible forms of work?

Overall, it seems clear that flexible and temporary work are a heavily constrained choice, but that there are too little data about casual and platform work to conclude. Regarding part-time work, it

depends how one interprets the constraints on free choice for second earners and for people with a disability.

Involuntary self-employment

There is a low desire from workers for self-employment. The German and Italian National Reports state that self-employment has fallen as the demand for labour strengthened. Hießl (D3.4 p30) suggests that employers take advantage of times of higher unemployment or deregulation to encourage self-employment, and that workers prefer to take jobs with employee status rather than self-employment, when jobs are plentiful.

The 2017 LFS, suggested that just one in eleven employees would prefer to be self-employed, but one in six self-employed would prefer to be an employee; this rises to one in three for the solo self-employed (Hießl, 2022, D3.4 p28), suggesting there are some 'push' as well as 'pull' factors to self-employment.

Misclassification/ 'bogus' self-employment

The German National Report notes that young people and those with a migrant background are most likely to be misclassified as independent contractors. The Swedish National Report states that those misclassified are more likely to work more hours and earn less than those correctly classified in the same occupation. Both the Polish and Dutch National Reports refer to the need to 'drill down,' as misclassification is much more of a problem in certain sectors, and in provision of services rather than goods.

For the seven MS of the WorkYP study, there is LFS evidence of what could be called forced solo self-employment. This varies from 20% in the Netherlands to 25% in Belgium, rising to 40% of Italian solo self-employed. The Polish National Report offered survey evidence that 50% of the economically dependent self-employed preferred to be an employee and had become self-employed at the employer's request.

Thus there is a strong suspicion that many dependent solo self-employed may be misclassified, or 'bogus' self-employed. Current data availability makes it difficult to definitively answer. The 2017 Eurostat ad hoc module on self-employment, had a very narrow definition of '*economically dependent*' self-employment (having no employees; having worked for the last twelve months for one client or one dominant client, and determination of working hours by the client) that meant sample sizes too small to draw sound conclusions at MS level. But looking at MS definitions of an employee, Hießl (D.3.4 pp 26-27) concluded that a major share of them would be counted as employees, meaning they are misclassified. The Polish National Report notes that enforcement of potential misclassification is limited, and fines are low.

Involuntary temporary work

Temporary workers could be described as those who are at the back of the employment queue, therefore getting the least attractive work. Temporary workers include more of the vulnerable groups of young and older workers and non-nationals. Hießl (D3.4 p48) states that '*fixed-term work is regularly involuntary*' and that '*temporary agency work over a long time is rarely motivated by anything but a lack of other options*' (ibid. p49).

In 2020, the share of employees who actively chose fixed-term work was nowhere near a majority in any of the seven MS in the WorkYP study. It ranged from 1.4% in Italy to 31.4% in Sweden. The most common reason for fixed-term employment in most MS in the WorkYP study was that the worker had not found a permanent job. The exceptions are the Netherlands and Germany, where apprentices and probationary employees dominated the sample. In some MS there seems to be use of probation for more types of jobs, including placements in subsidised jobs, and with longer duration. Seasonal workers, often non-nationals, are most likely to be employed on fixed-term and/or temporary agency worker contracts and most have no other option. They may be employed on such contracts for ten months a year. Non-nationals may suffer also from having fewer employment and other rights and collective labour agreement cover, e.g. in Sweden, adding to the imbalance of power in agreeing contracts.

Involuntary part-time work

In repeated waves of EU-SILC, only 10-20% of part-time workers have said they do not want more hours of work (Hießl, 2022, D3.4 p49). Thus, like temporary workers, they need more hours, in other words, more money, and many second earners or older workers may be keeping themselves and their household above the poverty threshold.

There are MS exceptions where part-time work is more frequently stated to be a 'voluntary' option. Luxembourg has a high share of voluntary part-time workers, though in decline since 2014. The Swedish National Report says compared to white-collar workers in the public sector, involuntary part-time work is more prevalent amongst blue-collar workers in the private sector. Germany and the Netherlands report a high share of part-time work for 'caring' reasons. Research suggests that decisions about caring responsibilities are highly constrained by available options. Preferences themselves, as well as support and services, can change and alter decisions about hours of paid work. Sweden had a high share of part-time workers for health-related issues, now in decline.

The gender dimension to incentives for part-time work

There is a gender divide in the reasons for involuntary part-time work. Not finding a full-time job (as is the case for most part-timers in Italy) is the most common problem for male part-timers (one-third across the EU) and caring responsibilities the most common barrier for females (stated by one-quarter of women respondents and 5.5% of men in 2020). The National Report for the Netherlands (p148) refers to a survey that asked part-timers if they would work more hours if certain conditions were met. Eight in ten Dutch female part-timers said they would work more hours. Common conditions were: if work hours better matched domestic responsibilities; if they could work from home or if there was better child-care. A survey of women in Germany where they could select more than one motive for part-time work, found that 96% chose family care responsibilities (for 86% it was care of children). 60% also chose '*joint consideration with my spouse*' which may imply tax management decisions due to joint tax assessment of households (Hießl, 2022, D3.4 p50). It is likely that for low-income families, high taper rates from reductions in benefits when wage income increases will influence hours of work decisions. The German National Report points even to a net reduction in income from increased hours in some situations (p103).

There are other risk of exploitation and in-work poverty due to part-time status. For example where caring responsibilities constrain working times or travel to work options, part-timers are at risk from monopsony employers (i.e., sole buyer of labour), paying below a competitive rate. This is especially

so due to the concentration of part-time women in a smaller number of occupations and sectors. There may be life-cycle poverty risks, for example for German mini-jobbers. Their exemption from tax and social security contributions means that when they need resources due to the arrival of a life risk, they have no insurance entitlement from that employment, or from a portfolio of mini-jobs. The German National Report (p100) suggests that it is employers who are the primary beneficiaries of 'mini-jobs', mostly paying below low-wage thresholds, no sick or holiday pay, plus unpaid overtime. Mini-jobbers are less likely to get regular employment than other job-seekers.

Is casual work (intermittent and on-call), a voluntary choice?

The question is impossible to answer due to lack of data. In summary, LFS data are eighteen or more years old; where data are available there is significant variation amongst MS; there are schemes with attractions both to workers and employers and they may be a voluntary choice. Most such work is unlikely to be decent quality, but the jobs are also less likely to be the main source of income. For those for whom it is their main source of income, there may be a difference between a voluntary choice and a *free* choice, especially for workers facing discrimination or disadvantage in the standard labour market, including people with a disability and people with a migrant background. In many MS there has been a piecemeal approach to addressing exploitation risks as and when they arise/ cause public concern, rather than a coherent policy, which must be the next step.

There are advantages for employees as well as employers. A version of the German mini-job scheme allows work for seventy days a year with exemption from the tax and social security regime. Voucher-based work in Italy is exempt from income tax and from some parts of social insurance; private households (e.g. for hiring domestic labour) and micro-enterprises with fewer than five employees are eligible. It has the advantage of administrative simplicity for employers; they pay the gross wage in vouchers and the employee cashes in from a competent authority, to receive the net wage. It was intended to bring informal work overground. There are limits on employee maximum annual earnings and on earnings from any one employer. There is an additional advantage to employees in both the German and Italian schemes in that workers can retain their rights to unemployment insurance benefits (Hießl, 2022, D3.4 p70).

Specifically regarding on-call work, the 2004 LFS indicated that for two-thirds of workers exclusively on call, this suited their personal circumstances. But the individual MS situation varies, due to different regulatory environments and economic conditions. For example, those who prefer on-call work were 90% of respondents in Sweden but 50% in Poland and just 14% in Italy (Hießl, 2022, D3.4 p71). It is clear that the economic and regulatory environment and therefore the availability of other options is a key driver.

It is doubtful whether intermittent and on-call work provide quality jobs, with a genuine right to refuse assignments, with good working conditions, and opportunities for training and progression. These lacks are very likely to increase risks of in-work poverty for households who get stuck in this kind of work.

It is questionable whether casualised work is always compatible with a right to privacy and family life even where there is a real (as opposed to merely formal), right to refuse assignments. It is equally doubtful that refusal of assignments is without consequences for future opportunities of being offered work. As well, this kind of work can be financially costly for the worker. It may require investment in own transport, in expensive mobile phones, or other tools and equipment; it can involve

long hours of travel at the employee's or contractor's expense, as is often the case for security and events personnel and home care workers.

Is platform work a voluntary choice?

As platform work is intermittent, the same issues apply as above. A 2016 Belgian law aimed to increase the attractiveness of platform work, by excluding earnings of up to 3255 euros a year from social security. Belgium is the only MS to offer encouragement to platform workers and further deregulation was inhibited by a Constitutional Court judgement.

Do workers get stuck in flexible work?

Flexible work is often put forward as a transitional form of work, e.g. in enabling young workers to enter the labour market, and as such, less of a concern, than if workers get stuck in it for extended periods of their working life.

For temporary work, the rate of transitions to permanent open-ended contracts varies by MS. Hießl (D 3.4 p54) says that the data on transitions to permanent employment are incomplete, with no data for two WorkYP MS, Germany and Luxembourg. For countries with data, Italy and Poland have high proportions of temporary workers and lower transition rates. Sweden and the Netherlands show the highest WorkYP transition rates – about 15% to 20% per quarter going into permanent jobs. The Netherlands National Report notes that of all workers, temporary agency workers have the least stable work. The Swedish National Report suggests that young and foreign-born workers face the most challenges.

In the Netherlands, as in several of the WorkYP MS, there was a sharp drop in transitions during the Covid pandemic of early 2020 – to 4% transitions to permanent jobs – even when protection was extended to temporary workers. Along with other atypical workers, temporary workers are disposable workers.

The Dutch and Swedish National Reports suggest there is a high risk that casualised and platform workers, or a sub-group of them, get trapped in this kind of work. The Dutch report states that 15% of on-call workers were unemployed or inactive one year later (p138). The Swedish report refers to the scarring effects of lack of training, employer prejudice and labour market segregation (p162).

There is also the risk for households using these routes as top-up income, that they are dependent on a precarious and fluctuating source of income to keep the household out of poverty.

PART 4: How have Member States and social partners sought to address the risks associated with flexible work?

MS approach to tackling the raised poverty risks for the non-entrepreneurial solo self-employed including self-employed platform workers

The main risk of poverty for the non-entrepreneurial solo self-employed is that when a risk arrives, these workers have little protection in the wage setting and social security systems. One route that Member States have chosen to address this, is by reclassifying certain self-employed workers, or

making intermediate categories of worker, so that they are offered some of the same or similar protections for some social risks, which are available to employees.

Creating more and less protected categories of self-employed

There are in Germany and Sweden old distinctions between categories of the self-employed, e.g. domestic workers in Germany, dependent contractors in Sweden, which give certain self-employed groups employee-style rights to minimum wages or collective bargaining coverage or access to some social protection benefits. One much more recent government intervention occurred in the meat industry in Germany. Covid exposed the appalling conditions in an industry which hired workers as self-employed contractors; Germany has banned companies having fifty or more employees from hiring workers as self-employed.

Creating intermediate categories of workers

Confronted with a significant rise in new forms of working relations, some MS have recently created a variety of intermediate statuses between employment and self-employment. This is especially the case where MS have experienced a significant rise in 'bogus' self-employment. Italy has forms of self-employment that now have similar protections to employees, for example, those categorised as 'co.co.co' and 'hetero-organised' workers. The former category retains self-employed status but are recognised as para subordinate and needing some additional social protection; the latter are granted the same protection as employees. Duration and continuity of contracts and/or work organised by the user company are important determinants of the range of employee-type protections. The Netherlands has identified self-employed people who do not have a comprehensive business structure and who work in ways similar to employees, as needing more protection. Italy, Poland and the Netherlands, which have all had more recent rises in self-employment, have extended some minimum wage protection.

There are challenges in enabling a proliferation of self-employment categories and in-between categories between employee and self-employed: -

- i) The boundaries are increasingly complex and difficult to police as the number of categories of work relationship rises
- ii) There are knock-on effects for the complexity of the tax and benefits systems, especially as workers in less stable forms of employment are more likely to move between different statuses, including into employment and self-employment and out of work
- iii) There is a high risk of poverty due to exclusion from benefits, or inclusion on unfavourable terms.

In six of the seven WorkYP MS (the exception is Poland), courts, labour inspectorates and social security bodies have considered reclassification. Various Italian courts have ruled that riders (food delivery etc) be reclassified as 'hetero-organised' with similar rights to employees, but a Belgian court and the Luxembourg labour inspectorate have retained the self-employed designation. A Dutch decision designated cleaners as temporary agency workers, and a Swedish court overthrew a labour inspectorate decision that similar sorts of worker were employees, and so on.

Litigation against platform companies continues. Courts are reconsidering the importance of factors such as no obligation to accept an offer work, or having to use your own materials, as excluding

designation as an employee. More weight is being attached to *subordination and to dependence* (Hießl, 2022, D3.4 pp75-76).

According to the proposed EU Directive on digital labour (published along with the European Commission Communication and Guidelines on 9 December 2021), there is a legal presumption that platform workers are employees. However, from the National Reports, it would seem the majority of platform workers are bogus self-employed, and a key issue, as for Group 2 solo self-employed, is whether there are effective mechanisms to identify and rectify bogus self-employment (Hießl, 2022, D3.4 p75).

