



Eurofound

Working poor in Europe



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Being in work greatly reduces the risk of poverty. Nevertheless, in the European Union, 8% of the employed population fell into the category of 'working poor' in 2007, in the sense of having an income below 60% of the national average. The proportion varies markedly across countries and social groups. In most countries, the issue of working poor is not a policy priority of either the government or the social partners, although it can be included in general policies to combat poverty and social exclusion. Although there is little evidence to prove it to date, the working poor are likely to have been particularly affected by the current economic recession.

Introduction

The objective of combating social exclusion and poverty was a prominent feature of the Lisbon Strategy in 2000, which presented the vision of a socially cohesive as well as an economically prosperous and competitive European Union. Employment is often claimed to be the best protection against poverty. However, available data at EU level indicate that as many as 6% of employees and 18% of self-employed people are classified as poor. The '**working poor**' are a section of the population that is difficult to identify not only due to the lack of specific data but also because the concept combines two levels of analysis: the working status of individuals (individual level) and the income status of the household in which they live, which is below the poverty threshold (collective level).

This comparative study is based mainly on contributions from national correspondents in the 27 EU Member States (EU27) together with Norway, comprising the **network** of the European Working Conditions Observatory (**EWCO**). Its aim is fourfold:

- to obtain an insight into the extent of in-work poverty in the individual European countries and the characteristics of those affected;
- to examine policies in place to tackle the problem of people in work on low levels of income and any assessments that have been carried out into the effectiveness of such policies;
- to consider the views of social partners towards the working poor;
- to investigate the effect of the current economic recession on the scale of in-work poverty.

For the purpose of this comparative study, the working poor are defined in the same way as the indicator used by the European Commission to assess and monitor in-work poverty. Therefore, the working poor are those who are employed and whose disposable income puts them at risk of poverty. 'Employed' is defined here as being in work for over half of the year and 'risk of poverty' is defined as having an income below 60% of the national median (see box for definitions of wages, earnings and income). Income is measured in relation to the household in which a person lives and covers the income of all household members, which is shared among them after being adjusted for household size and composition. This means, for example, that a man and a woman living in the same household are assumed to have the same equivalised income irrespective of their individual earnings.

The study covers people on low wages, or low earnings in the case of self-employed persons. Low wages, defined in an analogous way as low income – that is, below 60% of the median earnings of those in full-time employment – potentially put individuals at risk of poverty.

Definitions of wages, earnings and income

Wages: corresponds to the compensation received by workers in exchange for their work.

Earnings: relates to the wages and salaries of employees or the net profits of self-employed people from their business activities.

Income: refers to the total revenue of individuals or households received over a given period of time – here over a year – that is, the sum of wages and salaries, social transfers, capital receipts and other items, net of any taxes or social security contributions paid on the various sources of income.

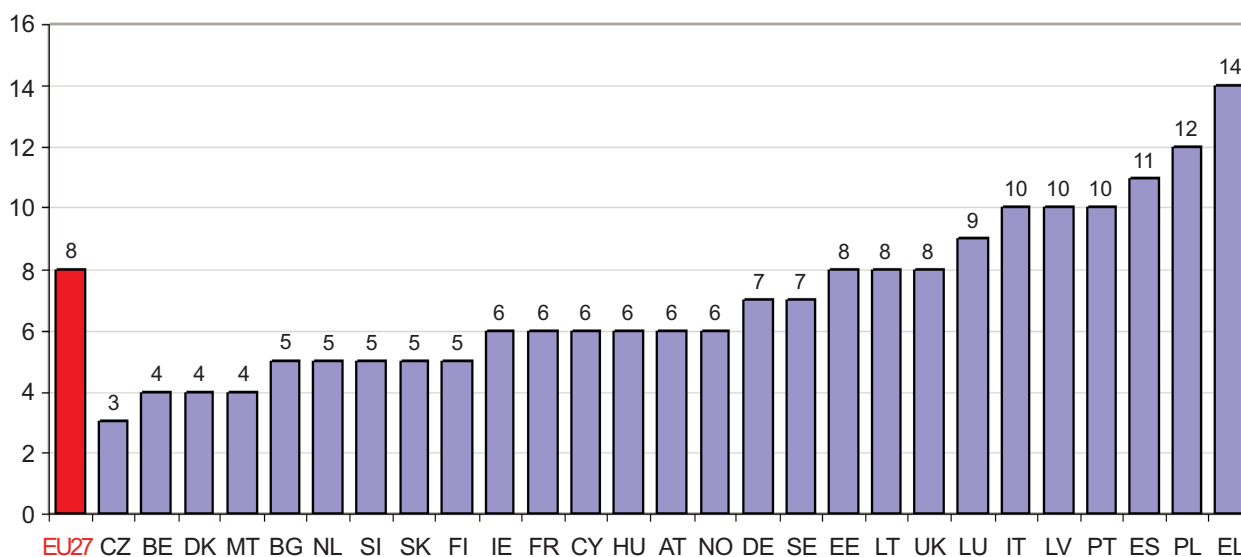
Note: Household income is defined to include all income received by individuals living in a household. This is converted into an average amount per individual to allow for the economies which result from individuals sharing a household – that is, from the fact that the cost of durable goods, such as furniture or a television, or the cost of the accommodation can be shared between the household members. Therefore, those living in a household are weighted as follows: the first adult (a person aged 18 years or over) is assigned a weight of one, the second and subsequent adults are assigned a weight of 0.5 and children up to the age of 14 years are assigned a weight of 0.3. Household income is then divided by the weighted number of people living there and the resulting ‘equivalised’ income is attributed equally to all of the members concerned.

If persons are at risk of poverty, this may not be simply because of low wages but because their wages are insufficient to maintain the income of the household in which they live at a certain level. Equally, a person can earn a wage well below the poverty threshold but not be at risk of poverty because the income of other household members is sufficient to raise the overall household income above the poverty threshold. Such a person is, therefore, not counted as being working poor as defined here. A person can have earnings well above the poverty threshold but, because they share a household with people who are not working, they can be counted as being working poor.

Nature and extent of in-work poverty

The data in this section stem from the EU Statistics on Income and Living Conditions (**EU-SILC**) for 2007, which are the latest available and relate to the situation in 2006 (for details see Annex 3). Detailed data for Bulgaria and Romania are not available in the EU-SILC 2007; therefore, information on these two countries was taken, if available, from the respective national contributions. For the total number of working poor, the EU27 and Norway are covered.

In 2007, in the EU27, about 8% of persons in employment were considered as working poor, meaning that 8% of the working age population (18 years and over) was working and nevertheless living under the poverty threshold (Figure 1). However, significant differences arise among the individual Member States: Greece (14%), Poland (12%), Spain (11%) as well as Italy, Latvia and Portugal (10% each) show the highest in-work poverty rates. The Member States with the lowest in-work poverty rates are the Czech Republic (3%), Belgium, Denmark and Malta (4% each). In Romania, the at risk of poverty rate for employees was 4%, while the risk for self-employed people, including in the agricultural sector, was about 37% in 2006. More recent data raise the total in-work poverty rate to 18%, which may be a result of the use of new data to measure this (European Commission, 2009b).

Figure 1: *In-work poverty risk in the EU, 2007 (%)*

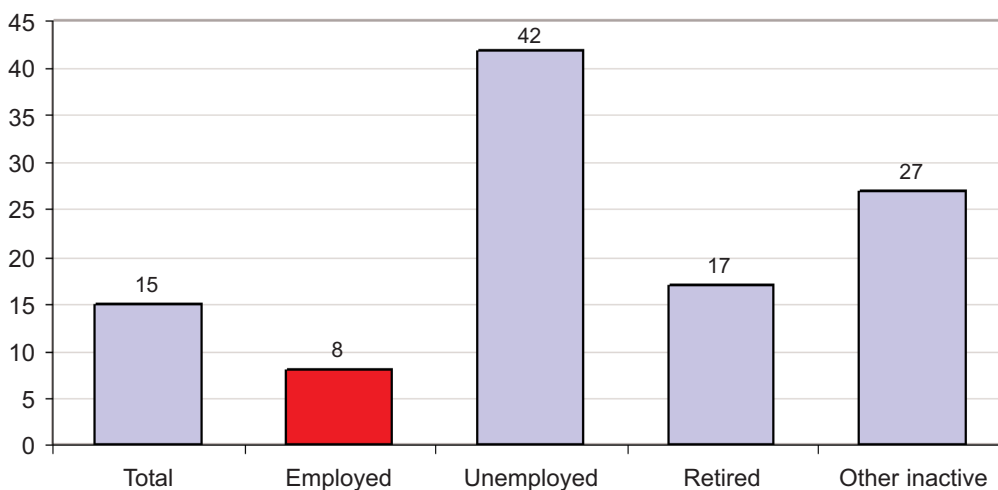
Note: Romania is not shown because of problems with national data. See Annex 4 for list of country codes.

Source: Eurostat, EU-SILC 2007

Being a relative indicator, the in-work poverty rate makes it possible to compare countries where the poverty threshold is very different. For example, in 2007, the absolute at risk of poverty threshold amounts to €1,494 in Luxembourg, but to €74 in Bulgaria. Luxembourg has an above average working poor rate (9%) while Bulgaria has a below average rate (5%).

Effect of employment status

Clearly, being employed greatly reduces the risk of poverty and social exclusion (Figure 2). In general, unemployed people face the greatest risk of poverty, with a rate of 42% in 2006, followed by others not in work who are recorded as being economically inactive (27%) and retired people (17%). Overall, the risk of poverty amounted to 15% in 2006 in the then 25 EU Member States (EU25) for the whole population. However, even if people in employment are less exposed to the risk of poverty than other groups, they represent a large proportion of those at risk of poverty, since a large part of the population of working age (15–64 years) is in work: 65% in the EU27 (Eurostat, 2009).

