

POLICY PROPOSALS & RECOMMENDATIONS FOR MEMBER STATES TO TACKLE IN-WORK POVERTY



EAPN was in charge of preparing a policy report for Member States (MS) to make general recommendations on combatting in-work poverty.

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

The full report can be downloaded on www.EAPN.eu

WORKING YET POOR: THE PROJECT

The project Working, Yet Poor (WorkYP) is focused on the increasing social trend of working people at risk or below the poverty line. The overall purpose is to effectively prevent the risk of social dumping, reduce economic shocks, and grant EU citizens, mostly those who do not circulate, regaining confidence in public governance and substantiating their citizenry's status.

The WorkYP Project analyses seven representative Countries: Sweden, Italy, The Netherlands, Belgium, Luxembourg, Germany, and Poland, selected on the basis of their geographical area, as well as their different social systems and legal orders.

WorkYP Project has identified four clusters of particularly Vulnerable and Underrepresented Persons (VUP Groups), which disadvantaged conditions impede full enjoyment of EU citizenship:

- 1.Low wage workers
- 2.Solo self-employed
- 3.Flexible workers contract
- 4.Casual/zero hours/ gig-economy workers

The clusters of particularly Vulnerable and Underrepresented Persons (VUP Groups) have been defined in more detail for the purpose of the project work, see Document "VUP Groups". They play a role the elaboration of the national reports (to be discussed at national workshops and conferences) as well as for another key deliverable of the project, interview with persons falling in one of the four VUP categories. Helping to realise these interviews to get "first hand/on-the-ground experience" about the impact of particular employment conditions as well as possible interventions of these persons at the national workshops (to be discussed and agreed upon with the research institutes of the countries concerned) are two of the key tasks of the EAPN members in Italy, Luxembourg, the Netherlands and Poland.

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.

I. KEY MESSAGES ON 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.

II. KEY MESSAGES ON 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.

III. KEY MESSAGES ON 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.

IV. KEY MESSAGES ON 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.

FOR MORE INFORMATION

Working Yet Poor

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