MS approach to regulating flexibility for temporary and part-time workers

The balance is not in the gift of any one economic actor. There are exogenous economic factors such as growth cycles, the stage of economic development and the degree of competition (including global) in markets, as well as unforeseen shocks such as the Covid pandemic. But as well, the scale and depth of flexible work is endogenous to the MS concerned; the regulatory framework of labour and social policy has a major impact. MS have made steps to rein in the extreme flexibility that was encouraged after the financial crisis of 2008.

'Justifying reasons' for fixed-term contracts

There is scope for effective regulation to reduce the prevalence of temporary work. One such factor is a 'justifying reason,' which is necessary to conclude a fixed-term contract only in Luxembourg. In the other MS, one can make contracts ranging from one year duration (Italy) to three (the Netherlands) without any justifying reason.

There are classic reasons for justifying the use of fixed-term contracts such as seasonal work, exceptional temporary need and employee replacement. These reasons could be too elastic – and there seem to be wider justifications now used, including, in Germany, long probationary periods and public budget cuts.

Regulation of repeated temporary contracts

There are variations in the *number* of repeated fixed-term contracts that can be made, with a maximum of three in Germany but an unrestricted number of short contracts in Sweden, with only Belgium prescribing a *minimum duration* of three months for each contract. There are also varying *reference periods*; there are variations amongst MS in how much they limit repetition within the period. In Italy, more than four hundred days of work in three years results in reclassification as a full-time employment contract.

The same kinds of regulation apply to temporary agency workers, though whether it is more or less restrictive than fixed-term work varies by MS. Temporary agency workers can be hired out *only* by registered or authorised agencies, except in the Netherlands. The Netherlands has lengthy periods for temporary hiring with a right to an open-ended contract only after five and a half years.

Swedish temporary workers are almost all covered by collective agreements, which prevent casual and intermittent work, giving such workers more stability and a guaranteed wage between assignments, but not equal conditions with standard full-time employees. Nevertheless, Sweden is an example of strong worker representative involvement in negotiating the use of temporary agency workers. The aim is to prevent temporary agency workers from undermining or replacing regular

workers. But it can turn negative for vulnerable temporary workers, especially non-nationals. In Belgium and Germany there are tighter regulations in the construction sector, which was known for abusive labour practices in the past. More recently, a ban on temporary agency workers in the German meat industry is also a response to very poor working conditions.

Subsidies for harder to place disadvantaged workers

A policy open to abuse of public funds is public subsidy for employers to take on workers already vulnerable on the labour market and/or hard to insert into work. In Germany, for hiring the long term unemployed who are aged over fifty-two years, employers can get compensation of 100% of the wage for five years (National Report p89). There are various employer subsidies for various vulnerable groups, which raises the question of whether this is disguised unemployment, or dead-weight payment for workers who would have been hired anyway.

Enforcement of temporary work regulations

Non-compliance with regulations can lead to conversion from fixed-term to open-ended contracts, or fines, but are the measures sufficiently dissuasive? The Polish National Report suggested enforcement is limited and penalties inadequate.

Regulation of marginal part-time work

Regulation of marginal part-time work varies between the MS in the WorkYP project. Belgium has a *minimum hours' threshold* of one-third of a full-time contract (with exceptions), but it is the only WorkYP MS which does this. Italy insists on the contract hours being put in writing, but as indicated earlier, the employer may reserve a right to change conditions at short notice.

Regarding flexibility favourable to workers, the European Part-Time Workers' Directive requires employers to accommodate workers' requests to change between part and full-time work, but it is difficult for individuals to *enforce these rights*.

The regulatory regime for casualised and intermittent work

MS conditions around repeated use of fixed-term contracts by the same parties and the scope for contract reclassification

There are challenges in deciding at what point repeated use of short fixed-term contracts is an abuse of what should be a continuous contract between the same parties. There are differences between and within MS, and by sector. It all seems a little ad hoc, with the law playing catch-up with facts on the ground.

Most MS have some kinds of restrictions on the repetition of very short fixed-term contracts; not to, would imply misclassification of an employment which appears permanent.

Sweden allows an unlimited number of renewals in two years out of five. But just as for minimum wages, it is collective bargaining that sets the effective standard; in this case, it provides for faster access to permanent contracts. But there are casualised agreements at sectoral level, including in the tourism industry, where one-day contracts are allowed, for a minimum of three hours work. Reforms are underway to clarify for all parties when a contract is fixed-term and when it is open-ended.

Potential reclassification as a continuous contract is also possible in Belgium, Germany and Poland although they allow an unlimited number of short contracts if there is a justifying reason given. Poland does not allow unlimited contracts in seasonal work due to a history of abusive practices. Italy is much stricter concerning repeated renewals of contracts, with an exception for voucher-based work for as long as it does not go above the threshold of 280 hours per year.

The Netherlands and Luxembourg provide no exceptions to limits of two or three successive fixed-term contracts. Luxembourg case law is strict in assessing the justifiable reasons, and the Netherlands requires a six months' gap after three successive contracts between the same parties.

MS restrictions on the use of on-call work, including zero-hours contracts

Insecure, interrupted work with no or few guaranteed hours and employer ad hoc determination of hours and patterns of work, poses a clear risk of poverty even for households who are not dependent on it as a primary source of income.

Excessive use of overtime hours seems common. Most countries do not put limits on voluntary 'ad hoc overtime'; but a *regular pattern of overtime* can be considered tacit amendment to the contract and the employee has the right to have these hours continued, according to past practice. If there are no minimum hours specified for fixed-term work or self-employment, the contract may be classified as a *framework agreement*, as in Poland. In 2019 Germany undertook reforms in response to employers who used on-call workers like full-time employees, while guaranteeing only two hours of work a week (Hiebl, 2022, D3.4 p77).

Employer practice of using low hours employment and regular employer-determined overtime is likely to be an abusive avoidance of restrictions on on-call work. Most MS have no concrete limits on overtime agreements signed as individual or collective contracts. Therefore there is no threshold of hours that would be abusive or would entitle a contract to be requalified as full-time. The majority of countries in WorkYP do not even specify an advance notice period before requiring overtime hours. Part-time women employees with family responsibilities, working in reception and administrative roles, can find short notice and repeated overtime calls exceptionally stressful, especially if they need the income to keep the household above the poverty line. While higher hourly overtime rates can be an employer disincentive for excessive use of overtime, part-time jobs may be excluded from this benefit, which may apply to full-time workers only.

'Working time accounts' have an extended reference period over which hours need to meet an average – up to a year in the Netherlands, but four months in Belgium and Luxembourg. But most of the WorkYP MS have either sector specific bargained frameworks on flexibility, or workplace level agreements, constraining the way it is used.

Most MS have little no regulation concerning *advance notice of shifts and work patterns*. Luxembourg is the only MS in the WorkYP study which does not permit on-call work with no regular work pattern identified in advance. In the six other MS the employer can determine working hours ad hoc or short notice and the employee is obliged to accept the work. Three MS effectively allow zero-hours contracts (no notice, no guaranteed hours). Two of these MS only permit it in certain circumstances or in certain occupations. This is the case in Belgium for flexi-jobs in customer-focused and personal service occupations and sectors, which are possible only for a few months or as side jobs. These flexi-jobs are accessible only to those who have retired or have another contract of at least four-fifths

of a full-time role. Italy allows zero-hours contracts for those aged under twenty-five or over fifty-five, with restrictions on the maximum number of days (as indicated earlier) and disallows zero-hours contracts for a period around redundancies and short-time working. The Netherlands allows zero-hours contracts to the greatest extent of the three, but with a requirement for four days notification and at least three hours of work per call. If not called, the employee is entitled to be paid.

Are these regulatory measures effective in constraining the negative effects of temporary and casualised work?

Some of the restrictions outlined above are recent and are a response to past abusive practices by employers. Using low hours plus severely fluctuating additional hours appears both to be widespread and to escape most current restrictions. Belgium has tight restrictions on on-call work contracts, but a high share of employees with fluctuating hours, although there is a strong regulatory framework and trades union involvement.

The evidence in this chapter shows that workers prefer employee status to solo self-employment and open-ended to temporary contracts. A stable and secure income, protected in the wage setting and social security regimes, is best for preventing poverty over time. Therefore there is a compelling case to better regulate the growth of extremely flexible or casualised work.

It may be naïve to assume that workers are benefitting from a better work-life balance and voluntarily choosing low and fluctuating hours when that is observed. There is often an imbalance of power in bargaining and negotiation and some employees in insecure work may be loath to refuse hours in case they are disadvantaged in future work offers (as drivers using an app to get fares have attested). Some other workers are being denied additional hours so that employers stay within certain regulatory regimes, at the expense of the workers' income and social protection. Second earners are making constrained choices that affect their individual risk of poverty if they form their own households.

Workers little likely to be unionised have scant redress against unfair treatment. But derogations from collective labour agreements can worsen conditions for 'atypical' workers, for example reduced notice periods and repetition of fixed-term contracts, placing the burden of economic risk on the most vulnerable workers. Both the Netherlands and Germany allow collectively bargained derogations that reduce notice periods and exclude seasonal work (the Netherlands) and although zero-hours contracts are not allowable in Germany, derogations can cut notice periods and increase hours flexibility. Two MS in WorkYP have almost no statutory restrictions on on-call work including zero-hours contracts: – Poland and Sweden; but Swedish collective bargaining while falling short of equal treatment, introduces a range of protections against a race to the bottom, including on duration, minimum hours, rights to information and consultation, trades union veto and rights to permanent employment.

The view taken in this report is that very flexibilised work raises risk of in-work poverty, moreso with a lifecycle perspective. Much of it is not sustainable employment and existing regulation could be better enforced. Better regulation of its growth is required to prevent not only abuse but a broader risk of undermining negotiating capacity of social partners and the basis of the tax and social security systems, which depend on broad inclusion and solidarity.

Who benefits most from regulation and derogations?

What is striking is that so much of the incentive effort is directed at employers, whether regulatory laxity or financial aid. But the vulnerable and hard to place, especially if they are pushed into accepting temporary and low-hours work through a 'work first' policy for the unemployed, shoulder the risks of insecurity, exploitation and in-work poverty.

A further striking feature is the extent to which collective labour agreements can derogate from the statutory framework (Germany, Italy, the Netherlands and Sweden, where social partner autonomy is strong). Social partners should try to find better solutions, in cases where trade-offs in the bargaining process, whatever the benefits to others, are to the detriment of the wages and working conditions of atypical and vulnerable workers.

It seems evident from the WorkYP study, that the balance has moved too much in favour of one-sided flexibility. There are unintended consequences and costly side-effects, including to public social spending, but also risks for inequality and for the stability of family life. Many MS have recognised this and have begun to redress the balance, especially regarding the regulation of temporary work.

More needs to be done, especially to incentivise workers to take more hours, and to support them with flanking measures including affordable, accessible, quality childcare and other dependent care, nursery and wrap-around school provision and transport costs, of which there are good examples in MS.

PART 5: Recommendations to cut in-work poverty and improve the quality of work

The key poverty risk for vulnerable and underrepresented workers lies in their weak contracting position vis-a-vis employers and end-users. The results are low wage employees with higher risk of sickness or unemployment, non-employee status or in-between status; low annual hours of work; limited or no employer investment in them and the risk of getting stuck in this kind of work. It has been argued in this Chapter that the consequences of encouraging low-income insecure work is a growing sector of poor-quality low productivity work, which can weaken solidarity in the tax and benefit system and induce a heightened risk of labour market segregation, higher income inequality and more dependence on social assistance income of last resort.

This report takes the view that effecting change that cuts in-work poverty requires a strong basis in social rights and quality in work, and that this foundation is beneficial both for social cohesion and economic productivity¹.

The recommendations in this Chapter focus on increasing opportunity for inclusion in the wage setting and social security systems and improving quality in work. Changes to wage setting and social security systems are considered in later Chapters.

¹ In 2012 the European Anti-Poverty Network published *ten principles on quality work*, that are still entirely relevant. They take a rights-based approach:- provide an adequate and living wage; a sustainable contract and adequate employment rights; appropriate social security protection; quality working conditions and working environment; reconciliation of private and professional life; respect the right to participate; protect against discrimination on all grounds; guarantee access to training and personal development; allow for progression in work, and nurture job satisfaction (EAPN 2011, Brussels).