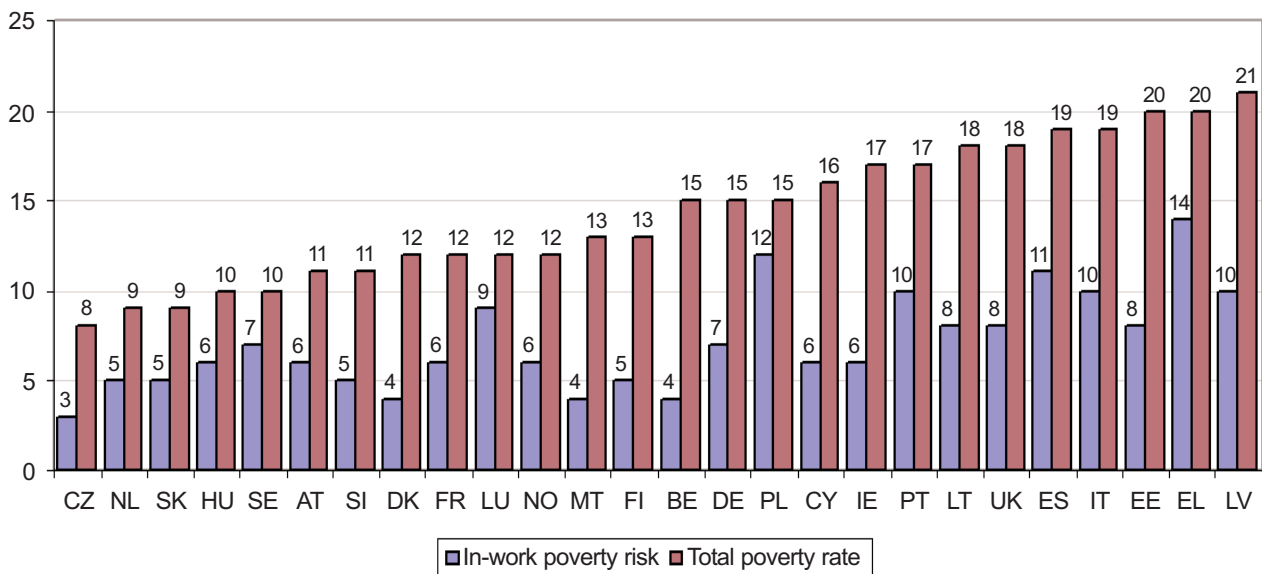
Figure 2: *Incidence of poverty risk, by most frequent economic activity status, EU25, 2007 (%)*

Note: No data available for Bulgaria and Romania.

Source: Eurostat, EU-SILC 2007

The in-work poverty risk tends to vary with the overall risk of poverty. The southern EU countries of Greece, Italy and Spain and the Baltic states of Latvia, Estonia and Lithuania have a high risk for both employed people and the total population, while the Czech Republic, the Netherlands, Slovakia, Hungary and Sweden have a low risk for both employed persons and the total population (Figure 3). However, a large variability arises between the two ratios, which can be explained by a mix of factors, such as the incidence of poverty risk in each economic activity status group of the population and their proportion of the total population. Above all, it depends on the extent to which people in employment with low earnings share households with others in work, who might earn more and therefore effectively share their income as well – as opposed to living alone. Hence, the working poor have more weight in total poverty in countries such as Luxembourg, Poland and Sweden, where the difference between the two ratios is three percentage points only, compared with the Baltic states and Belgium, Cyprus, Ireland and the United Kingdom (UK), where the ratios differ by about 10–12 percentage points. In the latter group of countries, therefore, a smaller proportion of people on low earnings – many of whom are women – tend to live alone or in households with no else in work, while at the same time, persons not in work tend to represent a large proportion of those at risk of poverty. This is especially the case for older persons aged 65 years or more in Cyprus; this group is also particularly at risk, albeit to a lesser extent, in the other countries. In this group of countries, therefore, a larger proportion of those at risk of poverty live in ‘workless’ households.

Figure 3: At risk of poverty rate and in-work poverty, EU25, 2007 (%)



Note: No data available for Bulgaria and Romania.

Source: Eurostat, EU-SILC 2007

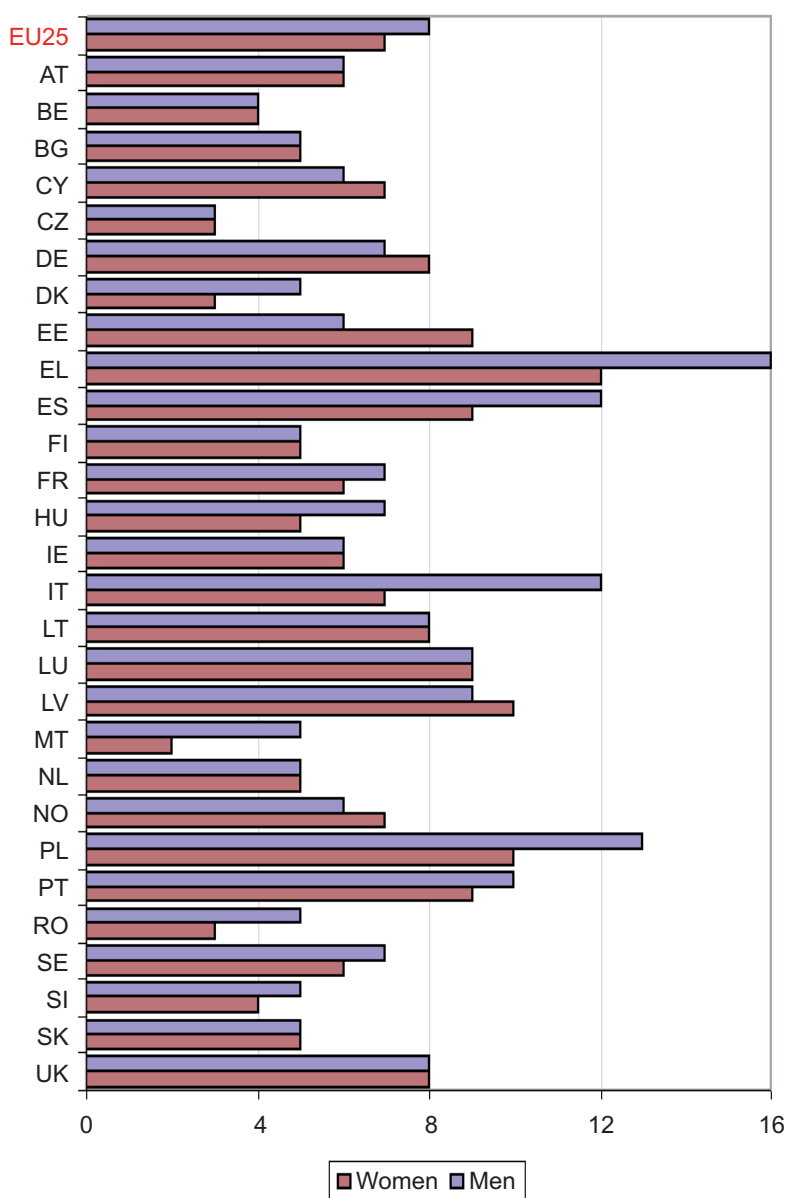
Some people are more or less likely to be among the working poor; thus, their specific characteristics are also important and will be examined in more detail. These characteristics include personal (gender, age and education), household (single person, households with dependent children or without) and occupational factors (months worked in year, professional status, full-time or part-time work, type of employment contract).

Personal characteristics

Gender effects

Although women face a higher poverty risk, statistics show that, if they are in work, they are on average across the EU less likely than men to live in households with a poverty-level of income. Indeed, the in-work poverty risk is lower for women (7%) than for men (8%) in the EU27 average. In 12 countries (Denmark, France, Greece, Hungary, Italy, Malta, Poland, Portugal, Romania, Slovenia, Spain and Sweden) men are more affected, while in 11 countries (Austria, Belgium, Bulgaria, the Czech Republic, Finland, Ireland, Lithuania, Luxembourg, the Netherlands, Slovakia and the UK) no gender differences are observed (Figure 4). The in-work poverty risk is higher for women than for men only in Cyprus, Estonia, Germany, Latvia and Norway. The in-work poverty risk for women ranges from 2% in Malta and 3% in the Czech Republic and Denmark to 10% in Latvia and Poland and 12% in Greece.

Figure 4: *In-work poverty risk, by gender, EU27, 2007 (%)*



Source: Eurostat, EU-SILC 2007

Nevertheless, as stated in one of the country reports, the above figures do not reflect the actual situation of women in the labour market, since women in work tend to be in a more vulnerable situation than their male counterparts. Women are more likely than men to be employed in low-paid jobs, working part time or in temporary employment, and they are also more likely than men to be single parents, so being at particular risk of poverty. This is offset, however, in many countries by the fact that single women without children – including those living alone and those sharing a household with others – are, on average, less likely to have an income below the poverty line than single men, who perhaps are more likely to live alone. It should be borne in mind that women living as part of a couple with a man have the same risk of poverty by definition, since household income is assumed to be divided equally between all of the people living in the household.

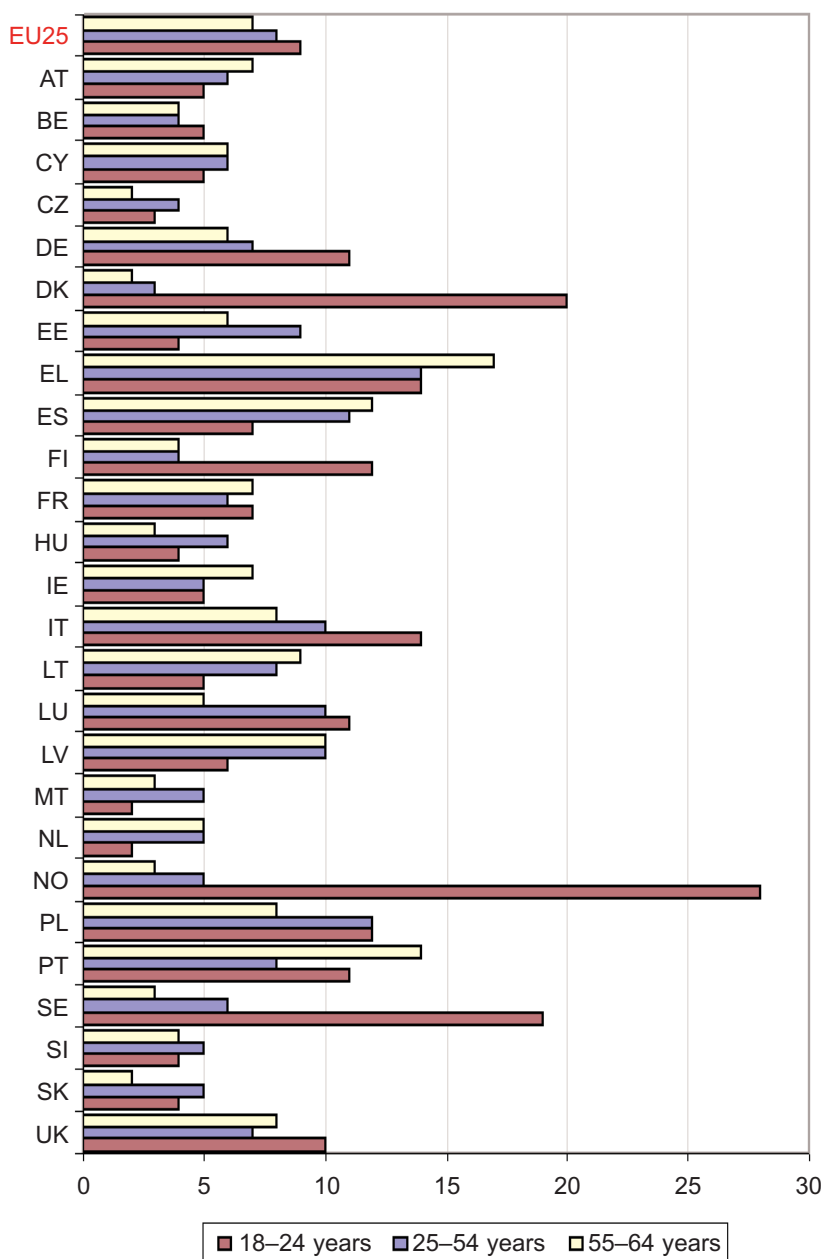
Age effects

According to data for the EU25, it seems that in-work poverty risk decreases with the age of workers: Figure 5 shows that younger workers face the highest risk of in-work poverty (9%), followed by workers aged 25–54 years (8%) and older workers (7%). This can be explained by the fact that young people often start their careers with low-paid jobs. However, substantial differences arise among the Member States. The EU pattern of young workers facing the highest risk of in-work poverty is evident in nine countries: Belgium, Denmark, Finland, Germany, Italy, Luxembourg, Norway, Sweden and the UK. Young workers are most seriously affected in the northern countries, where the in-work poverty risk reaches 19% in Sweden, 20% in Denmark and 28% in Norway.

On the other hand, in as many as six Member States – Austria, Greece, Ireland, Lithuania, Portugal and Spain – older workers face a higher in-work poverty risk than young workers. It seems that, in the southern EU countries, younger persons leave their home later; for example, in Spain they only leave home on average in their early 30s. Meanwhile, in the northern countries, young people establish their own households earlier, such as in Finland. Accordingly, while in the southern countries, young people have some income support from other members of the household, this is less the case in northern EU Member States, where a larger proportion of young people live alone.

A third pattern is apparent in six of the 10 new Member States (NMS) joining in 2004 (the Czech Republic, Estonia, Hungary, Malta, Slovakia and Slovenia): in these countries, workers aged 25 to 54 years show the highest in-work poverty risk among all age groups within their country. In Poland, the youngest and middle age groups are most affected, while in Cyprus, Latvia and the Netherlands the greatest risk is among the middle age group and older workers.

Figure 5: In-work poverty risk, by age, EU25, 2007 (%)



Note: No data available for Bulgaria and Romania.

Source: Eurostat, EU-SILC 2007

Concerning the young working poor, the risk is higher for women (10%) than for men (9%) in the EU25 average, which may be due to the existing gender segregation of the labour market (Table A2 in Annex 1). In general, young women are encouraged to choose training programmes or apprenticeships in relatively low-wage occupations in the services sector. According to the German contribution, an explanation is that men tend to more often choose apprenticeships or occupations in the manufacturing or construction sectors, which are characterised by higher than average apprenticeship and entry wages. Among the working poor aged 25 to 54 years, men (9%) face a higher risk than women (7%); likewise, among older workers, men (8%) are more affected than women (7%).

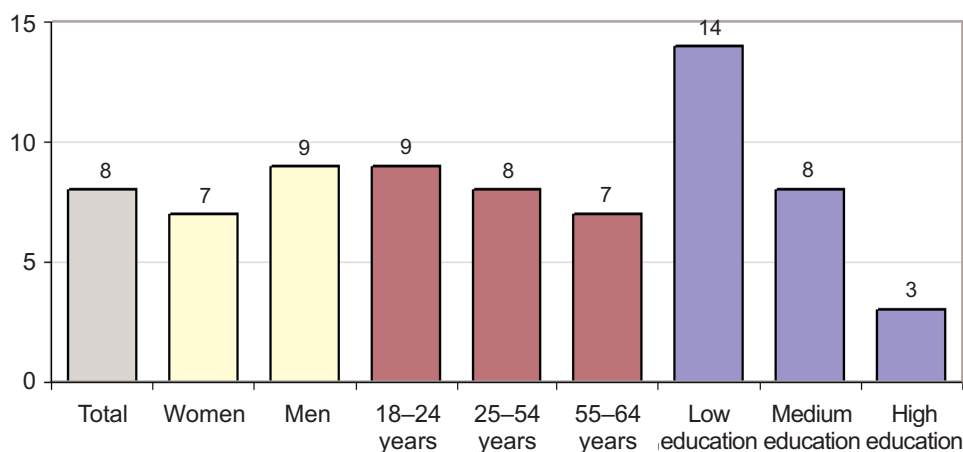
Educational effects

When looking at the educational level of workers in the EU25, the in-work poverty risk decreases with the level of education: Figure 6 shows that low education is typically associated with a higher in work poverty risk (14%) than a medium (8%) or high education (3%). Low education is defined as ISCED 0–2, according to the International Standard Classification of Education (**ISCED**), meaning no education beyond compulsory schooling. Medium education is defined as ISCED 3–4, meaning at least three years of education or training successfully completed after compulsory schooling. High education is defined as ISCED 5–6, meaning a third-level qualification.

For low-educated workers, the in-work poverty risk ranges between 5% in Denmark and 28% in Poland (Table A3 in Annex 1). According to the Polish country report, however, a survey on *The working poor in Poland* – conducted by the Centre for Public Opinion Research (Centrum Badań Opinii Społecznej, **CBOS**) – finds that most working poor have either vocational (45.3%) or secondary education (28.2%). A smaller proportion has only primary (17.8%) or higher education (8.7%). Thus, although in-work poverty affects mainly workers with low education, it also affects higher educated workers.

For medium-educated workers, the in-work poverty risk is between 2% in Malta and 13% in Poland, while for highly educated workers, the risk is between 0% in Portugal and 6% in Sweden. Only four countries diverge from this trend: in Estonia, Finland and the Netherlands, the risk for being among the working poor is the same for low and medium-educated workers. In Sweden, the in work poverty risk is similar for all of the groups (between 6% and 7%), reflecting perhaps the relatively high level of social transfers in that country. Their redistribution effect tends to reduce the risk of poverty across households, making differences in educational levels less relevant from this perspective.

Figure 6: *In-work poverty risk, by personal characteristics, EU25, 2007 (%)*



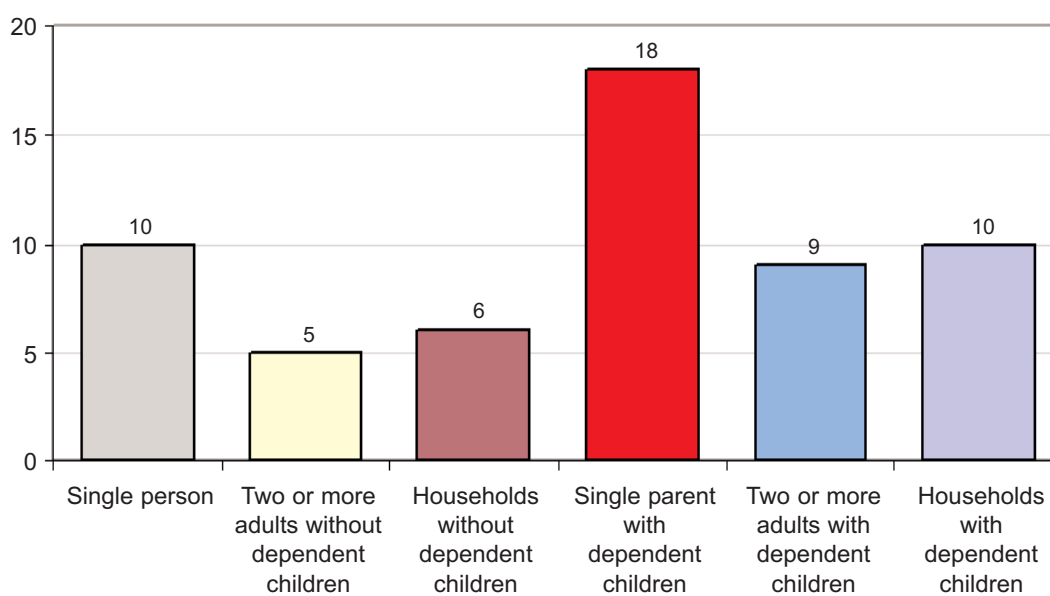
Source: Eurostat, EU-SILC 2007

Household characteristics

Beyond individual characteristics, the incidence of in-work poverty is connected to household characteristics (Figure 7). Single parents with dependent children face the highest risk, at 18% for the EU25 average; this proportion is even higher in the Baltic and southern EU countries – 27% in Estonia, 24% in Lithuania, 23% in Latvia and Spain, and 22% in Cyprus and Greece (Table A3 in Annex 1). The in-work poverty risk for single parents ranges between 8% in Denmark and 39% in Luxembourg. Single persons as well as households with dependent children show an in-work poverty risk of 10% in the EU25, ranging between 3% in Malta and 14% in Norway and Sweden for the former category and between 4% in Denmark and 18% in Greece for the latter. In Finland, a specific concern about single parents at risk of in-work poverty was recorded in the beginning of the 2000s due to the increase in the proportion of that group, while the Spanish

report emphasises changes in family structures along with a weakening of the protective nature of families. In general, households without children have a lower risk of in-work poverty (6%), except for single people without children, who have a higher risk than those living in households composed of two adults or more without children (10% compared with 5%).

Figure 7: *In-work poverty risk, by household characteristics, EU25, 2007 (%)*



Source: Eurostat, EU-SILC 2007

Occupational factors

Some specific features of the labour market such as low pay, precarious employment and inability to find full-time work seem to be linked with in-work poverty. According to the data, having a job for less than a full year, being part-time employed or having a temporary employment contract strongly raises the risk of in-work poverty. A temporary contract of employment is fixed in terms of its duration, which in many cases is one year or less.