1 Adapt and broaden the notion of employee/ clarify and tighten the conditions for the designation of 'self-employed'

- The definition of employee is complex and challenging, varying cross the MS. Key features for employee status could be, that the work does not risk personal capital and the worker is subordinate to, or dependent on, the end-user of their labour. A broader definition of employee, as the default option for dependent or subordinate work, could help clarify that non-entrepreneurial solo self-employed workers require employee protections.
- There are workers in low-capital sectors such as liberal professions, some arts and sports people and qualified tradespeople (doctors, accountants, actors, plumbers...) who do not have a dominant client, who have a registered business of appropriate structure, who work for fees rather than salaries, and whose incomes and working conditions are elaborated and defended by professional associations. MS may consider that other people currently designated as self-employed, who do not have all of these characteristics, even in these sectors, should not be eligible for the status of self-employed, insofar as the status confers social-fiscal distinctions.
- For the non-entrepreneurial solo self-employed, if they are working for one dominant client, and having work organised by the principal, this can help determine employee status, at least for inclusion in the social security system. Employer control of working hours, or capacity to nominate a substitute, seems less relevant nowadays (Hießl, 2022 D3.4 p26), in an environment of employees working from home, teamwork, and output-oriented work assessment.
- There may be disadvantages to a strategy of extending the categories of 'in-between' status (between self-employed and workers) to deal with risks of exploitation in flexible labour markets, in terms of proliferation of various categories of workers. There are risks involved too, in broadening the notion of an employee if employers remain easily able to change worker conditions as the preferred means to address the specificities of their markets. It is clear that further deliberation is needed about labour law determinants of the status of vulnerable workers who are currently deemed solo self-employed, and this should be a priority in addressing the expansion of flexible work.
- MS should be prepared to address further unplanned growth in self-employment. After the pandemic phase of Covid, it is likely both hybrid models of working between home and office and a further shift to fully working from home will take place. Some employers are already proposing lower wages for home working (but not necessarily higher wages to compensate for using own home, heating and equipment). Home-working may drive further expansion of self-employment, as employers convert employees to self-employed sub-contractors, to benefit from the fiscal-social advantages in addition to lower salaries. This has already happened to much call centre work, and employers use intrusive surveillance software to keep track of workers' activity.
- In defining self-employment, MS have moved away from examining the intent of the parties, to the material facts of the case. To reflect this development and reduce judicial effort, MS

should remove the tax and benefit incentives for employers and employees to reclassify subordinate employees as sub-contractors.

- In MS where temporary workers are frequently employed as sub-contractors rather than employees, MS should review the reasons for that status, with a view to conferring employee status.
- For MS and social partners where apprentices and certain kinds of probationary employee are excluded from classification as employees, they should reconsider with a view to conferring employee status.

2 Good practice standards for flexible work

Rules on flexible work, regarding justification for creating and terminating fixed-term contracts, repeated contracts between the same parties and reference periods for maximum numbers or weeks/ months of contracts, vary between MS. Some differences are due to variation in the using sectors and some to the demographic groups which dominate flexible work in any MS. But MS could benefit from closer exchange on how each country has addressed the regulation of flexible work. Some specific recommendations that draw on good practice already existing in at least one of the seven WorkYP MS are:

Fixed-term contracts

- Requiring 'justification' appears to be the most effective means to regulate the development of fixed-term contracts. It should be a feature of setting and termination of all employment contracts, Justification should be limited to well-evidenced reasons of cyclical demand, temporary exceptional circumstances and employee replacement.
- Strict limits on repeated contracts between the same parties should be implemented and enforced, otherwise triggering conversion of temporary contracts to open-ended contracts.
- The Fixed-Term Workers' Directive enables MS to choose amongst a number of anti-abusive clauses. These include: a fixed maximum number of renewals for temporary contracts, a waiting period between two temporary contracts with the same person when the limits on total maximum number of contracts, or maximum length, have been reached; a maximum duration for temporary contracts including renewals between the same parties (two years as the general rule). MS have taken very different routes to implementation of this Directive and further action could be taken to achieve best practice.
- There needs to be better evidence that current remedies for breaches of regulations, such as converting contracts to open-ended contracts and levying fines, are dissuasive.

Temporary work and temporary work agencies

- Since in EU law, temporary work agencies are typically employers, they should meet employer responsibilities to the employees they place, including reasonable financial support between assignments; training opportunities and severance pay and occupational pension provision. Joint liability with the end user for certain work-related risks would help to ensure temporary agency employees are correctly treated and paid.
- Social partners should ensure temporary agency workers have their experience recognised in pay scales offered if they are not to be included in the internal seniority system.

- Social partners should ensure any exclusion of temporary workers from negotiated employee benefits should be compensated for by higher salaries.

Labour market integration of disadvantaged demographic groups

- In their concern to ensure labour market integration of younger and older workers, and second earners, many MS have stimulated and subsidised flexible work for these groups, with too little concern for risks of in-work poverty from low wages and benefits, especially over the lifecycle, loss of social contributions, and the risks of deadweight and substitution. MS and social partners should reconsider their approach to labour market integration by age and sex, with more emphasis on practical flanking measures of support for sustainable integration and less emphasis on financial subsidies and one-sided flexibility.

3 Remove incentives for low hours work

- Zero hours contracts are already limited or prohibited in some EU MS. Since the social costs outweigh the individual benefits, this should be extended to all MS.
- Take-up of low hours work may be linked to disincentives in the tax and social security system for undertaking additional hours, especially for second earners. MS should address this directly, including issues of joint assessment and high taper rates for additional hours for those on top-up benefits.
- Remove employer fiscal-social benefits for offering low hours of work.
- Address one-sided flexibility and work-life balance that is constructed on the needs of the employer, including the employer's flexibility to alter conditions after contracts are signed, and leave policies and payments that are not adjustable for workers with caring responsibilities or who have chronic and intermittent ill-health or disability.
- The view that it is less urgent to address casualised workers' wages and working conditions, as many are secondary earners, is concerning. They may be keeping their households above the poverty line, through extra and precarious hours of work for low pay, at the expense of work/life balance, income security, potentially their health and higher lifecycle risks of poverty.
- The oft-heard argument for supporting extremely flexible work with few protections, that the alternative is unemployment, is of little relevance to the majority of casualised and low hours workers if they are indeed second-earners. If they are reclassified as employees, they will have the standard protections of employees, employers will have a level playing field and there will be no need to decide whether workers made a voluntary choice to risk poverty.

4 Protect the most disadvantaged workers from risk of exploitative and illegal practices

- MS should not allow a broad or general justification of economic conditions to reduce labour conditions and standards in particular sectors.
- Social partners should seek to remove derogations from collective labour agreements where a primary consequence is a negative impact on the most vulnerable and underrepresented workers.

- MS should reconsider lower youth rates for the same work and include trainees etc., in employee status.
- Flexibility should be two way, and for parents and carers in particular, MS should look to implement best practice in work/life balance.
- In certain forms of flexible employment including low hours and seasonal work, many of the groups facing prejudice and discrimination including women, racialised and minority ethnic and religious groups, and groups at risk of discrimination due to their ill-health, disability or their sex or gender identity, are overrepresented and may be at risk of exploitation. Trades unions should put more effort into recruiting these workers and make more efforts to ensure equal opportunities and zero segregation and zero intolerance in the workplace. Stronger national equalities bodies with investigatory and enforcement powers, may be required.
- There is a heightened risk of exploitative wages and working conditions in some seasonal work sectors. This requires specific stronger intervention by MS governments and social partners, to ensure decent standards; to ensure equal treatment; to address regulation that puts non-nationals more at risk of exploitative practices; to actively make workers aware of their rights, including before agreeing to a written contract, in workers' first language, and to supervise and enforce regulations concerning working conditions and wages, including illegal and unjustified deductions.
- The post pandemic phase of Covid is an opportunity to reconsider hybrid working and working from home, which may benefit those with caring responsibilities and particular kinds of disabilities. It will need better forms of regulation of appropriate health and safety, working hours, provision of work equipment, privacy and family life, and the right to 'disconnect.'

5 Equal access to quality training and upskilling for workers in poor sectors and atypical work

MS governments and social partners should rethink the extent to which they have contributed, and wish to contribute, to what may be called, 'discretionary' employment, in some respects even disguised unemployment, which only exists as long as workers are cheap and disposable. This report believes MS must make major advances in investment in their workforces, especially if the green energy transition is to be successful and politically sustainable.

- MS governments and social partners should increase spending on active labour market policies as a percentage of GNP, to the level of the 'best performers' in the EU, with a focus on upskilling and on-the-job training, especially for the four vulnerable groups identified in WorkYP.
- MS governments and social partners should consider a statutory duty on employers to offer training, which has a strong positive effect in Sweden and the Netherlands. At the least, MS could consider linking options for flexible work to quality training. Strong social partner engagement has a positive effect on quality of training and skill development.
- Learning should be a supported opportunity throughout working life and include reconversion where there is a risk of redundancy.

- There are creative initiatives to increase training which could be introduced more widely: the Netherlands allows combining unemployment benefits and short-term work with on-the-job training. Responding to employer insecurities about investing in their workforce during the COVID pandemic, the Dutch government tied wage subsidies to training uptake, with oversight by works councils. The German government offered employers financial incentives to enrol their short-time workers on training programmes.
- Training those working in small enterprises will require public support; early reports from Germany are encouraging.
- Social partners and MS governments should consider supporting a variety of flexible forms of training, with quality standards and attention paid to opportunities for internal promotion and transferability of training between employers and occupations. Attention must be paid to access to, and accessibility of, training, for those with variable working hours, caring responsibilities, and for people with a disability.
- Social partners should revisit job evaluation and opportunities for job enrichment and multi-skilling.
- MS governments should ensure access to and uptake of training for all vulnerable groups, including through a range of new institutional arrangements to address upskilling for temporary agency workers, part-time and fixed-term employees and self-employed people.
- For new entrants to the labour market especially, more attention could be paid to soft-skill preparation for working life; but employers have a responsibility to offer well-designed programmes of integration into their business, rather than expecting 'oven-ready' workers. Long duration probation should be discouraged.
- Sectors which are subject to high fluctuations in demand are often amongst the 'poor sectors,' therefore most at risk of in-work poverty. Where businesses are subject to strong fluctuations in demand, for example hospitality, employers could be further encouraged to develop business strategies that help smooth demand and enable employees to multi-skill, which could improve customer service as well as working conditions and opportunities for open-ended contracts.

CHAPTER 3: Statutory minimum wages and collectively bargained wages: assessment of their adequacy, coverage and efficacy and recommendations for improving direct protection against poverty

This Chapter discusses direct prevention of in-work poverty, by means of both statutory minimum wages and collectively bargained wages. Both are paid to individuals and so are not closely related to in-work poverty of households. But as Marchi et al say '*Adequate minimum wages are a necessary safeguard, a type of shield*' (Marchi et al, 2022, D4.3 p8). There are clear benefits for workers in having a statutory floor under incomes, despite the risk of it operating as a ceiling. The rebalancing of negotiating power through collective bargaining is, however, the best enabler of uplift for workers' wages and conditions. But trades union membership and coverage are declining in many MS, and vulnerable and underrepresented workers already experience restricted coverage and unequal benefits. This is particularly the case for those workers who do not have open-ended contracts, especially those without the status of employee.

Part 1 discusses the adequacy and inclusiveness of statutory minimum wages. Part 2 discusses inclusion in, and derogations from, bargained wages. Part 3 makes recommendations to improve the preventative protection of statutory and bargained wage-setting mechanisms.

PART 1: Minimum wages and 'living' wages

What use are minimum wages in preventing poverty?

Minimum wages are not closely linked to household poverty, because many households have more than one earner. But they reduce the risk of 'poverty pay' and thus the risk of household in-work poverty. Minimum wage systems provide a floor under pay and limit downward wage competition between workers, at least for those who are covered in the minimum wage framework.

For a decade and more, wages in general have risen at below the rate of increase in productivity in some MS. But minimum wages have sometimes been increased at a faster rate than overall wages; this is positive for the relative pay of lower paid workers.

Further, there is little evidence that minimum wages reduce standard employment; but there may be other negative effects, such as expansion of non-employee forms of work that are excluded from minimum wage protection.

Higher minimum wages, to the extent that there is a recognised hierarchy of wages, may help also to shift up the distribution of wages, achieving more of the gains of productivity for workers.

Minimum wages are important for those low-paid and disadvantaged workers in Group 1, who have standard open-ended contracts and are covered by statutory minimum wages. *Adequate minimum*

wages are even more important for workers in Group 3, temporary and part-time workers. They are mainly hired under employee contracts, so they are covered by minimum wages, but they do have a higher risk of low pay. For example, the low wage sector in Germany is 21% of all employees, but 33% of fixed-term employees, 39% of temporary agency workers and 47% of employees working below twenty hours per week. Group 3 workers have the combined poverty risk of lower annual working hours as well as low hourly pay. Effective wage adequacy may require minimum standards for working time as well as wages (Marchi et al, 2022, D4.3 p44).

Minimum wages have not yet ended ‘poverty pay’

Minimum wages have not ended poverty pay for individual workers. Following the financial crisis of 2008, policy makers in many MS and at European Semester level, squeezed minimum wages as part of their ‘austerity’ response, resulting in a fall in real wages (Marchi et al, 2022, D4.3 p21). It is clear from the evidence in this Chapter that minimum wages can help *reduce* in-work poverty, but they are not set at a level that is adequate to *prevent* in-work poverty. In the EU, there is no statutory minimum wage that achieves 60% of the median wage (where the median wage is the wage right in the middle of the distribution of wages). But most of Sweden’s collectively bargained minimum wages are above 60% of median income (Marchi et al, 2022, D4.3 p12). Only two MS, Sweden and Portugal, have minimum wages that meet 50% of average wages (i.e. the mean wage got by adding up all wages and dividing by the number of workers). Therefore minimum wages have not been effective so far in ending poverty pay as defined by Eurostat’s at-risk-of poverty threshold (AROP).

Despite lack of evidence, fear of employment effects can lead to setting minimum wages well below the monetary poverty threshold of 60% of median equivalised household income. But even low minimum wages can still lift wages in low pay sectors. In 2015 Germany introduced a low minimum wage, yet very low wages in some sectors meant the social partners still had to renegotiate pay up, to meet the minimum wage. The German National Report said that the biggest impact was in ‘poor sectors,’ where it raised the wage levels of 70% of hospitality workers and half of workers in ‘other services’ (including health and care). In most MS, due to women’s concentration in some low pay sectors, minimum wages have a bigger effect on raising women’s pay than men’s pay.

Governments and social partners who contemplate an adequate level for the minimum wage may have concerns about cross-border ‘lower minimum wage shopping’ by businesses, e.g. as between Belgium and the Netherlands. However, for several of the poor pay sectors, which would be most affected by minimum wage rises, minimum wage shopping is anyway not a risk, as they are services of proximity, e.g. much of accommodation and food, health and social care, and some kinds of administration.

By 2022, the EU Directive on adequate minimum wages was agreed by the presidency of the Council and the European Parliament. When adopted, MS with statutory minimum wages must put in place clear criteria for adequacy and a robust system of updating. There are measures to promote collective bargaining and to support effective access by workers to minimum wage protection.

This Directive can address many of the issues discussed above; but it must be accepted that to be effective in cutting poverty pay, minimum wages need to rise. Even so, adequate minimum wages will not be enough on their own. Other measures to address low annual hours of work and compensation

for loss of wages due to sickness, unemployment and so on, also need to be in place and to be effective.

Are current alternatives to national statutory minimum wages effective in preventing poverty pay?

Most MS currently have national statutory minimum wages, but two who do not are Sweden and Italy. They provide examples of other protective routes in wage setting systems – Sweden, with more reliance on collective bargaining, and Italy, which relies on case law interpretation. Their experience of low pay and risk of poverty is very different, with Sweden having the smallest low pay sector and low risk of poverty, and Italy having a large low pay sector and above EU average risk of poverty. However, neither MS's approach has achieved minimum wages that always protect against risk of monetary poverty.

In Sweden, high levels of unionisation and very high collective bargaining coverage mean it is one of two MS to achieve a minimum wage of 50% of the average wage and it has the smallest low pay problem, but that could change. The Swedish National Report refers to declining coverage in some low skill, low pay sectors, and without a statutory minimum wage, these employees may be increasingly at risk of low pay and potentially, in-work poverty. Further, the Swedish National Report refers to quite a strong 'insider-outsider' dimension to their collective bargaining system (it seems prevalent in other MS also), and to what looks like discrimination against non-nationals. These 'outsider' groups may be more at risk from derogations that push risk onto more marginal groups of workers. Derogations seem to be an increasingly common feature of collective labour agreements in some MS, and their widespread use must be better addressed.

Italy has relied on established case law that deduces 'fair' wages from relevant collective agreements of the 'most representative' social partner organisations. However, while full-time standard workers are protected in the Italian system, there are many workers who are not so well protected, including the 15% of the workforce who are self-employed, and many of those working in the sizeable small business sector, which is not regularly inspected. Italy has in-work poverty above the EU average. Italy has a problem also of 'pirate' collective labour agreements, (which is being addressed) concluded with less representative trades unions, resulting in poorer wages and conditions. There is even collective labour agreement 'shopping' by employers, seeking the lowest cost agreement (Marchi et al 2022, D4.3 pp11 and 27). This 'yellow' unionism is also present in some other MS.

Groups excluded from minimum wage protections

There are many groups wholly or partially excluded from minimum wage protections, which combine to a substantial minority of the workforce, who could be used as a reserve and to undercut standard workers.

Governments in some MS offer schemes that exclude *low hours workers* from minimum wage protection. Two examples are Belgium and Italy. In Belgium, many women work in flexi-job low hours sectors; in Italy, amongst other schemes, there are 'voucher' schemes open to domestic workers and micro businesses. Both Belgian and Italian low hours schemes enable undercutting of the minimum wage, but the Belgian flexi-workers retain their social security rights, while in Italy, they retain only partial rights.

The position of *young workers*, up to age 26, really needs to be addressed as they are at higher risk of poverty from their discriminatory treatment in the labour market. Some are excluded from minimum wages (e.g. apprentices not considered as workers, but trainees, and excluded). Others have lower minimum wage rates even when undertaking the same work as older workers. This contributes to their greater risk of living in households suffering in-work poverty, and possibly, it delays independent living and family formation.

The *self-employed* are expected to negotiate incomes per contract with clients. Wage competition and imbalance in power may mean self-employed undercutting each other to an extent that weakens self-employed viability and increases the risk of needing state support. Wage competition has been observed in Germany (Schoukens et al, 2022, D4.2 p215). Self-employed associations are likely to provide only lobbying support.

Some *employee-like groups of the self-employed* are covered by statutory minimum wages, mainly some dependent solo self-employed workers. In 2015, Italy extended minimum wage cover to its most employee-like self-employed group – ‘hetero-organised’ workers. They were deemed entitled to a ‘fair wage’ which in Italy is used in case law as a vehicle for minimum wage protection. But other solo self-employed workers in Italy have no right to a fair wage and therefore no right to minimum wage protection. In 2016, Poland included self-employed people working under a mandate contract (workers who also have employee-like characteristics) in its minimum wage act. In 2018, the Netherlands included non-entrepreneurial self-employed in its minimum wage law and a recent social partner proposal was for higher hourly rates for the self-employed to compensate for their lack of social insurance coverage (Hießl, 2022, D3.4 p32).

There is some evidence of the value of minimum wages for the self-employed, in reducing risk of in-work poverty. For example, comparing the outcome of introducing minimum wages that included some of the self-employed as in Italy, or employees only, as in Germany. In both MS, the minimum wage measures came in between 2013 and 2019, in a period of economic growth. Having been rising for some years, monetary poverty fell for German employees, but poverty rates rose for the German self-employed and even more for the solo self-employed; German rates actually rose above the high Italian in-work poverty rates for the self-employed. However recent introduction of wage standards for some self-employed in the Netherlands and Poland have not so far reduced rising in-work poverty.

Casual and platform workers are in principle covered by statutory minimum wage provisions if they are classified as employees. When not so classified, they will be at more risk of low pay and are liable also for employment costs for work equipment and health and safety equipment (which increased during the pandemic). Hießl (D3.4 p79) suggests that the legal challenges to the work design of platform companies can be important for classification of on-call and intermittent workers.

Even within MS, there are differences in the way different sub-groups of casual work are classified and protected. For example, in Italy, the hetero-employed status given to largely young, male, riders after public outcry, and the less protected voucher-based work of the largely poor working class female domestic workers.

PART 2: Collective labour agreements and coverage of the four vulnerable and underrepresented groups

The WorkYP project illustrates the vital importance of collectively bargained wages in preventing in-work poverty. Collective labour agreements cover not only wages, but working conditions, and are core to supporting quality in work. On the evidence of the MS studied, sectoral institutionalised collective bargaining seems to be the strongest wage-setting mechanism for holding down in-work poverty rates, helping to ensure that the weight of supporting adequate incomes is not unduly shouldered by public social spending, or the legislative process.

Group 1, as standard employees, even in poor sectors, are most likely to be unionised and covered by sectoral or other collective labour agreements. As they are mostly employees, a large share of Group 3 temporary and part-time workers, though less unionised, are also covered by collective labour agreements. At EU level there are no data on self-employed coverage by trades unions, but some of the National Reports of WorkYP suggest that trades union membership remains the exception.

Risks of losing cover from collective labour agreements and therefore higher risk of in-work poverty

Declining trades union membership, but lesser effect on worker inclusion in collective labour agreements

Trades union membership has been in long term decline in many MS. In the seven MS studied, trades union membership covers *above* half of the workforce only in Belgium and Sweden and about one-third of the workforce in Italy and Luxembourg. Membership is at or below 20% in Germany, Poland and the Netherlands. But coverage by collective labour agreements has remained at high levels in many MS due to the system of sector-wide extensions, often legally binding, and their extension to employers and employees who are not themselves participants in the social partner employer organisations and trades unions. In addition, other employers may voluntarily adopt the content of the agreement or abiding by it may be a condition of public procurement processes. Due to sectoral extensions, coverage in Sweden and Belgium is over 90% of the workforce; about 55% in Germany, and lowest in Poland, where there are no systems of extension.

Bigger risk of declining coverage for low skill and temporary workers

Evidence from highly unionised Sweden suggests that declining trades union membership features more amongst blue collar employees in the private sector, suggesting that Group 1 standard employees in low paid sectors, are affected by declines in unionisation. In Germany, trades union membership has declined most in the low-skilled service sectors; the National Report suggests that the low pay sector emerged before the reform of unemployment benefits, which then further stimulated its growth. There is evidence from National Reports that coverage is even lower in the 'poor sectors,' where, by definition, low wages are prevalent. In Poland, where there is only company level collective bargaining, there is almost no coverage by collective labour agreements in the 'poor sectors;' and Poland has a large, and probably underestimated, low pay sector. In contrast, the Netherlands, which has low levels of unionisation, yet low levels of in-work poverty, has high collective labour agreement coverage through the system of extensions.

There are increasing issues of representativeness of trades unions in certain sectors in some MS. This is concerning due to the extensive use of derogations from statutory requirements and equal treatment. Poor representation may be one reason for low levels of unionisation of temporary

workers compared to those on open-ended contracts. Unfortunately, data are old and limited; 2011 data for temporary workers in Germany show about half the unionisation rates of standard employees. Fixed-term workers in Sweden are a rising share of the workforce, and unionisation of blue-collar fixed-term workers halved between 2005 and 2018, to 37%. Temporary employees are eligible for representation at works council level, but are under-represented – e.g. in Germany, only 1% of elected representatives are fixed-term employees.

Low unionisation and collective agreement coverage for casual and platform workers, but some developments

EU data on unionisation rates do not exist for casual and platform workers. But even in highly unionised Sweden, in 2017 unionisation rates of 28% were found for temporary workers whose working hours are not stipulated in advance, down from 39% in 2006 (Hiebl, 2022, D3.4 p78). But five WorkYP National Reports have noted signs of unionisation of parts of the on-demand workforce (the exceptions are Luxembourg and Poland). Italy and Sweden have collective labour agreements for platform workers who are delivery riders. Both Italy and Sweden cover some other platform workers with general sectoral agreements. In Belgium and the Netherlands platform workers are covered as employees, by collective labour agreements universally applicable to a sector. In Belgium there is also a special regime for platform workers with low earnings. German, Italian and Swedish platform and umbrella organisations have joined associations engaged in sector-level negotiations.

Self-employed casualised and platform workers engaging in collective bargaining have been considered to be in a legally uncertain position with respect to labour and competition law. This could change due to the new European Guidelines regarding competition law, which clarify the situation for digital labour.

Effects of derogations from collective labour agreements

Collective labour agreements are a key protector against risk of in-work poverty for Group 1 standard workers. Sweden shows the impact on wages and employment of cover from strong collective labour agreements. But it is the sole example where there has been effective effort to provide stable employment for not only standard, but flexible workers – in this case temporary agency employees, who get reasonable remuneration between assignments. The latter is not the case for Italian temporary agency employees, who are entitled only to a low monthly ‘availability’ allowance. The Swedish achievement is due to agreements that put restrictions on temporary and casual employment and include wage clauses that provide higher wages than those offered to new entrants on open-ended contracts. These clauses are important also in showing what can be done to tackle continuing low wages for fixed-term employees working for different employers, who are excluded from seniority-based remuneration systems.

The extensive use of derogations from legal protections is an important reason that the positive effect of collective labour agreements is weakened for Group 3 workers. Derogations are allowable due to the right of initiative of social partners in collective bargaining. In some MS there are regular deviations from statutory standards for fixed-term and temporary agency workers. Examples include derogations from equal pay in Germany and Sweden, and the Netherlands’ use of successive assignments subject to termination at the will of the end user. There have been some reforms in the Netherlands and Germany that row back a bit on liberalisation of fixed-term (the Netherlands) and also temporary agency workers (Germany).

Even when unionised and covered by collective labour agreements, temporary employees are at a disadvantage in claiming equal pay and conditions. With creatively designed company workforces, temporary employees may not be able to find a comparable permanent employee, making it impossible to challenge less favourable wages and conditions. A broader notion of comparability is used in some MS, which allows comparison with similar work or similarly skilled work, in other companies or sectors.

There is increasing use of outsourcing to sub-contractors, which has the possibility to evade much regulation and collective labour agreements if there are not strong equal treatment principles, as between in-house and outsourced employees. Outright illegal employment is also a bigger risk for temporary workers, who are more prone to underpayment and exploitative working conditions. The Polish National Report notes that one in four cases of illegal employment involves illegal temporary agency work (p160).

In general, part-time employees confront less risk of underrepresentation and of derogations, but very low hours workers may have a different experience. German mini-jobbers have unionisation rates below those of temporary workers, and part-timers in general are only 1% of works council representatives. The National Report for the Netherlands suggests discrimination against marginal workers affects their wage levels (p104). Part-time workers can be at risk also of slower wage scale progression, which is not prohibited by EU law. But Luxembourg has excluded this possibility in its national law.

Derogations could push some less advantaged workers towards even more marginal working conditions such as bogus self-employment. There has been some trades union effort to achieve reclassification of the bogus self-employed, for example in Sweden, and, in Belgium, for delivery riders (but not in all cases). In Italy and the Netherlands trades unions have used strategic litigation to reclassify platform workers and make collective labour agreements applicable to them (Hießl, 2022, D3.4 p79). But casual and platform workers still suffer from unfavourable derogations agreed by trades unions. Germany and the Netherlands are MS where collective labour agreement derogations have been agreed that enable very flexible on-call regimes. Intermediary and umbrella associations also need more scrutiny to assess the array of features that have consequences for employee rights and protections.