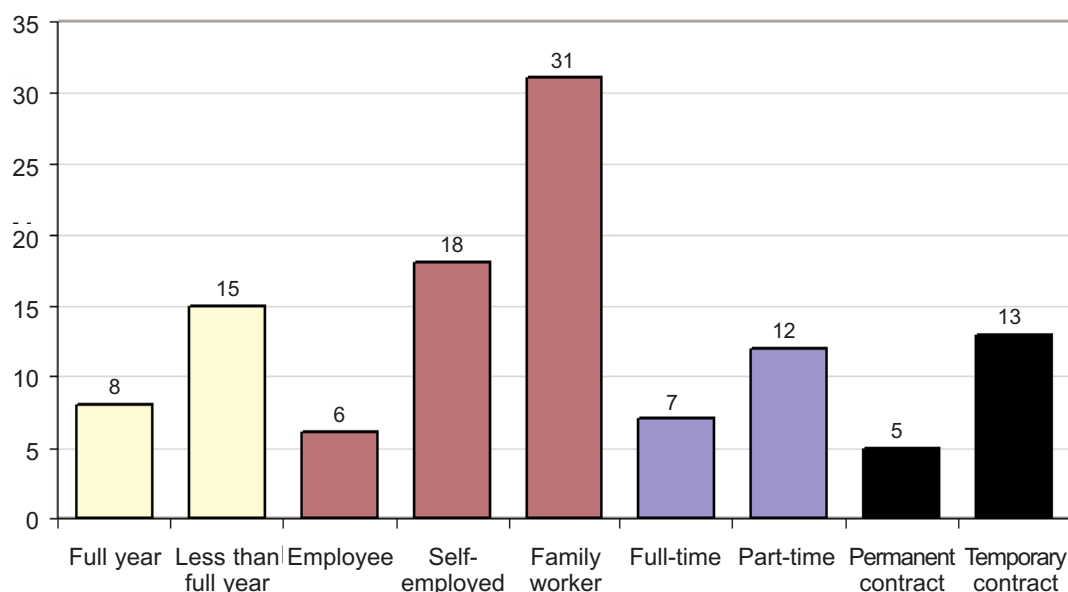
Figure 8 reveals that working less than a full year is associated with an almost double rate of poverty risk (15% for the EU25) compared with working a full year (8%). Working part time (12%) also nearly doubles the risk compared with full-time work (7%). Having a temporary employment contract (13%) increases the poverty risk almost three times compared with having a permanent contract (5%).

In the EU25, the in-work poverty risk for those working less than a full year lies between 4% in the Netherlands and 26% in Greece (Table A4 in Annex 1). The risk for part-time workers is lowest in the Czech Republic and the Netherlands (both 4%) and highest in Lithuania and Portugal (both 28%). Meanwhile, the risk of being working poor when holding a temporary employment contract varies between 5% in the Netherlands and 20% in Norway and Sweden. Part-time workers are more likely to be working poor in the NMS, especially the Baltic countries, Hungary and Poland.

Self-employed persons in the EU25 have a three times higher risk of being working poor than employees: 18% compared with only 6%. However, data regarding self-employed people are less reliable due to underreporting and income fluctuations from one year to another. The in-work poverty risk for self-employed individuals ranges from 5% in Cyprus and 6% in the Czech Republic to 26% in Poland, 27% in Estonia and 30% in Spain.

For family workers, data on the working poor also seem to be less reliable, which may be due to the small size of this group – for example, in Denmark, Finland or Sweden – or to underreporting problems. Family workers are people who help to run a family farm or business without receiving a wage or salary. Overall, however, the number of working poor among unpaid family workers is large and reaches 31% in the EU25. This proportion rises to 39% for the NMS. In the Baltic countries and in Poland, but also in the southern EU Member States, family workers are heavily affected by in-work poverty. A specific feature of the Romanian economy is that more than two million people work in subsistence agriculture – mostly self-employed or unpaid family workers – many of whom can be defined as working poor because they receive no earnings.

Figure 8: *In-work poverty, by job characteristics, EU25 (%)*



Source: Eurostat, EU-SILC 2007

Table A5 in Annex 1 shows the proportion of full-time employees and self-employed people with earnings lower than 60% of the median earnings. This proportion is particularly high for Latvia (22%), Lithuania (21%) and Germany (20%), and relatively low in Belgium (6%), Finland (7%) and France (9%). Interestingly, the share for women is higher than for men in all countries, pointing to their relatively lower pay. Table A6 in Annex 1 shows the overlap between working poor and low pay, defined as the proportion of full-time employees and self-employed people at risk of poverty (that is, with an income lower than 60% of median income) in relation to full-time employees and self-employed persons with earnings lower than 60% of median earnings. In this case, the share for women is smaller than for men, with the exceptions of Cyprus and Germany.

Migrants seem to be particularly vulnerable to in-work poverty, since they tend to combine various adverse characteristics, such as being in low-skilled jobs with low rates of pay and living in single-earner households. However, information on migrants has been scarce in the national contributions to this report. The situation described above seems to be confirmed in Austria, Denmark, Malta and Norway to some degree. In Norway, non-western immigrants form the most important group of ‘low-income individuals’ (27% in 2004–2006 compared with 12% in 1996–1998). Furthermore, in Malta, the majority of immigrants arriving by boat from Africa tend to work in the informal economy, with low pay and poor working conditions. In Austria, the in-work poverty rate among people with a migration background (11%) is twice as high as for Austrian workers (5%). In Denmark, in-work poverty exists among migrant workers to some degree; however, Polish workers seem to have no problems providing for themselves (see Danish national report). In Bulgaria,

contrary to the assumption that migrants are among the poor population in the country, their standard of living is about or above average and they tend to create jobs.

According to some national contributions, people in the informal economy are more likely to be among the working poor because it constitutes an employment situation which usually implies poor working conditions and low pay. In Bulgaria, where the irregular economy represents about 35% of gross domestic product (GDP), the risk of being poor is much higher for people engaged in undeclared work (25% in 2003 and 11% in 2007) than in the formal economy (8% in 2003 and 3% in 2007) (World Bank, 2008). However, data relating to the illegal economy are only estimates and should be treated with caution. In the case of Malta and Spain, the informal economy is also mentioned as a particular source of in-work poverty. In Malta, the majority of migrants – especially those arriving by boat from Africa – tend to work in the irregular economy. Trade unions and non-governmental organisations (NGOs) report that such workers are often paid low wages with poor working conditions. In Spain, employment precariousness – which seems to be linked with in-work poverty (see above) – is strongly associated with informal work. In Hungary, the scale of undeclared work is also substantial, where the informal economy is estimated at 15%–18% of GDP. It is most widespread in the construction and agricultural sectors but its relation with the group of working poor is still unknown.

Main trends and research studies

Looking at the development trends in the number of working poor between 2000 and 2007, the tendencies observed should be considered with caution: in many instances, the reports do not provide any data (or for different time periods) and often only estimations are provided. It seems that, in several EU Member States, the number of working poor has declined (Estonia, Ireland, Malta, the Netherlands, Portugal and Sweden), while in 10 countries it has increased (Austria, Cyprus, Finland, France, Germany, Hungary, Latvia, Poland, Spain and the UK). In some countries – Belgium, Bulgaria, the Czech Republic, Denmark and Norway – the risk has remained stable. No uniform pattern emerges either regarding the persons more or less affected during this period. An increase in the working poor was mentioned in three NMS in relation to self-employed people: Bulgaria, the Czech Republic and particularly Romania, where the poverty risk increased from 30% in 2000 to 37% in 2006. On the other hand, in Estonia the situation of self-employed people improved moderately. In some Member States – Estonia, Finland, Latvia and Spain – single parents with dependent children have become more affected. In Norway, non-western immigrants have become the most important group of low-income individuals. In the Netherlands, migrants seem to have benefited least from the economic upswing in 2000–2007.

Overall, national research on the working poor is limited: just eight countries have performed studies specifically addressing this subject. In many other countries, the group of working poor was mentioned or examined in the framework of more general studies on poverty, employment, inequality or social exclusion. In the case of Bulgaria and Romania, studies conducted together with the **World Bank** looked at poverty but also provided interesting insights into the situation of the working poor. Overall, the studies confirm the picture of the working poor already given above. Personal characteristics (especially educational level), job characteristics (temporary employment, type of employment contract, part-time work, self-employment) and the household context (especially single parenthood) determine the extent of the population affected by in-work poverty (Table 1).

Selected factors include:

- the dominance of the working poor in certain sectors of the economy (in Bulgaria, in the textiles, clothing, leather and footwear industries; in Spain, in agriculture and fishery, as well as in hotels and restaurants and the cleaning industry; in Ireland, in the wholesale and retail trade sector and in personal service activities; in Romania, in subsistence agriculture);
- being employed in small and medium-sized enterprises (SMEs) (Spain);

- being employed through temporary work agencies (Ireland);
- living in particular regions (mainly referring to the poverty levels in certain regions in Latvia or in the capital city of Norway);
- living in multi-generational households (for example, in Poland, a large proportion of working poor lives in households with more than two generations – parents, dependent children and others).

Table 1: *Main findings of studies on working poor in selected countries*

BE	<p>An analysis by Marx and Verbist (2008) on the nature and causes of in-work poverty in Belgium revealed the following.</p> <ul style="list-style-type: none"> • Belgium has a relatively compressed wage structure, including a fairly low incidence of low pay. • Poverty rates among workers are comparatively low, but the working poor constitute a significant proportion of the working age population that lives in relative poverty. • In-work poverty is mainly a problem of single-parent households and single earner couples with children. • The best protection against poverty that a household can have is two working adults; thus, policies supporting dual earnership are of crucial importance.
EL	<p>A study carried out by the Institute of Social Policy of the National Centre for Social Research (Εθνικό Κέντρο Κοινωνικών Ερευνών, EKKKE), examining the relationship between employment and poverty in Greece, came to the following conclusions (GR0706039I).</p> <ul style="list-style-type: none"> • Working men are at a 1.25 times greater risk of becoming poor than working women. • The risk of poverty for people aged 55 years and older is 1.62 times greater than for those aged 25–54 years, and 1.28 times greater than for young people aged 16–24 years. A large number of older workers are self-employed in the agricultural sector and/or have a low level of education. • Employed people with low educational levels face an over two times greater risk of poverty than employed people in general. • Self-employed people show a risk of poverty 3.7 times higher than that of employees and 1.6 times higher than that of workers as a whole. The greatest risk of poverty according to employment status is faced by assistants in family businesses. However, the data on the employment of self-employed people must be treated with caution due to the incidence of tax evasion. • People employed on a part-time basis are at a 2.4 times greater risk of poverty than those employed in full-time jobs. The poverty rate in this group also appears to be greater than that of retired and non-active individuals.
ES	<p>The study <i>Working poor and low salaries in Spain</i>, prepared by the University of Oviedo in northern Spain, found that a number of variables have an influence on the working poor.</p> <ul style="list-style-type: none"> • Existence of dependent relatives – wage earners who live in households under the poverty line can be found in greater measure in families with dependent children (14%), especially in single-parent ones (23%), or when the wage earner lives in a household where there are more than two adults with one or more children (14%). • Household's work intensity, as defined in the EU-SILC (the number of months of the year worked by members of the household of working age relative to the total number of months if each of them worked throughout the year) – the probability that a wage earner lives in a poor household decreases as the work intensity increases: 10% of full-time workers can be defined as working poor, compared with 14% of part-time workers. • Type of occupation – manual workers, especially skilled workers in agriculture, unskilled workers and workers in the services sector have a higher probability of becoming working poor. • Educational attainment – workers with low levels of education are more likely to be working poor (16% of them can be defined as working poor) in comparison to workers with a medium and high educational level (11% and 5% respectively). • Sector of economic activity – a high proportion of poor households and low earnings are associated with the agriculture and fishing sectors. High proportions are also found in the hotels and restaurants sector and in domestic and cleaning services, which are characterised by temporary work and job rotation. • Other variables – the association between poor households and low wages and small-sized companies is strong. In addition, low-income and temporary jobs are other variables affecting poverty distribution: for example, only 5% of Spanish workers with permanent employment contracts can be considered as working poor, whereas 12% of all temporary workers are in this situation.

Table 1: *Main findings of studies on working poor in selected countries (cont'd)*

LU	<p>Frederic Berger in his study ‘Work is not always enough to keep people from poverty’ (2007) showed the following.</p> <ul style="list-style-type: none"> • The incidence of the working poor is especially high among blue-collar workers, 22% of whom fall into this category, compared with 3% of private sector white-collar employees, 12% of self-employed workers and less than 1% of national and international public sector employees (LU0801019Q). Workers with fixed-term employment contracts were more exposed to poverty than those with open-ended contracts: 20% compared with 8%.
PL	<p>A survey study on <i>The working poor in Poland</i> by CBOS underlines the importance of household characteristics for in-work poverty analysis.</p> <ul style="list-style-type: none"> • Working poor households are composed of 4.2 persons on average. • A significant proportion lives in multi-generational households. • The working poor have lower expectations towards income. • In addition, more than half (55.1%) of the Polish working poor are 40 years old and over. Some 35.6% of working poor are between 40 and 49 years old; 20–29 years olds comprise 22.3% of the working poor population. Although in-work poverty is spread among different age groups, it is more common among middle-aged Poles than younger workers.
SE	<p>A study by Halleröd and Larsson (2008) covering characteristics on the working poor in Sweden and the reasons for their poverty found the following.</p> <ul style="list-style-type: none"> • In-work poverty is a growing but relatively uncommon problem in Sweden. There is a clear connection between blue-collar service workers and in-work poverty, which seems to be increasing over time. • Women with temporary work contracts have a greater risk of in-work poverty. • The highest rate of in-work poverty risk is found among self-employed people. These figures should however be interpreted carefully since there is a risk of measurement problems due to the tax system. Swedish self-employed persons might gain other resources from their business than that measured as income in the statistics. • In-work poverty in Sweden is mainly a problem for single households with no children. • It is predominantly the younger segment of the labour force that is affected by in-work poverty. • The majority of working poor in Sweden are poor because they have been partly out of work during the year of observation. The challenge of working poor is hence a problem of unemployment rather than one of low wages.
SI	<p><i>Reasons for and extent of the working poor (Vzroki in obseg pojava zaposlenih revnih)</i>, a study conducted by the University of Ljubljana (2008), concluded the following.</p> <ul style="list-style-type: none"> • The working poor issue has not received particular attention in Slovenia. According to the study’s focus groups, factors that influence the risk of poverty rates include: type of activity, type of employment contract, length of service, educational level, low pay, self-employment, region and age.
UK	<p>A 2008 study conducted by the Institute for Public Policy Research (IPPR) showed the following.</p> <ul style="list-style-type: none"> • UK families with children were twice as likely to face in-work poverty as those without children, and lone parents were twice as likely to face in-work poverty as families with a couple heading the family. • Some 35% of working households headed by someone aged 18–21 years were poor; a quarter of all working poor households have at least one disabled adult; and ethnic minority headed households face about twice the risk of working poverty as households headed by a white person. • A number of shifts occurred in the incidence of in-work poverty over the previous decade and in-work poverty has increased in the UK: 57% of poor households had someone in work in 2008, whereas the equivalent figure was 47% in 1998. From 1998 to 2008, the number of working poor households in the UK rose from two million to two and a half million. The proportion of working households that were poor also increased in the same period. <p>A study published by the government Department for Work and Pensions (DWP) reviewing the problem of in-work poverty in the UK found the following.</p> <ul style="list-style-type: none"> • Despite the fact that the number of children in poverty had decreased in the previous 10 years, the number of poor children living in working households had remained constant at 1.4 million in the same period. <p>The Joseph Rowntree Foundation also published a 2008 report on the relationship between in-work poverty and child poverty, concluding the following.</p> <ul style="list-style-type: none"> • In-work poverty had increased steadily in the UK in the previous 10 years.

Note: See references for full details of national studies on the working poor.

Policy responses

In most countries, policies addressing the working poor cannot be clearly separated from policies aiming to combat poverty and social exclusion, including those related to the respective social welfare systems. Nevertheless, in the form of various transfer payments and social benefits, certain policies tackle in-work poverty. These comprise fiscal measures, such as in-work benefits or tax credits paid to those with earnings below a certain level; labour market policies, such as minimum wages, wage policies in general, unemployment benefits, unemployment assistance and start-up benefits; family policies; or a combination of all of these measures. In most EU countries, combating unemployment and/or increasing employment has become a policy priority, since unemployment is considered to be a key driver of poverty.

Exceptions to this rule are Cyprus and Ireland, as well as the UK – where the issue has been addressed with specific policies over the past five to 10 years – and Norway, where it has been addressed since the end of the 1990s. Bulgaria and Germany started to pay more attention to the problem of in-work poverty from 2005 onwards. In Bulgaria, the working poor became a policy priority of the government in 2005, when the issue was included in planning, strategy and other documents related to poverty, social inclusion and the labour market. In Germany, the *Second report on poverty and wealth of the federal government (2. Armuts- und Reichtumsbericht der Bundesregierung (1.9Mb PDF))*, published in 2005, identified the high unemployment rate as the most serious problem and the real challenge for policies aiming to combat poverty. Moreover, unemployment had concentrated in specific groups, such as low-skilled and older workers, and a large proportion of unemployed people experienced long spells of unemployment. Therefore, the government pursued a proactive approach intended to improve the (re)integration of non-active or unemployed persons into the labour market. The core piece of this approach was the reform of the unemployment benefit system (*Viertes Gesetz für moderne Dienstleistungen am Arbeitsmarkt*), which was approved in 2003 and came into force on 1 January 2005 (DE0401205F). Formulating its aims in the *Second report on poverty and wealth*, the government announced that this reform would, in particular, help to avoid the so-called ‘careers in poverty’ (*Armutskarrieren*) – referring to people trapped in long-term poverty.

In most countries, policies directly or indirectly addressing the working poor have not changed in recent years.

In France, the issue emerged in the early 2000s; however, the policies implemented focused on the problems of unemployment and integration rather than on in-work poverty. In Austria, a ‘needs-oriented basic cover’ (*Mindestsicherung*) amounting to a €733 monthly net income is expected to be introduced on 1 September 2010. In Belgium, despite the incidence of (in-work) poverty being very low, the federal government approved an ambitious action plan in 2008 including 59 measures to combat poverty. While the plan acknowledges the working poor problem, it focuses on measures to prevent unemployment traps and fiscal strategies to make work pay more. In Italy, the debate focuses on family poverty. More recently, however – as in other countries, such as Slovakia – the issues of in-work poverty and social inclusion and exclusion have become more pressing within the context of the current economic and financial crisis; for details on the impact of and measures to fight global recession, see the section on ‘Impact of economic crisis’.

For most of the countries, the national reports did not detect any notable conflicts between reducing the number of working poor and increasing the number of people in work. In recent years, the governments’ main concern has been to encourage employment and combat unemployment rather than to improve the conditions of the working poor. Policymakers in the Netherlands concentrated primarily on solving the labour shortage problem.

Greece, Ireland, Slovenia and the UK are the only countries to have acknowledged a conflict of interests between reducing the number of working poor and increasing the number of employed people. In Greece, the trade unions and the Economic and Social Council of Greece (Οικονομική και Κοινωνική Επιτροπή της Ελλάδας, **OKE**) have criticised

the implementation of active labour market programmes such as subsidised training and work experience programmes, arguing that these tools reduce the official unemployment rate at the expense of job quality, create in-work poverty and have a ‘social dumping’ effect. In Ireland, the priority of employers and the government has been focused on increasing the number of people in work. Trade unions and social interest groups have also agreed that it is important to increase the number of people in work, but have argued that Ireland’s model of national-level social partnership could go further in terms of achieving social and redistributive goals like reducing the number of working poor. Overall, it is evident that the Irish model of social partnership – which has been largely based on a wage moderation and tax reduction trade-off – has been primarily geared towards economic growth and employment creation rather than any redistributive function. In Slovenia, one indicator of the conflict of policy interests is the high number of temporary employment contracts: the Employment Service of Slovenia (Zavod Republike Slovenije za zaposlovanje, **ZRSZ**) counted 12,283 available posts in August 2009, 10,075 of which were on a temporary basis. With regard to the UK, attitudes differ according to political affiliation: left-wing economists and the trade union movement consider that policies to boost the income levels of poor households will have a positive effect on the economy and employment rates, as well as improving social justice. By way of contrast, more economically liberal sources have argued that many policies designed to tackle in-work poverty are likely to have an adverse effect on employment rates.

In at least 10 countries – Belgium, Estonia, Germany, Italy, Latvia, Malta, Norway, Spain, Poland and the UK – policies are targeted either exclusively or at least partly at families. In some countries, vulnerable groups or groups at risk of poverty are generally addressed by policy measures. More specifically, Bulgarian policies focus on members of ethnic groups and retired persons, while Hungary supports lifelong learning, particularly of low-skilled and disabled people. In Ireland, Malta, Norway and the UK, policies are directed – apart from families – at individual workers. Policies in Portugal concentrate among other things on the integration of immigrants. Slovakia focuses on children and youth, elderly people, disabled persons, unemployed people and its Roma population.

For further details, see Annex 2. The information provided, however, is only tentative and may not be exhaustive.