Illegal work practices and enforcement

There is a general issue of inadequate enforcement of regulations. Hießl (2022, D3.4 p81) reports numerous examples of illegality and emphasises the overrepresentation of 'outsiders' especially those with a migrant background. Examples include gross underpayment of platform riders in Italy; vulnerability of seasonal workers who are migrants in Poland; inadequate health and safety protection for on-demand workers in Sweden; the frequency of non-payment of wage components in Germany and inadequate inspection of working conditions for platform workers in the Netherlands. All these create a high risk of poverty and to human dignity.

Wage setting: fair pay, adequate pay and expenditure benchmarks

The concept of *fair pay* is about the ranking of wages in relation to one another, in the framework of worker input and reward. It is ill-defined in most MS constitutions and labour laws. But combined with constitutional expressions about preventing poverty and the primacy of EU laws and EU and

international aspirations to which MS are signatories, there is sufficient scope to move in the direction of fair pay wages. References to *decency*, *adequacy*, *socially acceptable*, and similar phrases, are present also in MS and EU law and international conventions, so there is sufficient scope also to integrate notions of adequacy into minimum wages. (Marchi et al, 2022, D4.3 pp37-42). The Directive on adequate minimum wages, when adopted, reinforces the scope for addressing adequacy.

Marchi et al emphasise that fair pay and adequate pay are distinct concepts. 'Adequacy' can be defined as enough for a decent life, according to the social and cultural norms and expectations of the country concerned. To achieve that aim, it is conventionally accepted that a minimum wage should not be lower than the monetary poverty threshold. 'Fairness' concerns relations to other wages, and worker input for reward. Marchi et al conclude that both concepts are necessary for an effective wage setting system that prevents poverty and combats inequality. It is necessary also to have an expenditure-based benchmark, such as the living wage, to ensure adequacy. Such a triple protection would also prevent unfair cross-border competition (Marchi et al 2022, D4.3 p40).

'Living wages' to protect households from in-work poverty: an expenditure-based threshold

'Living wages' are a cost-of-living benchmark converted to an hourly wage.

The higher in-work poverty risk for single earner households in all vulnerable and underrepresented groups suggests that the concept of the 'family wage' earned by one worker, and supporting the full household costs of reproduction, not only weekly but over the lifecycle, is not a reality for many households, if it ever was. This may help to explain the rising demand for a 'living wage' by civil society groups, for example in the UK and Ireland (the UK government now refers to the statutory minimum wage as its 'living wage,' which is confusing).

There may be valid concerns that the 'living wage' ambition, as it is based on *household* needs, draws a veil over women's potentially subordinate household position and women's low pay per se. However, this report is about in-work poverty, a household indicator, and therefore it is appropriate to consider it here.

The 'Living Wage' as campaigned for by civil society organisations including some trades unions, is used in wage negotiations and to help campaigners set indicative floor/ minimum wages for full-time work that would keep households out of cost-of-living-poverty. It is a campaign tool that has been signed up to by some large employers and has some Scottish and Irish government support. The Living Wage is thus an hourly rate that can support a 'modest but adequate budget' that will keep several 'model' types of households out of poverty. It is expenditure (cost-of-living) based. The UK uses a consensus method, in which focus groups of poor and not-poor people, relevant for the household type, decide on the budget items deemed 'essential.' These are costed at retail prices in the lower segment of retail markets, uprated and rebased regularly, then calculated as an individual wage, generally coming out at the equivalent of one to three euros per hour higher than the statutory minimum wage in the UK. The same types of calculations are made for old age and other pensions and for different regional costs of living. The methodology is a relatively inexpensive means of identifying a floor income with public consensus that it prevents poverty.

If generalised, the method can be understood to produce a threshold income for social assistance, that keeps households just out of material poverty and above which all wages should be set. It is

intended to be modest but adequate and enable participation in social life; it is not a bare subsistence income.

The UK approach is a civil society means of establishing benchmark adequate incomes; but it is not used by the UK Government to establish official minimum incomes. The methodological approach more favoured by some MS and at EU level, is a 'scientific' approach to establishing the basket of goods that will comprise a computed 'reference budget,' from nutritional values onwards (but even appropriate nutrition is culturally sensitive). It usually involves experts in the field, may also involve focus groups of people in poverty, is usually data led, e.g. in some cases by what the poor are buying (though this may not express their preferences, but their constrained income). This approach is more costly than a consensus approach to delivering a reference budget and there is work still to be done to get comparable principles and data for these reference budgets. There is work to be done also on what in principle constitutes a basic but adequate budget, converted into a wage, which prevents poverty *in work* and that is appropriately ranked vis-a-vis an adequate minimum income paid to households in which no-one is currently in paid work. Differences in the 'social wage' in each case and in each MS, must be addressed also.

It is essential that the expenditure-based concept of the Living Wage is used only to establish a socially acceptable decency threshold. It should not be used to make social minimum budgets into maximum budgets, or to undermine existing models and systems that deliver stronger outcomes for people at risk of poverty.

The complementary role of expenditure-based and monetary-based floor incomes to prevent poverty

The importance of the concept of a 'living wage,' is that it is meant to keep households out of expenditure-based poverty. It is an essential complement to relative monetary poverty targets for minimum wages, more especially in MS where relatively low incomes would make the 60% of median wage or income threshold, whether gross or net, wholly inadequate to support a decent life for workers and their households.

Both expenditure-based and monetary indicators add value in combating poverty and inequality. Wages set with a floor at living wage, address the issue of adequate budgets for the cost of living, and would go a long way to cut risk of household poverty, especially for those workers in a weak bargaining position. Floor or minimum wage thresholds (e.g. 60% of median wage) set to prevent relative poverty as measured by AROP, are an essential contribution to an equitable sharing of the rewards of work and are simpler to compare cross-nationally and over time.

PART 3: Recommendations to improve the protection from poverty provided by statutory minima and bargained wages

Recap

Minimum wages are important in preventing in-work poverty and worker exploitation, especially if extended to a *broader notion of employee*, and they help to support equality between men and women. Statutory minimum wages are very important as they give workers a legal right to a minimum level of

pay and are especially important where representative trades unions are weak or absent. Given the importance of the social partners in matters of minimum wage, and their exclusive competence in wage setting in Sweden, there will be MS differences in how adequate and fair minimum wages are achieved. Minimum wages that are effective to prevent poverty also require a cost-of-living benchmark, regular uprating, and no derogations.

Collective labour agreements are a successful means of lifting wages and conditions above statutory minimums, but they can still be set below the poverty threshold in some sub-sectors. As well, in some MS, bargained wages have been below productivity rates for many years. There is an imbalance of power as between employee and employer representatives that for two decades or so has been shifting the distribution of income to the disfavour of employees. This must be addressed to combat poverty in work.

There are also broader reasons for universalising statutory minimum wages and firmly institutionalising collective bargaining; they will broaden the base and support the stability of the tax and social security systems.

Below, recommendations are made to ensure inclusion in protection mechanisms especially for vulnerable and underrepresented workers. The Recommendations support the implementation of the principles of the European Pillar of Social Rights, in particular principle 6 on wages.

1 Universalise minimum wage protection

- Given labour market trends, all MS would benefit from a statutory minimum wage, which would improve the contributions and benefits for low paid workers and help stabilise the financial basis of the tax and social protection systems. A coordinated approach would assist upward convergence in the EU.
- MS should crack down on illegal work for health and safety, as well as poverty risks.
- MS should re-examine the overall social and economic value of outsourcing and consider cutting its use as a regulatory avoidance tactic. Where it is used, it requires strong regulation based on the principle of equal treatment between employees of the user and employees of the contractor.
- Social partners and MS should remove young workers' exclusion from employee status and exclusion from minimum wages and address much lower wage rates when they are included.
- Social partners should aim to reduce and remove sub-minimum rates for long term unemployed people and people with a disability; the focus should be on positive integration and MS should ensure good services to support mental and physical health and workplace adaptation.
- MS should reconsider both the overall social and economic value of encouraging low hours work and its sometimes exclusion from minimum wage regulation.
- Solo self-employed and casualised workers would benefit from a floor income that is independent of employment status. Since MS and social partners have shown it is possible for some non-entrepreneurial self-employed to be covered by statutory minimum wages, this

should be generalised to all non-entrepreneurial self-employed and casualised workers, either as self-employed or by reclassifying them as employees.

2 Minimum wages should be adequate and fair wages - set to enable households to live decently over their lives

- Minimum wages should be set to at least 60% of median equivalised wages in the MS, if they are to prevent 'poverty pay' and widening inequality.
- A 'living wage'/ cost of living approach to setting minimum wages is a complementary method to ensure that the minimum wage is set at a budget level that at least enables a modest but adequate level of living for typical households. A 'living wage' commission at EU level could provide practical support to MS, in the context of implementation of the Directive on adequate minimum wages. Such a commission would need to consider other specific measures for households with additional specific needs, and deal with the impact of over-indebtedness on household budgets.
- Minimum wages must be better and regularly updated, monitored and enforced to stay effective and relevant. Minimum wages must be properly and regularly adjusted for price inflation. Currently, it would be particularly useful to have a distinct inflation index that is based on the basket of consumption goods and their weights, typical of expenditure by lower paid workers, more of whose income is spent on rent, food, energy, other utilities and children's needs. A living wage commission could be a useful interlocuter in this respect.

3 Stronger inclusion of vulnerable and underrepresented workers in the systems of collective bargaining and more focus on their specific risks

The evidence from WorkYP is that inclusion in effective collective bargaining systems is the most direct way to achieve wages above minima and better working conditions. Supporting the fair distribution of primary income through negotiation, lifts a consequential burden from state spending to combat poverty and to ensure a decent life for all. Thus, overall -

- MS governments should ensure their active support for institutionalised sectoral wage bargaining and the rights of workers to withdraw their labour in pursuit of their claims.
- MS and social partners should enhance advisory and bargaining arrangements that support small businesses to engage in collective negotiation, and support sectoral extensions.
- There should be restrictions on the capacity of employers in some MS to make use of agreements with 'yellow' or 'pirate' unions that are not established to defend workers' interests.
- MS should provide a stronger regulatory framework for wider worker access to the benefits of trades unions, especially for precarious workers, while retaining social partner negotiating and bargaining autonomy. MS could remove
 - limitations on the possibility of extending collective agreements to non-unionised sectors

- rules that give automatic priority to the application of company agreements over sector agreements
- rules on unilateral derogations from collective agreements at company level.

More focus in collective bargaining on decent work for atypical and precarious workers

- In some MS, there are specific measures in place or in progress, to reduce vulnerability and underrepresentation, in the areas listed below, which could be considered by other MS and taken up by social partners aiming to improve inclusiveness and quality in work: repeated use of short contracts between the same parties; zero-hours no notice contracts, which are not compatible with private and family life; low hours contracts with abusive use of overtime; overtime not paid or not paid at higher rates; derogation from collective labour agreements including under-cutting of minimum wages; low unionisation and unrepresentative trades unions; lack of inspection and enforcement, especially in more risky sectors; lack of worker awareness of their rights.
- It is important to note that many precarious workers are vulnerable and disadvantaged in the labour market, due to caring responsibilities, chronic ill-health and disability, prejudice, discrimination, and nationality. They are at risk of segregation into the poorest quality of work unless there is in place a strong equalities' perspective, reasonable adjustments to support sustainable and equitable participation, and their needs and concerns are well understood by negotiators and law-makers.

Specific recommendations for temporary agency workers

- There are good practice examples in negotiated agreements that provide stable employment and decent wages for temporary workers in Sweden.
- To support equal treatment of temporary agency employees in negotiation, consider broadening the notion of a 'comparable' permanent employee to include comparators of similar level of work in other companies/ industries/ sectors. Where industries or sectors will find it challenging to meet an immediate uplift in wages and conditions, the comparator could be used as a benchmark to be achieved over a given time period; this approach could help drive productivity.
- There are good practice examples in Italy and Luxembourg, of the use of joint liability of end-user and temporary work agency, so that the end-user is also liable in the case of non-payment by the temporary work agency (Hießl, 2022, D3.4 p62-3).

Including non-entrepreneurial solo self-employed workers

- Some MS appear to allow collective bargaining inclusion for sub-groups of non-entrepreneurial self-employed, although the situation is not clear, and in Belgium and Luxembourg there are no collective agreements for the self-employed. MS could more narrowly delimit the status of self-employed, to remove non-entrepreneurial solo self-employed from the definition.
- Rather than seeing them as unfair competition where they do the same or similar work to employees, existing representative trades unions, as some already have, should seek to address the status of dependent self-employed so that these workers can access the benefits

of collective agreement coverage. As some trades unions already do, they could use strategic litigation to challenge misclassifications that result in bogus self-employment.