Minimum wages

Minimum wages and their impact on reducing poverty give rise to conflicting views. While their supporters – trade unions, in particular – consider minimum wages as an important means of improving workers’ standard of living and reducing poverty, their opponents argue that minimum wages increase the unemployment of low-skilled workers. Their effect in both regards, it should be noted, depends on the level at which the minimum wages are set and whether they lead to a change in wage differentials. If they are set at a low level, they are likely to have little negative impact on job creation and the employment of low-skilled workers; however, they will also then have little positive effect on reducing the number of working poor. If minimum wages are set at a higher level, they will have a greater impact in both respects. Moreover, their overall effect as regards both in-work poverty and job creation will also depend on whether wage differentials – the rates of pay for higher wage jobs relative to those paying the minimum wage – remain the same or are squeezed. In other words, raising wages at the bottom end of the wage hierarchy can lead either to other wages being increased in proportion and wage differentials being maintained or to other wages remaining the same and thus differentials being squeezed. Since the minimum wage tends to be set well below the poverty threshold, the effect of minimum wages on in-work poverty depends to an important extent on whether wage differentials are maintained and other wages increase consequently or whether differentials are squeezed.

Minimum wage systems exist in most of the countries covered here, although they differ considerably in nature and level. In the EU and Norway, it is possible to distinguish broadly between two groups of countries. The first, comprising 20 out of the 27 EU Member States (Belgium, Bulgaria, the Czech Republic, Estonia, France, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the UK), has a national statutory minimum wage set by the government, in many cases after consultation with or a recommendation of the social partners. Cyprus has a statutory minimum wage for a few specific occupations only (Funk

and Lesch, 2005). The remaining Member States (Austria, Denmark, Finland, Germany, Italy and Sweden) do not have a national minimum wage; instead, sectoral collective agreements regulate minimum pay rates.

Large differences arise in minimum wages according to workers' age and qualifications or by sector of economic activity. A number of countries apply lower rates to younger, low-qualified or less experienced workers. The group of countries with differences based on age includes Belgium, the Czech Republic, Ireland, Latvia, Luxembourg, Malta, the Netherlands and the UK. Differences based on qualifications or occupations exist in Belgium, Greece, Hungary, Ireland, Luxembourg, Malta and Romania. In Austria, almost the entire private sector has been covered by minimum wage standards of €1,000 a month since 1 January 2009 (AT0902039I). In some branches of the economy, this has been agreed retrospectively. However, in a few branches, no evidence of the actual implementation of this regulation could be provided. In Germany, statutory minimum wages apply to selected industries only and vary substantially. Minimum wage legislation in the UK distinguishes between three groups of workers: lower rates apply to younger workers; the national minimum wage is not applicable to self-employed workers; and workers in the agricultural sector have a statutory sectoral level of minimum pay awarded by the Agricultural Wages Board. In other countries such as Estonia, Latvia and Slovakia, the minimum wage regulations apply to all employees.

In all EU Member States for which data are available (Table 2), the level of minimum wages tends to be set well below the poverty line and even declined in a number of countries during recent years when measured as a proportion of average monthly earnings in services and industry. This was particularly the case in Ireland and seven of the NMS: Bulgaria, the Czech Republic, Hungary, Poland, Portugal, Romania and Slovenia. Elsewhere, the proportion slightly increased (Latvia, Lithuania, Malta and Spain) or remained unchanged (Luxembourg and the UK).

Table 2: *Minimum monthly wage as proportion of average monthly earnings in industry and services (%)*

	2000	2001	2002	2003	2004	2005	2006	2007	2008
BE	-	-	46.4	-	-	-	-	-	-
BG	-	-	39.7	41.4	42.6	49.6	45.6	42.1	42.2
CZ	31.0	34.2	36.9	38.1	38.4	39.1	39.7	38.1	35.0
EE	-	-	30.5	32.4	34.6	33.2	30.5	-	-
ES	-	-	36.2	35.6	37.7	40.4	41.4	42.1	43.1
FR	-	-	-	-	-	-	-	48.1	-
HU	-	-	42.1	38.6	40.7	38.2	39.6	36.5	35.4
IE	-	-	50.0	47.7	50.0	52.0	51.0	43.0	42.0
LT	-	-	36.9	36.2	38.5	38.3	36.1	33.5	35.2
LU	-	-	50.4	50.4	49.6	50.7	50.4	50.5	50.2
LV	-	-	35.2	37.3	39.1	33.6	30.6	31.5	34.7
MT	-	-	53.9	51.6	49.0	50.6	50.6	49.2	52.0
NL	-	-	49.3	47.7	46.1	45.5	-	-	-
PL	-	-	33.0	33.9	35.1	33.7	36.1	32.4	-
PT	-	-	43.0	40.7	40.0	40.5	40.7	41.6	40.0
RO	-	-	31.3	37.3	34.4	32.6	35.7	29.1	-
SI	-	-	45.3	46.3	44.1	45.6	46.6	43.9	43.6
SK	-	-	32.4	34.0	34.1	34.4	34.8	46.6	-
UK	-	-	34.4	34.4	37.9	37.0	36.9	38.2	38.0

Source: Eurostat

National contributors' assessments on the role of minimum wages in reducing in-work poverty differ by country: minimum wages are considered very important in lowering the proportion of working poor in Austria, where the number of full-time employees earning less than the proposed minimum wage declined significantly. The importance of minimum wages in this respect is also recognised in Belgium, Bulgaria (with a strong increase in the minimum wage over recent years), the Czech Republic, Denmark, France and the UK. With regard to the UK, the majority of experts have deemed that the national minimum wage has effectively regulated the problem of low pay while also not having an adverse effect on employment rates. The national minimum wage enjoys support from the Confederation of British Industry (CBI) and the Conservative Party, as well as from trade unions and the Labour Party. In Cyprus, raising the minimum wage to 50% of the national average wage has brought relief to very low-paid people. However, trade unions emphasise the need to improve current regulations by setting rates of increase higher than the average overall increases to prevent the minimum wage level from being below the poverty level.

A 2003 survey by the Economic and Social Research Institute (ESRI) on the impact of the minimum wage in Ireland found that the proportion of workers on the minimum wage rate decreased substantially from 21% in 1999 to 4.5% in 2002. By contrast, an earlier comprehensive study concluded that only 5% of employees had their pay increased as a direct result of the introduction of the minimum wage. According to the authors, tight labour market conditions and labour shortages were a more significant factor behind wage increases and reducing the incidence of working poor in many low paying sectors of economic activity, as unemployment decreased sharply from the late 1990s. The study found that as many as 81% of employers claimed that they would have increased wages to attract or retain labour, regardless of the minimum wage. The impact of the national minimum wage in reducing the numbers of working poor is mainly limited to specific sectors. It was highest in traditionally low paying sectors such as wholesale and retail trade, hotels and restaurants and bars, and textiles manufacturing.

The Hungarian correspondent, by contrast, underlines the negative aspects of the significant increase in the minimum wage. This increase led to a decline in employment in almost all cases. Furthermore, considering poverty as a whole, most poor people do not benefit from the minimum wage increases, given that they are unemployed or economically inactive.

In Malta, the impact that minimum wage legislation had on the working poor is limited since only a small fraction of workers is receiving a minimum wage.

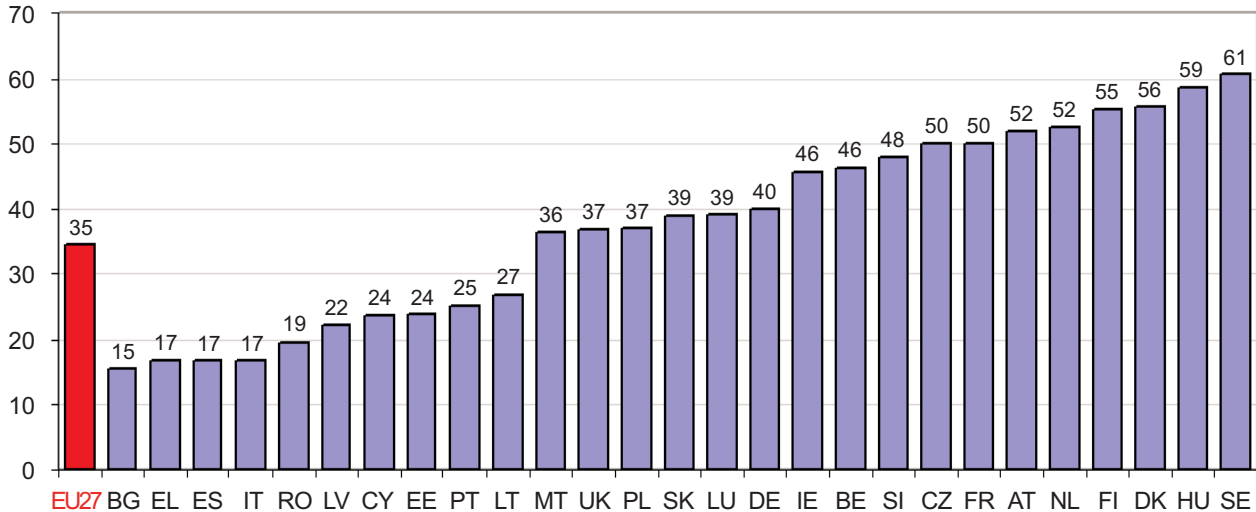
Swedish experts are undecided about whether the minimum wage plays a role in reducing in-work poverty. While some regard it as the reason for the low number of working poor in Sweden today, others do not think that a raised minimum wage would mean fewer working poor since so many other factors affect the situation – such as the income of the spouse and frequency of temporary employment. The Greek study also emphasises the need for other measures in addition to minimum wages to support low-income groups.

Minimum wages and their impact on employment and the risk of poverty are being widely debated in Germany between the trade unions and employer organisations (see below).

Effectiveness of policies

Assessing the effectiveness of policies towards the working poor is particularly complex. As already mentioned, the strategies and policies so far developed in most countries do not tend to directly target the working poor, but poor people at large. Thus, analyses on the effectiveness of those policies primarily consider poverty alleviation in general. It is generally stated that social transfers, excluding pensions, effectively reduce the risk of poverty albeit to a varying degree from country to country, ranging from a poverty reduction effect of 60.7% in Sweden to 15.4% in Bulgaria (Figure 9). This also reflects differences in the size of social transfer expenditure, which varies between 12% of GDP in Latvia and 15% in Bulgaria and 30% in Sweden.

Figure 9: Impact of social transfers, excluding pensions, on at-risk-of-poverty rate for total population, 2007 (percentage reduction)



Source: European Commission, 2009a, *Growth, jobs and social progress in the EU, based on EU-SILC 2007*

More specifically, the French report refers to assessments of transfers to single-parent families (mainly women with children); these help to reduce the proportion of such families living below the poverty line from 46% to 27%. However, the social welfare system is more efficient for categories less affected by the risk of poverty. For couples with children, the poverty rate declines from 22% before transfers to 12% after transfers.