- Concern about EU competition law (price-fixing) has inhibited trades union recruitment of the self-employed (e.g. in Belgium and Sweden, and Belgium has pointed to the lack of legal basis for regulation. The Netherlands has attempted to provide clarity about criteria for legality). In December 2021, the European Commission published a Communication on quality in work for digital labour platforms, plus proposals for a Directive on working conditions, and measures to correctly determine employment status. There are also Guidelines on the rules concerning competition law. It should be easier for self-employed workers to reach agreements regulating their social security position (Schoukens et al, 2022, D4.2 p215). There are measures to provide clarity on the application of competition law rules for collective labour agreements for the solo self-employed. The Guidelines make it evident that at EU level, there is no risk of prosecution
- A recruitment difficulty for trades unions is that self-employed and flexible workers tend to be more concentrated in small businesses and service sectors, which are more difficult to unionise; more innovative methods must be tried, including greater use of social media and revised packages of services – as some large trades unions and newer independent workers' unions have begun to do.

Including low hours casual and platform workers

- Many casualised workers can be classified as bogus self-employed, and trades unions in some MS have taken legal action to address this. Casual and platform workers would benefit most from a definition of employee that is more focused on subordinated and non-entrepreneurial work and that is not concerned by considerations of the obligation to accept work or to provide own tools and equipment and safety cover. Some MS and their courts have begun to move in that direction.
- In deciding whether to address egregiously poor wages and conditions, the decisive importance of whether the choice of low hours or casualised work is voluntary, seems spurious. This report has indicated that it is challenging to determine voluntariness in any meaningful sense from observation and self-report.
- Where effective labour market regulation requires removing the option of casualised work, that should be pursued.

Specific recommendations on progression for workers

- Social partners should reconsider career progression systems and seniority pay scales, to ensure they do not exclude flexible workers from reasonable opportunities to progress and to be paid wages that reflect their years of experience. Luxembourg is an example of ensuring that part-timers can progress at the same rate as full-timers. Sweden is an example of ensuring temporary employees' pay reflects their experience.
- But seniority systems should ensure entry level wages for young workers and re-entrants that at least meet the monetary poverty threshold and the material deprivation threshold (the relationship between these two thresholds will vary depending on the absolute level of living in a country and the distribution of income).

CHAPTER 4: Social Security: wage replacement benefits in case of loss or interruption of paid work

This chapter considers protection for vulnerable and underrepresented groups from the impact of loss of income, due to unemployment or interrupted work, for example due to sickness.

In Part 1, this chapter notes the differences in the overall protective capacity of the MS of the WorkYP project, according to a typology of five approaches outlined in report D4.2 by Schoukens et al. This is the context in which protection for all of the groups in each MS takes place. There are differences in the degree of universalism and in the expected role of employers, the state and the family and civil society, in protecting working age people from poverty.

Part 2 distinguishes the differences for the four groups in the degree of protection provided by insurance-based benefits, mainly sponsored by employers. Part 3 briefly considers protection through generalised social assistance benefits, i.e., incomes of last resort.

Part 4 of this Chapter 4 makes recommendations to improve the inclusivity and equity of coverage for the four vulnerable groups.

PART 1: Variations in the preventative and compensatory capacity of social security systems

The seven MS studied in WorkYP in some respects have seen similar trends to less than generous social security systems, but from different foundational principles and priorities. Schoukens et al, (2022, D4.2 pp25-28) have classified three of the seven MS studied as Continental (Belgium, Germany and Luxembourg) plus one Nordic (Sweden); one Post-socialist (Poland); one Southern (Italy) and one Anglo-Saxon/liberal (Netherlands). Continental systems are characterised as heavily work-focused; the Nordic as universal and most decommodified and defamiliarized; the Southern as focused on work but with more reliance on the family as a social safety net, and the Post-socialist model as having elements of universal plus professional insurance. The Netherlands has undergone so much reform, that report D4.2 has classified it as Anglo-Saxon/liberal – universal but with many privatised elements, and with a much larger element of targeted, means-tested, low benefits than the Nordic model. Some other MS are becoming ‘hybrid’ models. All have some aspects of each system to differing degrees, and all have been, or are in the process of, significant reforms, which have adjusted the character of the systems.

The Nordic systems, with a universal approach, supplementary support and in some respects a preventative character, appears to offer the best protection against in-work poverty. That is clearly the case for Sweden and especially for Group 1, low skilled standard employees working in poor sectors. But there can be, in practice, less effective protection for flexible workers and self-employed workers.

The Netherlands’ Anglo-Saxon model results in high employment with a large low wage sector but with less impact on raising the risk of in-work poverty. This outcome may be due to broad collective labour coverage by extensions, social-fiscal allowances and the linkage between wage developments and the level of benefits.

The ‘Southern’ model, of which Italy is the example in WorkYP, also provides basic cover for standard employees, and adequate benefits, helping to protect them from poverty. But broader protections by means of child benefits and social assistance are quite recent. Benefits vary in different occupations,

and a significant percentage of workers are outside of standard employment contracts, and in a much weaker position, resulting in the highest rates of in-work poverty.

The Post-socialist group is even more varied, and Poland is the example in the WorkYP project. There is universal coverage by insurance-based benefits, but a reliance on family as a social safety net, and low overall spending, resulting in low levels of benefits, therefore a higher than EU average risk of in-work poverty.

PART 2: Employer sponsored insurance-based wage replacement benefits for vulnerable and underrepresented groups

Inclusion in insurance-based social security for Group 1 low skilled standard employees having full-time open-ended contracts

As full-time standard employees, Group 1 low skilled workers in poor sectors, have *formal* access to social security systems, and so are covered by the insurance-based system for income replacement for lost or interrupted work. This includes unemployment benefit, and employer benefits for work interruption due to sickness, maternity etc.

Of the four groups studied in WorkYP, Group 1 are by far the *best protected* against risk of poverty; but given the design of social security systems and adequacy of benefits, this does not necessarily mean they are *well protected*. For example, in six of the seven MS (the exception is Poland), single earner households with a dependent partner and two children have out-of-work benefits below the 60% of equivalised median income AROP threshold (Schoukens et al, 2022, p209).

Impact of income and duration linked qualifying principles on benefits for Group 1 employees

Not all workers are treated equally in the systems. There have been poorer benefits for blue collar vis-à-vis white collar workers, e.g., in terms of duration of employer benefits, or percentage of income replaced. This hierarchy has been eliminated in most of the MS in the study but is still being eliminated in Belgium, and Italy has lower sick pay for blue collar workers (Schoukens et al, 2022, D4.2 pp181-182).

As the group of standard workers in poor sectors with prevalent low income, Group 1 employees, even with the same entitlements, gain less from income replacement than do higher income workers, because benefits are often related to the worker's income, and link to the principle of equivalence in the social security system. Replacement income is less adequate, since the replacement rate is, e.g. 80% of previous income. Group 1 employees also run greater poverty risks than higher income workers, due to the impact of 'decage' (benefits declining over a period of sickness or unemployment). There is a risk of falling out of insurance entitlement entirely, due to duration of unemployment or work interruption and the link to previous consecutive periods of employment.

The WorkYP report shows that in five of the seven MS studied, sickness payments are higher than unemployment benefits. Group 1's social security benefits for sickness and unemployment do not reach the monetary poverty threshold (Schoukens et al, 2022, p209). Only three of the MS have a minimum benefit level for unemployment and sickness (Belgium, the Netherlands and Luxembourg), which may be topped up by governments via social assistance when income falls below it, while

remaining in the insurance-based system. In the other MS, workers who do not have sufficient income must apply for social assistance, which is a very low flat rate subsistence income (well below the monetary poverty threshold) and the qualifying rules concerning suitable work, or assets such as savings, are much tougher.

Impact for Group 1 of higher risk of unemployment and interrupted work

Flexibilisation of the labour market, including making dismissal of employees easier in some MS, raises Group 1's risk of becoming unemployed. As employers have invested little in them, Group 1 workers are especially at risk of redundancy or shorter hours if economic conditions are poor. They are amongst those who have been more at risk of short-time work or lay-off during the Covid pandemic. While countries introduced measures to support incomes, these were not always targeted at keeping households out of poverty. For example, the German government introduced flat-rate benefits for short-time working with no minimum threshold, but in the context of a chain of other benefits, including social assistance.

Group 1 employees, if 'just about managing', can find a period of interrupted work causes budgeting difficulties and over-indebtedness. This may be especially damaging if the reason for interrupted work is family leave, with a new child to care for and pay for, or a sickness of long duration. To the detriment of the parent and child, take-up of family leave is challenging for low-income households if not at 100% replacement.

A further risk of indebtedness is due to 'waiting periods' before payment of benefit. These vary by benefit and by MS and there is sometimes no waiting period. However, waiting periods for standard employees such as Group 1 are less onerous than for Group 2, self-employed people, where they are included in the benefit, as some are for unemployment benefit.

But for all vulnerable workers, savings are likely to be low or absent and access to credit on reasonable terms is not assured. There are further risks of poverty from getting entangled with lightly regulated high interest lenders and irregular lenders, with the prospect of more budgeting challenges and stress, affecting the mental and physical well-being of workers and their households.

Inclusion in insurance-based wage replacement benefits for Group 3 temporary and part-time workers

Group 3 workers are also (mainly) employees, therefore entitled to insurance-based benefits. There are exceptions from cover, for example mini-jobbers in Germany, who have very low hours in order to meet the income condition (450 euros per month) of being excluded comprehensively from the social security system, and therefore from contributions. As a mini-job is designed to be a top-up to an existing household income, it may not be closely connected to risk of in-work poverty at household level. But it does affect learning opportunities and career progression for the individual, as it usually involves a restricted range of activities. As well, it was earlier indicated that mini-jobbers are often from households in financial difficulties and that a life-cycle perspective is less favourable to mini-jobs: life events such as maternity or retirement, or life risks such as sickness, unemployment or divorce, can then push households below the poverty line.

Group 3: Low benefits, barriers to eligibility and less favourable access to insurance-based benefits

Group 3 part time-workers generally receive benefits calculated pro-rata, which means they may be very low if hours of work were low, and risk households falling into poverty. Depending on why their hours are low, part-timers may be eligible for partial benefits for unemployment, incapacity and parental leave. The situation varies in different MS, and access may be at the expense of tighter time-frames for payment, with higher risk of exhausting the benefit, and with very tough work capacity assessments.

Group 3 flexible workers may in practice face barriers to eligibility for employer-paid insurance benefits. This is due to income-related benefits conditional on previous income and duration of employment in specific periods. Flexible workers may find that they have paid in over a lengthy period, but interrupted work means payments were not continuous and they get little benefit out for the payments they have put in.

If their work is unstable, temporary employees may fail to meet conditions altogether, or become eligible for only flat-rate benefits. In Germany, paid annual leave may be replaced by an allowance. In Sweden, employment duration is determining for access to sick pay and parental leave. Housing allowances are age-dependent, making sufficient income a real difficulty for young workers. As well, short insurance periods usually mean short duration of benefits.

Entitlements beyond the statutory minimum are less likely for Group 3 employees, again often due to conditions linked to employment duration. There are also differences in provisions for collective redundancy. Even where temporary employees are fully eligible for insurance-based benefits, in the case of sickness or maternity they may be less protected from termination, including early termination in the Netherlands (though reforms are ongoing).

Non-nationals are generally more likely to be in flexible work, but if from an EU MS, should be entitled to equal treatment. Third country nationals are not, and therefore more at risk of exploitation, and of increased risk of poverty. This is the case for people of migrant background from non-EU countries.

The Covid pandemic phase led to greater protection for flexible workers, waiving some of the conditions for access to social security benefits, but there were gaps in protection. In Poland, the main job protection measures did not support temporary agency workers. But as German inclusion of temporary agency workers showed, it did not prevent them having a higher rate of job loss. German mini-jobbers continued to be excluded from unemployment insurance benefits and short-term allowances. Mini-jobs accounted for one fifth of employment contracts, but a majority of all jobs lost from early 2020 to early 2021. Flexible workers are disposable workers.

Cumulation of risks

A key disadvantage for Group 3 workers, especially temporary workers, is the *cumulation* of risks, of low wages and poorer conditions, of unemployment and interrupted work, of lack of eligibility, or of lesser entitlements, for shorter duration etc... This cumulation may underlie their high severe material deprivation rates and thus deep poverty, as a group of reduced annual hours employees. Group 3's high monetary poverty *and* high severe material deprivation rates are despite the fact they are a heterogeneous group; some of the demographic groups with low and unstable income are not at risk of household in-work poverty. This is the case for many students living with their families and working on fixed-term contracts, and part-timers, mainly women, with care responsibilities, who have a fully-employed partner. But some of these two groups are likely to be in households that are

‘just about managing’ to stay out of poverty by including their subsidiary earners’ incomes; they would fall immediately into poverty due to any interruption to the subsidiary earner’s employment.

Inclusion in insurance-based wage replacement benefits for Group 2, self-employed

Incentives to convert from employee to self-employed status

Despite the importance of secure work and social security cover in protecting workers against income loss and consequent poverty, some MS have actively encouraged self-employment. The Netherlands and to a lesser extent Germany, offer attractive terms to workers to convert their status, such as lower tax and social security contributions, or voluntary opt-ins to just some social security elements. The attractive terms in the Netherlands have resulted in a rapid increase in self-employment, which is not the case everywhere, self-employment is even declining in some MS, though recently the Covid pandemic may have, perhaps temporarily, caused a further decline. Sweden and Germany both also offered attractive start-up grants and bonuses, but there has been concern about the cost and value for money.

Access to insurance-based benefits

In principle the self-employed do not have access to employer insurance-based benefits. In practice, some types of self-employed people are covered by some types of insurance-based benefits. Sometimes inclusion is voluntary, rather than compulsory, passing the judgement to the individual, who may underestimate the downside risks.

Amongst the seven MS of WorkYP, there are major differences in inclusion of the self-employed. In MS including Germany and Italy, mandatory notice periods and protection from termination of contract for maternity leave, respectively, help with some income protection for some non-entrepreneurial self-employed. The self-employed in Germany face the most extreme exclusion from social security provisions. They are required to have private health insurance but are unlikely to be covered for sickness and unemployment benefits (unless they are homeworkers). There is an opt-in for pension insurance, but provision is inadequate for three-quarters of cases (Hießl, 2022, D3.4 p34).

Exclusion from insurance-based benefits may reduce the attraction of self-employment for risk averse workers. But in a ‘work first’ policy context, where in some MS a job paying as low as 90% of unemployment benefits may be considered ‘suitable work’, workers with few options may take the gamble of self-employment. The pandemic phase of Covid showed that the self-employed were let go first, as less costly to dismiss. Indeed, Sweden effectively made cutting external labour a condition of business access to financial support (Hießl, 2022, D3.4 p36).

Belgium, Luxembourg and Sweden have the most comprehensive access for the self-employed, (except insurance against accidents and industrial disease). Even in Belgium, although the self-employed are largely included in the systems, they are not entitled to income-related, but only flat-rate benefits, e.g., for maternity, paternity and long-term incapacity benefits. Belgium has long duration unemployment benefits, except for the self-employed, though there is a scheme in place which supports self-employed people who have stopped their activity for one of the reasons listed in legislation. In Italy, all self-employed are covered in the pension system, but only categories of non-entrepreneurial self-employed are covered more comprehensively, including for sickness and unemployment. The Netherlands has mandatory inclusion in the pension system for flat-rate

benefits. Poland has various regimes, including for the self-employed, and uniquely has civil law for certain types of contractors. It includes those aged over twenty-six in the pension and industrial injury systems, but with contributions based on minimum or declared income, which may lead to low pay-outs.

In sum, differences compared to employees in access to benefits and levels of benefits include: - longer waiting times, flat-rate benefits, shorter duration of benefits, lack of access to unemployment benefits. As well, there are different or no rights to minimum wages and collectively bargained wages and conditions, which may offer those included better benefits. Even when included in insurance-based benefits, there may be *less effective* access for the self-employed if there are income thresholds or hours of work thresholds to qualify for social protection. This is the case in Italy, Luxembourg, Poland and Sweden, and there is a suggestion that these thresholds are sometimes disproportionate. There may be *low take-up* of certain benefits if the self-employed are required to reduce or cease their work in order to qualify for sickness and unemployment benefits. There is as well, a difficult boundary to police between continuing to work as a business and performing necessary administrative tasks to enable the business to survive a lean period (Schoukens et al, 2022, p214).

One reason for not offering contributions or pay-outs on the same basis as for employees, is the difficulties in assessing the income of self-employed workers. This is so both for determining the correct contributions to levy and the correct benefits to pay out, especially where this is a percentage of previous income (Schoukens et al, 2022, D4.2 p214).

The variety of self-employed categories and access to benefits is in some respects a consequence of the growing proportion of dependent solo self-employed. It has been further changed in six of the seven MS in WorkYP (Luxembourg is the exception) by greater temporary inclusion in income replacement systems due to Covid; in Belgium this extended to providing income-related benefits, adjusted for family circumstances. In the first year of Covid, Germany provided income replacement for business related fixed expenditure only, which the National Report said resulted in considerable hardship for the self-employed.

It is evident in the MS that there are ways to include various categories of self-employed in employee protections and when an exceptional need arises, to include them to a greater extent. As it can be done, it may be best to tackle issues around self-employment risk of in-work poverty, at source. This could be done by broadening the notion of employee and tightening the notion of self-employment, so dealing with misclassification of the dependent and bogus self-employed. This would retain a clearer binary division with business owners (whether or not they have employees), whose risk of poverty from business interruption or failure could be reduced by mandating compulsory private insurance against income loss from short term and later life risks.

Inclusion in insurance-based wage replacement benefits for Group 4 - casual and platform workers

The majority of Group 4 are bogus self-employed or employed under short fixed-term or part-time contracts. They face the same challenges in accessing benefits as Groups 2 (dependent solo self-employed), excluded from most employer-sponsored benefits, and Group 3 (employees on short

annual or periodic hours) with problems of effective access where benefits are income-related and employment duration-related and with unsuitable calculation and reference periods.

Some Group 4 workers are excluded from social security. These include intermittent mini-jobbers in Germany and small-scale platform workers in Belgium. Voucher-based workers in Italy are largely excluded.

Qualifying for benefits is more challenging for intermittent employees and those with irregular working patterns. Poland has a thirty-day waiting period for access to benefits. The Netherlands and Sweden specify a minimum number of days and weeks worked within a reference period. Complex regulations and application methods make it even more challenging for vulnerable workers to claim their benefits, and the systems are not well designed to deal with frequent changes in income, especially in assessing the amount of top-up benefits.

Qualifying for unemployment benefits can be most challenging. If on-call workers are not in fact called, or there are very few assignments, are they unemployed? Regarding sickness benefits, the Swedish National Report (p160) refers to work capability assessments, which for these workers may not be assessed against a last professional activity, but against any low-skilled or casualised work.

Finally, low hours, low income, means low benefits that soon run out. To reduce Group 4's risk of in-work poverty, it may be best to rein in casual work and incentives for very low hours work. As well, just as for Group 2 dependent solo self-employed, Group 4 self-employed casual and platform workers are likely to be misclassified and this needs to be addressed.

PART 3: Income support not related to employment status

All four groups studied for WorkYP are entitled to benefits that are granted irrespective of employment status. These include tax-financed means-tested social assistance and means-tested child support, as well as universal category-based benefits such as family benefits, which are important in reducing the risk of poverty for households with children.

Means-tested social assistance income of last resort

Social assistance is a low subsistence income and therefore increases monetary poverty, often being around 40% of median equivalised income in the MS. Living on a subsistence income is often joyless and stigmatising, for adults and children, involving a risk of over-indebtedness, ill-health and school failure, with life-long and intergenerational consequences, and it inhibits households from exercising their rights.

Harsh conditionality in the social assistance regimes can mean being forced to accept a 'suitable job' at poverty pay. The 'work first' approach in most MS uses an overly broad concept of a 'suitable job.' Some insist that workers accept a job that is 120%, or even 90% of unemployment benefit, which may result in quite severe poverty in work, even where there is some transitional support for costs of getting back to work. If Group 1 workers are pushed into these kinds of jobs, they may lose their social security cover longer term, or get only minimal benefits from it, because they have joined the ranks of Groups 2, 3 and 4, and may be unable to regain their foothold in the standard employment market.

Active labour market policies being pursued in many MS, at least as far as they concern using poverty incomes and intrusive surveillance to push people towards any job, may be inadvertently contributing

to undermining the tax and social security systems and the principle of linking previous earnings and contributions to income replacement when needed.

As the German National Report states, such activation measures also reduce the scope for collectively bargained wages, so have a wider effect on the levels and rates of increase of wages and salaries, as well as working conditions.

Weaker effective support for flexible workers and non-employees

Groups 2, 3 and 4 (temporary, part-time, casual and non-employed workers) have more problems with *effective* access to social assistance income, despite being entitled to it. For Group 2, the solo self-employed, it is questionable whether they have effective access. This is due to the nature of income and asset testing in some MS. Provision of savings for income in retirement, if not in particular types of savings vehicles, may be included in asset assessment. Similarly, many small businesses expect to get some income for retirement, from selling the business, including its brand reputation. But in some MS access to social assistance is predicated on giving up business entirely and using up income from business assets until one becomes eligible for social assistance. It would be very difficult to start another business, and some workers may prefer not to take up their entitlement, relying on family and informal community sources of temporary financial support. This may include loans at high interest or other types of high repayment.

As noted earlier, the most effective route to lowering poverty risk for the dependent solo self-employed is to reduce the scope for misclassification. The two main elements to achieve this are to remodel the employee/ self-employed divide and remove social-fiscal incentives for reclassification of employees as self-employed subcontractors.

As noted in Part 2 of this Chapter, Group 3 temporary and part-time workers have higher risks of unemployment and interrupted work and lower annual hours of work. Therefore they may fall back on social assistance more frequently or for longer, so they will be more affected by severe income and asset tests in some MS. They may have a higher lifetime use of social assistance as their primary income source, including in old age, where they may be dependent on the flat-rate state pension. As social assistance is set at a low subsistence level, this will involve deep poverty. The high severe material rate for Group 3 suggests this is the case.

Group 4, casual and platform workers, with intermittent and variable incomes, have even greater difficulty with access to, and assessment for, means-tested benefits. They are more at risk of underpayments and overpayments, and consequent risks of poverty and over-indebtedness.

This report favours tougher restrictions on extremely flexible temporary and low hours, casual and platform work. First, because WorkYP shows a significantly increased risk of in-work poverty and therefore of child poverty and intergenerational poverty. Second, because of the broader risk of generating a large share of work that is low-quality and low productivity, dependent for its existence on a lax regulatory regime and low flat-rate and means-tested benefits. There may be considerable damage to the lives and dignity of workers trapped in it and to the inclusiveness and capabilities of the tax and benefits regime.

Since there has not been a significant reduction in EU poverty rates during the years of increased flexibilization of work, the trade-off with unemployment rates is a failure on its own terms. In addition, in many MS the same period has seen increasing inequality of income and moreso of wealth.

It seems that some MS are changing their thinking about labour market regulation and social security; recent reforms suggest that MS are aware of the downsides of current approaches for future sustainable growth, inclusion and security.

The importance of cash transfers

Cash transfers were not strongly considered in WorkYP, but they have a vital role to play for those most at risk of poverty.

Single households, for example those living on incapacity benefit, and single earner households with children, are most at risk of in-work poverty and therefore most in need of adequate universal cash payments that are category-based rather than insurance-based or income-tested.

Universal benefits in the form of cash transfers are not stigmatising to receive, therefore take-up is high, unlike means-tested social assistance. Their value varies across the MS studied in WorkYP, but for families with children, for example, they were not usually designed to cover all of the additional costs of children.

Group 1 have sickness and out of work benefits, even including cash transfers, which are below the monetary poverty threshold. Yet these incomes are above the social assistance threshold for all except single earner households with two children. Even including family benefits as part of replacement income, the social security systems in six of the MS therefore do not protect single earner households with children from monetary poverty. The exception is Poland, where the Polish National Report states that the reform of family benefits has been linked to a clear decline of in-work poverty.

There are also income-tested housing allowances and grants and loans for some of the additional costs of education etc. But in each case where these income support measures do not meet the additional costs, then the fact that the basic benefit is below the poverty line, will continue to mean any worker who does not do paid work full-time for a full year, including Group 1 (low-skilled standard employees), is at higher risk of poverty.

Cost of living crisis for low-income households

Rapid rises in the cost of living are straining low-income households. Affordable, accessible and quality childcare from a child development perspective, and dependent care, is not achieved in many MS, inhibiting household capacity to earn more. Housing costs, especially rent costs, and energy costs, are driving more households into expenditure-based poverty. Rent allowances are too small and rents have risen too fast and too high in many MS. Support needs to be adequate, but affordable housing for rent is an issue that needs a serious building programme in every MS. An accelerated green energy transition will be a bigger cost burden for poorer households in poor-quality housing. To provide a politically sustainable green transition, this too will need to be addressed. Underlying all, is that wages are growing more slowly than rents, utilities and basic needs in most MS. Lower prices for higher quality home and personal tech and for some discretionary goods and services, disguised the higher inflation rate for poorer households in 'average' inflation statistics. But the higher inflation rate for poorer people is now evident, exacerbated by the response to the Covid pandemic, and now the war in Ukraine. The power to buy is falling in most MS. Low-income households in many MS are caught between a rock of stagnant wages and a hard place of rising prices. Poverty will rise.

What are social security systems for?

They may have a dual goal of protection, by providing replacement income for various risks, and labour market reintegration. But these goals are challenging to achieve jointly. Flexibilization of labour markets, make work pay policies and a more heterogeneous labour force have encouraged the growth of what appear to be 'discretionary,' even ephemeral, jobs, and the failure of systems to protect even standard contract Group 1 workers from poor-quality work and risk of poverty.

While the social insurance systems largely function as designed, linking what is put in, to what is taken out, they could be more adequate and more responsive in many MS. Depending on the MS, and the worker characteristics, insurance-based benefits could run out in as little as three months, or as much as two years or more in Belgium. There is more risk of in-work poverty in future as insurance-based benefits have often become less adequate, whether by changing waiting times, or decalage, or rules on duration and reference periods, or by incomplete indexing to wage growth, or by failure to index. The lack of adequate cover and benefits in the social security system means many workers must apply for social assistance income of last resort when a risk arrives.

The social security system is not working well to support atypical workers, especially for many in the vulnerable and underrepresented groups. Social insurance schemes need to be comprehensively revisited, seeking new ways of including vulnerable workers and enabling them to qualify for adequate benefits.

EU Recommendations on Social Security/ Social Protection refer to 'adequacy' of income. Adequacy is not clearly defined and is hedged about with concerns for proportionality and solidarity etc, and a strong emphasis on financing, but without much reflection on poverty risks and the impact of poverty on the revenue base for financing social protection.