In Norway, although poverty reduction funding has been steadily increasing, the percentage of low-income individuals has not changed significantly in the last decade. Policies to reduce the proportion of the working poor have evidently been insufficient. However, the composition of the group has changed, making immigrants the new main target group for effective political measures to reduce the number of working poor.

In Belgium, measures such as the minimum wage and credit systems for low-wage workers are considered to have contributed to preventing in-work poverty. Nevertheless, Marx et al (2009) do not regard the further development of these measures as crucial, because the major group of poor people who are working does not belong to the group of low-paid workers. The key problem of the working poor is having a single income, combined with an inexistent or insufficient social benefit to help carry the financial burden of a household (partner and/or children). Thus, future efforts to combat in-work poverty should focus even more strongly on boosting dual earnership by improving work-life balance and general employment policies. Moreover, the authors emphasise that significant categories of the working poor – specifically single persons and single parents – require targeted cash transfers by tax credit and/or social benefit in order to remain shielded from poverty.

Views of the social partners

According to the information provided by the national contributions, in most countries social partners express differing perspectives regarding the group of working poor. One exception can be found in Finland, where trade unions and employer organisations share the common goal of continuously raising the number and quality of jobs. These efforts may have had an important impact on the increasing educational level of the population through the provision of further education to employees at their workplaces – more so than in other European countries.

Similarly, in Ireland, the quality and quantity of jobs are significant priorities for the trade unions while, at the same time, employers emphasise the importance of attracting high-quality high value-added jobs. Nevertheless, on balance, the priority of employers would tend to lean more towards maximising the quantity of jobs. In Slovakia, by contrast, the issue of in-work poverty and its reduction as well as issues of working conditions and quality have become less important than increasing the number of jobs.

Trade unions

Information available for a number of EU Member States and Norway indicates that the problems related to the working poor are primarily addressed by trade unions. In most countries, however, trade unions do not explicitly discuss the issue of working poor but rather other related issues such as the different forms of non-standard employment and their social implications. In terms of pay, trade unions focus on the level of minimum wages and collective bargaining. As various countries reported – Belgium, Cyprus, Germany, Greece, Hungary, Lithuania, Malta, Slovakia, Spain and Sweden – trade unions consider minimum wage policies explicitly as an important instrument of social protection.

Trade unions in Austria, Finland and Germany specifically address the issue of non-standard forms of employment. In-work poverty appears to be significant among workers hired under these forms of employment. In Slovenia, the social partners give a high priority to the problem of the working poor. Actions undertaken by the trade unions towards the reduction of in-work poverty include ensuring proper wages for employed people and proper social protection for those out of the labour market.

In a few countries – Germany, Slovenia and the UK – debates take place on the conflicting goals of quality and quantity in job creation. Trade unions in the UK emphasise that there is no contradiction between the quality of jobs and levels of employment; they argue that measures to boost the living standards of individuals and families experiencing in-work poverty are likely to have a beneficial effect on levels of consumption and demand – and subsequently on growth and employment. However, employer representatives do not acknowledge the existence of such a link. They generally argue that excessive public expenditure, the imposition of further regulations on companies and rising wage levels are likely to impact adversely on employment levels in the UK. The economic recession has not altered the substance of this debate.

In Bulgaria, Ireland, Luxembourg, Norway, Portugal and Romania, trade unions have provided explicit proposals on how to reduce the number of working poor and/or low-paid workers.

- In Bulgaria, negotiations on social programmes at company level along with the development of a voucher system offer new opportunities to reduce the number of working poor. Currently, about 250,000–300,000 workers are eligible to participate in the food voucher scheme. Some branches and sectors of economic activity had already established mutual aid funds, which offer credit under favourable conditions.
- In Ireland, trade unions consider the national minimum wage as important for helping the working poor. In addition, they advocate the following measures: reforming in-work social welfare entitlements, keeping minimum wage earners out of the tax net, enhancing workers' skills and training, and organising workers collectively into unions to prevent the downgrading of wages.
- The Luxembourg Chamber of Employees (Chambre des salaires Luxembourg, **CSL**) has emphasised that – apart from the regular adjustment of the minimum guaranteed income (*revenu minimum garanti*, RMG) and the minimum social wage – tax credits for employees should not be considered as a substitute for a consistent pay policy. Moreover, child bonuses (like all family allowances) should be regularly adjusted for inflation. In addition, transfers should be better targeted and people's qualifications should be enhanced. The Economic and Social Council (Conseil économique et social, **CES**) is calling for a more targeted family allowance system, the conversion of the single parent reimbursement into a single parent bonus and a regular adjustment of the taxation scale.

- The Norwegian Confederation of Trade Unions (Landsorganisasjonen i Norge, **LO**) suggests strengthened public control of the labour market and emphasises the importance of full-time employment, thereby opposing policies which imply a more extensive use of part-time work. In addition, the trade unions have proposed other specific measures to secure jobs and sufficient salaries for vulnerable groups such as young, older and immigrant workers. At the same time, the level of social security benefits should be increased in order to keep pace with the general level of salaries and to help raise the effective income of workers in these groups.
- The General Confederation of Portuguese Workers (Confederação Geral dos Trabalhadores Portugueses, **CGTP**) considers that the problem of in-work poverty should be explicitly mentioned as a priority in the 2008–2011 National Action Plan for Inclusion (*Plano Nacional para a Inclusão*, PNAI). In CGTP-IN's 'Ten strategic themes to change policy', some measures to reduce the number of working poor include raising the national minimum wage and supervising non-standard types of employment.
- In Romania, the priority of trade unions has been to maintain the number of jobs and to negotiate the highest minimum wages possible.

Trade unions in the other countries are less specific and concentrate their debate on improving the social welfare systems, reducing income inequalities and raising minimum wages as a useful tool to help reduce poverty at large. In Poland, low unionisation levels and loose regulatory regimes weaken the position of trade unions in demanding higher wages for low-paid jobs – for example, in supermarkets, fast food outlets and security services – particularly in times of economic crisis.

In Germany, trade unions demand the introduction of statutory minimum wages; in Spain, they call for the introduction of sectoral minimum wages; and in Greece, they seek the introduction of national industry-wide minimum wages. Lower taxes or tax exemptions for low-paid or minimum wage earners are part of trade union demands in Estonia, Ireland and the UK. In France, the French Christian Workers' Confederation (Confédération Française des Travailleurs Chrétiens, **CFTC**) argues that the quality of employment should not be traded for the quantitative objective of reducing unemployment. Therefore, CFTC proposes to implement a job quality index based on important indicators such as qualifications, lifelong learning, gender equality, health and safety in the workplace and work–life balance so that it can monitor developments in this trade-off.

According to the country reports, trade unions seem to have a decisive role only in Belgium and Ireland, where they are usually successful in implementing and managing such schemes. In Belgium, where the in-work poverty rate is very low, trade unions try to avoid major attacks on the social welfare system in general and defend collective wage formation by automatic indexation as well as minimum wages. Furthermore, they oppose flexible 'mini-jobs' – that is, small, temporary jobs. As noted, trade unions in Ireland consider the national minimum wage as being important for helping the working poor.

In Cyprus, where – apart from declining wages and increasing dismissals – illegal and undeclared work is on the rise, trade unions are concentrating their activities on identifying cases of violation of collective agreements, preventing unjustified dismissals and demanding the implementation of collective agreements.

Employer organisations

Employer organisations usually do not state or propose direct measures to reduce in-work poverty. Positions regarding the minimum wage are diverse: from strong opposition to acceptance. To explain their reservations, employers advance economic theory linking minimum wage increases with a higher cost of labour and therefore negative impacts on employment and competitiveness. In a number of countries, they accept minimum wage regulations, such as in Austria, Belgium, Cyprus to some extent, the Czech Republic, Estonia, Latvia, Lithuania, Malta, Romania and Sweden.

However, employer organisations frequently oppose increases in minimum wage rates, such as in Bulgaria, Hungary, Luxembourg, Slovakia, Slovenia and the UK. In Ireland, where employers generally support measures aiming to reduce the extent of in-work poverty, important differences arise between associations representing small and large companies. Representatives of the Small Firms Association (**SFA**) have voiced strong opposition to the minimum wage. Meanwhile, the majority of affiliates of Ireland's largest employer organisation, the Irish Business and Employers Confederation (**IBEC**), which originally opposed the concept of the minimum wage, pay above the rate and are generally in support of measures to reduce the number of working poor.

In Germany, where minimum wages exist only for selected industries, the Confederation of German Employers' Associations (*Bundesvereinigung der Deutschen Arbeitgeberverbände*, **BDA**) strongly opposes the introduction of a national statutory minimum wage. BDA argues that it would be a barrier preventing low-skilled workers and long-term unemployed people from being (re-)integrated into the labour market. The employer body considers the reform of the unemployment benefit system in 2005 as, in principle, an appropriate approach to preventing poverty. BDA also emphasises that many households can raise their income level by working in low-wage jobs.

In other countries, employer organisations propose measures to help to reduce the number of low-paid workers. These measures include: the improvement of employability, for example, through education and training (Bulgaria, Estonia, Greece); increased use of part-time and temporary jobs, and temporary agency work (Finland); tax measures to improve the income situation of low-paid persons (Hungary); and supporting the private sector (Norway). In France, the Movement of French Employers (*Mouvement des Employeurs de France*, MEDEF) fully supports the aims of the Active Solidarity Income (*Revenu de Solidarité Active*, RSA), which was introduced on 1 June 2009 to replace the Minimum Integration Income (*Revenu Minimum d'Insertion*, RMI). The purpose is to combine the reduction of poverty with a better integration into employment and to avoid the threshold effect observed with the social income system. Under that system, when an unemployed person accepted a job, as they were earning more, some social incomes were cut or reduced, and their final income was actually lower than before. Thus, the RSA system is designed to ensure that every additional hour worked results in a better total income for workers.

The reports on Bulgaria, Cyprus and Malta explicitly address the role of the informal economy with respect to the working poor. In Bulgaria and Malta, employers accept the minimum wage regulations for people working in the formal economy, but workers employed in the informal economy – in Malta, illegal migrants in particular – are often paid very low wages under poor working conditions. Trade unions in Malta oppose these practices and are calling on the government to curtail this abuse on the part of some employers, especially in the construction sector. Seasonal and homeworkers are also more prone to have inferior terms and conditions of employment when they work in the informal economy.

Impact of economic crisis

One of the aims of this report was to look for evidence of the first signs of the impact of the economic crisis on the working poor. Nevertheless, as the crisis starting point is not the same in each country, varied situations arise in this respect and, on the whole, the effects are largely unclear so far.