Reforms to the social security system to 'make work pay' have effectively traded off unemployment against poor-quality work, so that even for some Group 1 workers, paid work does not get incomes above the monetary poverty threshold, especially if work is interrupted. The policies may be inadvertently undermining the tax and social security bases, through expansion of low paid standard work, and more so flexible and non-employee work (Groups 2,3, and 4), where workers have a different place in the tax and contributions regimes.

As including vulnerable workers and providing adequate replacement incomes will require rethinking the financing of systems, MS and social partners may need also to reassess encouragement for the growth of atypical work.

There is a clear need to reconsider the interaction between developments in labour markets and social security systems. As well, for future in-work poverty research and policy, it will be important to consider households just above the poverty threshold, who receive no income support, were 'just about managing,' but now struggle to 'make ends meet.'

Part 4: Recommendations to improve income replacement for interrupted and lost work, cutting the risk of poverty for working age households

1 Overall recommendation: cut out severe material deprivation

- The primary recommendation is to recognise and deal with, the high rates of severe material deprivation for temporary and low hours workers. The insurance-based social security system is buckling under the weight of non-standard work for a large minority of the working age population over a large part of their working lives. If extremely flexible work is to continue, social protection will have to be more generous, more easily accessible and more responsive to changes in incomes and status. This must include easier effective access to insurance-based benefits, an adequate guaranteed social minimum income and universal non-means-tested benefits that cover additional categories of costs. The aim is to prevent the effects of cumulated risks on poverty and deprivation.
- If this route is not taken, then to protect the viability of insurance-based social security systems, the alternative is to put much stronger restrictions on the nature and growth of temporary and low hours work and non-employee status. This may be less flexible for employers, but the balance of risks is falling too much on households and on the tax and benefits regimes. The current situation is one of risk shifted, not risk reduced. The flexible work that remains after its lax use is reined in, is less likely to be discretionary/ contingent work or hidden unemployment and therefore better quality.
- It warrants repeating that an *adequate accessible guaranteed minimum income is the best way to put a decency floor under all incomes, with a threshold income benchmarked to the cost of living*. There is nothing wrong in highly developed and wealthy countries, in giving working-age people the capacity to turn down poverty pay and exploitative working conditions. It is not only to their benefit, but to the benefit of most employers, who will have a level playing field internally; and in export-oriented industries or non-place dependent occupations, they cannot and should not compete globally on raw labour costs.

2 Improve take-up of existing benefits

- Take-up of existing benefits could be improved by addressing: - the quality and accessibility of information and the ease of application and support for the process; the methods of paying and qualifying for benefits; the balance between contributions paid in relative to benefits paid out; tailoring income and asset tests for social assistance in order to stabilise lifecycle capacity for self-employment income.

3 Increase the value of universal benefits

- Universal non-means-tested categorical benefits, including family benefits, are a non-stigmatised route to raising household incomes, with high take-up and no taper rate disincentives to work more hours.
- Benefits adequate to cover additional costs, e.g. for children and for disability, and for carers, should be a MS priority for preventing poverty and deprivation amongst those most at risk - a much simpler task than trying to ameliorate poverty and deprivation once they arrive. It also may encourage public support for the social protection systems throughout the income scale.

- For category-based universal benefits, there should be no differentiation by household income in the amounts paid out; it should be solely dependent on the category- e.g. number and age of children.

4 Reduce and remove the main poverty inducing elements in the social security systems

- Ensure that take-up is maximised and claiming rights is simple: information about the insurance-based and social assistance systems is clear and easily accessible; the systems are easy to use and reliable; there is good access to computers and smart phones and the amount of uploading and repetition of information by claimants is reduced; there is in-person face to face support for vulnerable claimants; the systems are not stigmatising and respect privacy and dignity; claimants have timely responses and effective rights of appeal and there is genuine accountability in the systems and to the users and there are quality working conditions for essential service providers.
- Link benefit level uprating, including social assistance, to rates of change in wages, with a complementary expenditure-based adequacy threshold.
- Provide at least minimum threshold replacement rates for unemployment and interrupted work benefits.
- Ensure a wage and income replacement hierarchy that means incomes do not fall below 60% of median equivalised income in the MS.
- Remove any distinctions in access to benefits that reflects class or risk hierarchies and base access on income replacement need (governments may add their support for pooled risk especially in privatised systems).
- Remove discrimination in waiting times as between diverse types of worker, different benefits, and between social insurance and social assistance schemes. Reduce or remove waiting times for access to benefits in both insurance-based and social assistance systems.
- Exclusions of third-country nationals from certain benefits and protections puts them at higher risk of exploitation, illegal work and severe poverty and makes them unfair competition for other workers and businesses aiming to provide good stable jobs. This should be addressed by MS governments, starting with enforcement of existing regulations.

5 Better accommodate flexible work in insurance-based systems

- Equalise access to benefits for flexible workers by changing qualifying rules. MS governments and social partners should aim to develop alternative means to qualify for benefits. Eligibility based on hours or days in an extended reference period may be a step forward.
- Social partners and MS governments should cut out employer and employee tax and contribution incentives to convert from employee status to sub-contractor. It is evident there is little benefit longer term, for the workers and their households.
- There may need to be more variety in solutions at MS level for part-time work, where causes and typical hours vary greatly amongst MS, compared to temporary work, which shows more common features across the seven MS of the WorkYP study.

- Income and hours thresholds to qualify for insurance-based benefits vary significantly between MS. MS and social partners should find means to address the problem of incomes and hours too low to qualify for unemployment benefits, driving people immediately to social assistance, with harsher conditionality.
- Effective access to benefits must be addressed by clarifying when on-call and intermittent workers count as unemployed.
- There are good practice examples in managing particular issues in various MS. Sweden is an example of collective labour agreements that provide better wages and conditions for temporary workers. Belgium provides alternative means for temporary workers to qualify for social security benefits, and to build up entitlements. There are alternative calculation methods for incapacity and maternity benefits based on the number of hours worked, rather than days worked, in the past year. In the Netherlands, conditions to enable second-tier pension provision for the non-entrepreneurial self-employed are under discussion. In Italy, there is a national collective agreement, providing benefit and training rights for temporary agency workers in case of collective redundancies at the user undertaking.
- Better supervision and enforcement of existing regulations is required.

6 Review the expansion of self-employment with the aim of improving insurance protection and expanding employee status

- There should be adequate and compulsory insurance against short-term and later life risks.
- Incentives to convert to self-employment, such as discounted social security contributions, should be reconsidered.
- Measures should be taken concerning the transparency of incomes. For solo self-employed, a possible rule for the self-employed with a dominant client over one year (say, 75% of income) is that the client is designated as employer and provides income data.
- For platform workers all the clients found through one platform could be aggregated when considering employer and employment status.
- The best way forward for reducing in-work poverty risk for the non-entrepreneurial solo self-employed and self-employed casual workers (including platform workers with no independent client base), is to include them in employer-sponsored benefits by reclassifying them as employees. This has the added advantage of broadening the tax and contribution base and eliminating unfair competition as between workers and as between workers and micro-businesses.

7 Remove the social-fiscal disincentives for low-hours workers to increase their working hours

- Using exclusion from tax and social security regimes as an incentive to take-up low hours work should be reined in. Plainly, it is a disincentive to working more hours. It has attractions including administrative simplicity and cost advantages for employers and employees in the tax and social security systems in some MS. Therefore it is a challenge to reduce and remove

these incentives, but there are good social and economic reasons to do so. Low hours work for people of working age, can raise the lifecycle risk of in-work poverty when a risk arrives, and cover is low or non-existent. The incentives may encourage the kind of work that attracts exploitative conditions. They also undermine the solidarity principle that helps maintain support for the tax and social security tax systems.

- MS should address all the negative incentives in the tax system for second earners to increase their hours, from 'spousal splitting' to lack of adequate financial support for caring responsibilities.
- Reduce benefit taper rates that result in punitive marginal rates of tax on additional hours of work.

8 Guaranteed minimum social assistance income for a dignified life

- Guaranteed minimum income – i.e., social assistance income of last resort, should be set to 60% of equivalised median household income, to prevent monetary (AROP) poverty. Wage hierarchies would rise above this level.
- To ensure minimum income is adequate, it should be benchmarked against an expenditure-based modest but adequate life for typical households, with robustness tested against a reference budget, with appropriate additions for conditions that add costs, e.g. chronic ill-health or disability. This benchmark should be regularly updated, indexed for price or wage inflation and rebased.
- The self-employed asset test should be tailored to take sufficient account of the role of assets in maintaining the capacity for self-employment and for income in old age.
- The solo self-employed who have lost significant income through loss of a main client, should not be required to cease business activity definitively, but enabled to search for a new main client under particular conditions, in ways which parallel job search by a former employee.
- Access to, and payment of, social assistance, including assessment, should be better constructed to deal with irregular hours of work, without excessive overpayments and underpayments and risk of building up unrepayable debt.
- There must be changes to harsh conditionality and sanctions: to notions of 'suitable' work; to work capability assessments that deal poorly with hidden disabilities, intermittent conditions and mental ill-health, and to punitive sanctions regimes that use poverty as a cattle-prod for behaviour change.
- A positive activation approach better supports human dignity and the sustainable work that enables sustainable integration. It will include personalised accompaniment, better support for people with chronic ill-health and disability, and alternative means to search for work and to access support, not only on-line contact.
- Positive activation has better job outcomes than harsh conditionality, especially for young people.
- Adequate income support levels and funds to deliver them, should remove the need for discretionary elements in systems. In the meantime, there must be good data collected, that

can show whether discretionary elements are discriminatory, as regards to factors such as region, urban-rural residence, sex and gender identity, racialised and minority ethnic and religious groups, and people with disabilities, including 'hidden' disabilities.

9 Ensure equal access to low-cost finance for all low-income groups

- Low-cost finance supports income smoothing for low-income households with fluctuating incomes and reduces the likelihood of over-indebtedness and therefore its consequences for deprivation and household capacity to avoid social exclusion.

References

- Barrio, A., De Becker, E., Wouters, M., Vergnat, V., D'Ambrosio, C., (2021), 'National Report Belgium', Working Yet Poor Project, Leuven, KU Leuven.
- De Micheli, B., Capesciotti, M., Paoletti, R., Sansonetti, S., (2020), 'Gender Policy and Indicators Report', Deliverable 2.2, Working Yet Poor Project, Rome, Fondazione Giacomo Brodolini.
- EAPN (European Anti-Poverty Network)(2013), 'Working and Poor', EAPN Position Paper on In-Work Poverty, available at: <https://www.eapn.eu/working-and-poor-eapn-s-position-paper-on-in-work-poverty/>
- EAPN (European Anti-Poverty Network)(2018), 'Combatting In-Work Poverty: EAPN Compendium of promising practices', available at: https://www.eapn.eu/wp-content/uploads/2019/02/EAPN-CompendiumEAPN-V4_nobleed-00.pdf
- EAPN, (2012), 10 principles on quality work, available on <https://www.eapn.eu/wp-content/uploads/2016/01/2012-10-principles-on-quality-work.pdf>
- Eurofound (2017), In work poverty in the EU, Publications Office of the European Union, Luxembourg.
- Hartzén, A-C., (2021), 'National Report Sweden', Working Yet Poor Project, Lund, University of Lund.
- Hiebl, C., (2022), 'Comparative Analytical Report', Deliverable 3.5, Working Yet Poor Project, Frankfurt, Goethe University.
- Hiebl, C., (2022), 'Comparative VUP Groups Report', Deliverable 3.4, Working Yet Poor Project, Frankfurt, Goethe University.
- Houwerzijl, M., Aranguiz, A., Tilburg, (2021), Labour law harmonization in EU Law and its (limited) protection of VUP Groups. Tilburg University
- Houwerzijl, M., Zekic, N., Evers, M., Bekker, S., (2021), 'National Report Netherlands, Working Yet Poor Project, Tilburg, Tilburg University.
- Marchi, G., Villa, E., Lassandari, A., Zoli, C., (2022), 'Fair and Adequate Wages: Benchmarking Exercise', Deliverable 4.3, Working Yet Poor Project, Bologna, University of Bologna.
- Peña-Casas, R., Ghailani, D., Spasova, S., Vanhercke, B. (2019), In-work poverty in Europe: A study of national policies, European Social Policy Network (ESPN) available at: <https://ec.europa.eu/social/BlobServlet?docId=21240&langId=en>
- Ratti, L. and García-Muñoz, A., (2021), 'National Report Luxembourg', Working Yet Poor Project, Luxembourg, University of Luxembourg.
- Schoukens, P., De Becker, E., Bruynseraede, C., Dockx, A., (2022), 'Comparative Report on Social Security', Deliverable 4.2, Working Yet Poor Project, Leuven, KU Leuven.
- Tomaszewska, M., (2021), 'National Report Poland', Working Yet Poor Project, Gdańsk, University of Gdańsk

Waas, B., and Hießl, C., (2021), 'National Report Germany', Working Yet Poor Project, Frankfurt, Goethe University.

Zoli, C., Lassandari, A., Villa E., Carta, C., Marchi, G., De Luigi, N., Guidetti, G., Cattani, L., (2021), 'National Report Italy', Working Yet Poor Project, Bologna, University of Bologna.