Out of the 28 countries, including Norway, three national correspondents delivered reports containing data (Bulgaria and Portugal) or a clear answer (Ireland) showing that the number of working poor has increased as a result of the economic crisis. In Portugal, the in-work poverty risk rose from 10% in 2007 to 12% in 2008, with a two percentage point increase for both men and women. In Bulgaria, the in-work poverty risk of self-employed people reached a record level of 10% in 2008. According to the Irish contribution, the recession hit Ireland particularly hard and had a very negative impact on the working poor: those who did not lose their jobs in many cases had their pay reduced and/or saw increases in taxes and social security contributions.

Furthermore, many reports state that the proportion of in-work poverty has probably increased during the recession, or they expect that the situation of the working poor will deteriorate. However, no evidence of an increase is seen in Germany, the Netherlands and Norway. The German report states that the number of recipients of ‘unemployment benefit II’ (*Arbeitslosengeld II*) – the lower rate of unemployment benefit, which serves as an income supplement (*Aufstocker*) for employed and unemployed people – actually decreased between September 2008 and February 2009. According to the Dutch contribution, there have been no wage cuts in the Netherlands and the reduction in working time in some companies has been compensated. According to the Norwegian contribution, the recession has had a smaller impact on Norway and the working poor in comparison to many other countries.

Three important factors may have an effect on the number of working poor during the recession.

- The first is the wage cuts that occurred in a number of European countries (Bulgaria, the Czech Republic, Estonia, Hungary, Ireland and Lithuania). For example, Estonia reported a 7.4% year-on-year decline in average wages in the first quarter of 2009. In general, wages have been cut in companies, partly as a result of reduced working hours, which have been compensated only in some cases (see below). Meanwhile, wages of public sector employees have been frozen (Bulgaria) or cut (Ireland, base amounts in Lithuania), or minimum wages have not been increased (Estonia).
- The second factor is the reduction in working time, which has been common around Europe (Bulgaria, the Czech Republic, Estonia, Greece, Hungary, Ireland, Malta, Slovenia and Sweden). Measures such as cutbacks in working time or the introduction of a four-day week may have a negative impact on the in-work poverty risk.
- Thirdly, the number of working poor is believed to be increasing due to the rise in unemployment, which affects workers in a direct way as well as households. Given that the most affected economic sectors are predominantly male, the ‘male breadwinner’ model is under threat and the crisis may cause an increase in the number of working poor.

Other selected factors related to the economic crisis and having an impact on the working poor might include:

- the worsening of governments’ budget situation and related cuts in the social welfare system (Belgium);
- an increase in the in work poverty risk for self-employed people as a result of the recession and the decline in sales (the Czech Republic);
- problems for employees of companies going bankrupt who no longer receive wages but are not yet eligible for unemployment benefit (the Czech Republic);
- the rate of undeclared work, which is expected to increase further (Greece) along with the number of working poor.

So far, no detailed surveys or studies have been launched throughout Europe since the economic crisis started in order to assess the impact on the working poor and to monitor the numbers involved. This is not surprising in view of the fact that even before the crisis few country-specific studies on the working poor were conducted (see Table 1 and references). The only exception is Ireland, where a report of the Think Tank for Action on Social Change (**TASC**) – entitled **The solidarity factor: Public responses to economic inequality in Ireland (119Kb PDF)** and published in July 2009 – considers the impact of the recession on Ireland’s working poor. According to TASC, since the onset of recession, many of the working poor have been struggling to make ends meet. The working poor are being hit hard by the decline in unskilled employment, particularly in the wholesale and retail trade, hotels and restaurants, and construction sectors. In other countries, namely Belgium, Greece, the Netherlands and Norway, the specific situation of the working poor during the crisis has been highlighted but not yet fully studied. In Slovakia, a number of research institutions are preparing studies on the effects of the economic crisis on in work poverty, but results are not yet available.

In about two thirds of the EU Member States, no particular policy measures have been taken to reduce the possible impact of the recession on the working poor. In some countries, however, the more general measures devised to address the crisis might also benefit this group. On the other hand, in three countries (Estonia, Latvia and Slovakia), the policy measures implemented are detrimental to the working poor due to cuts in public expenditure. In a few EU Member States, explicit policy measures have been taken to improve the situation of the working poor. Some of the most important provisions identified in the national contributions include the following.

- In France, the government awarded a €200 bonus to potential beneficiaries of the RSA at the end of March 2009.
- In Greece, the Ministry of Employment and Social Protection (Υπουργείο Απασχόλησης και Κοινωνικής Προστασίας, **ΥΠΑΚΠ**) presented an action plan in April 2009 containing the following measures targeting low-paid workers: rent subsidies, interest-free loans, support for young scientists, lawyers and doctors, training programmes for employees in SMEs, support for SMEs, support for female employment and support for the ‘Home Help’ programme, which helps towards the care of elderly and dependent people.
- In Hungary, the Ministry of Social Affairs and Labour (Szociális és Munkaügyi Minisztérium, **SZMM**) proposed that employees’ lost income as a result of reduced working hours should be compensated. However, the number of companies receiving subsidies is not significant.
- In Norway, proposed measures to reduce the effect of the recession by securing existing jobs and promoting the creation of new jobs were calculated to amount to NOK 20 billion (€2.5 billion as at 11 March 2010).
- In Portugal, some policy measures were taken which may also benefit the working poor, such as a moratorium on mortgage repayments. In addition, the law envisages a specific measure to reduce the possible impact of the recession on the working poor: workers involved in lay-off situations shall not receive a sum lower than the national minimum monthly wage or two thirds of their gross monthly wage (up to a ceiling of €1,350).
- In Romania, the government raised the guaranteed minimum income by 15% as of July 2009.
- In Spain, the government has implemented special measures to help people who have become unemployed to pay their mortgage.
- In the UK, several policy measures were adopted, including an increase in child benefit, extra funding to combat child poverty, extra money for workers with children and a higher child tax credit.

The social partners’ response to the current economic downturn has differed across Europe: only in a few countries – Bulgaria, Norway and Ireland – did trade unions and employer organisations alter their policies and move closer. In Ireland, trade unions and employer organisations have urged the Irish government to divert resources spent on social welfare benefits to keeping people in jobs and retraining workers. In its 10-point solidarity plan for dealing with the recession, the Irish Congress of Trade Unions (**ICTU**) is calling for measures to protect jobs and tackle unemployment. In Germany, Malta and the UK, positions and actions towards the working poor have remained unchanged. Concessions mainly on the part of the trade unions were made in the Czech Republic (wage freezes), Lithuania (minimum wage freeze), the Netherlands (moderate income levels) and Romania (provisions regarding the increase in the minimum wage, and the ratio between the national minimum and average wage, have been suspended).

Summary

According to official statistics, the risk of being working poor is higher in the southern EU countries – Greece, Italy, Portugal and Spain – as well as in some NMS including Poland and the Baltic countries. An elevated risk is also found in Luxembourg and the UK. Men are often more affected than women in this respect. Women, although facing a higher poverty risk, are less affected when working because they frequently are the second earner in the family, according to the male breadwinner model. Young persons face the highest risk (mostly in the northern European countries); nonetheless, workers aged 25–54 years tend to be most at risk in the NMS while older workers face the highest poverty risk in the southern EU Member States. A low educational level is associated with an almost fivefold increase in the risk of being among the working poor, in comparison to workers with a high level of education. Being employed part time or for less than a year almost doubles the in-work poverty risk; having a temporary employment contract raises this risk nearly threefold. Overall, household characteristics such as being a single parent play an important if not the most important role. Other groups with a high risk of poverty are self-employed people, family workers and migrants.

With the exception of six countries – Bulgaria, Cyprus, Germany, Ireland, Norway and the UK – the issue of the working poor is not seen as a government policy priority in most EU Member States. Nonetheless, although in-work poverty is not directly addressed, it is treated within the framework of policies to combat poverty and social exclusion or policies related to the respective social welfare systems. Combating unemployment or increasing employment has become a policy priority, as unemployment is considered a key driver of poverty. In a few countries (Germany, Slovenia and the UK), the social partners have led a debate on the relative priority of job quality and working conditions, on the one hand, and the quantity of jobs, on the other.

In most Member States, the social partners, particularly the trade unions, do not explicitly discuss the issue of the working poor but rather poverty and its social implications in general. In terms of pay, the trade unions focus primarily on the level of minimum wages and collective bargaining. Minimum wages, either set by collective agreement or by law, exist in all of the countries examined and the trade unions strongly support these arrangements as an important instrument of social protection. Employer organisations in a number of countries at least accept minimum wage regulations, but often oppose increases in their rates. Research is scarce on the effectiveness of minimum wages as a means to reduce the number of working poor. In response to the global economic crisis, social partners' positions and reactions towards reducing in-work poverty have changed only in a few countries – for example, Bulgaria, Ireland and Norway. Trade unions made concessions such as wage freezes in a number of countries. Employer organisations for their part propose measures to enhance employability and increase the number of temporary and part-time jobs, or tax measures to improve the income situation of low-paid workers.

For the time being, reliable data to assess the impact of the crisis on the number of working poor are not yet available and the possible effects are still unclear. However, there is a general feeling that the working poor have been hit particularly hard by the current recession. Firstly, the increase in unemployment has affected low-skilled, temporary workers the most – which would however reduce the number of working poor. Secondly, due to this rise in unemployment, the male breadwinner model will be difficult to maintain, thereby increasing the number of working poor. The working poor may also be more strongly affected by wage cuts and/or reduced working hours, which have occurred in a number of European countries. Policy measures explicitly targeting this group have been adopted in eight countries only. In most cases, more general efforts have been made to combat the crisis and cutbacks in state budgets may even have an additional negative impact on the working poor.

Commentary

This comparative analytical report is an attempt to gain an insight into the situation of the working poor in Europe. Based on 28 national contributions – provided by the correspondents from the EWCO network, which covers the EU27 and Norway – the study examines the characteristics of the working poor, as well as the main policies and social partners' views in relation to addressing this issue. The report reveals that the population affected has still to be clearly identified, as data are not particularly specific. Furthermore, there is still some room for manoeuvre regarding improving the situation of the working poor; currently, there is a lack of knowledge and research on the effectiveness of some measures, such as the minimum wage, in combating this specific issue. Moreover, understanding how governments react and what priority they give to the issue is of utmost importance to addressing it. Finally, although conducted at the beginning of the current economic crisis, the study already reveals some signs of negative effects on the working poor situation. It is, therefore, paramount to follow up on the development of this issue in the near future, and to assess the changes in labour markets and family structures.

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Annexes

Annex 1: Data tables

Table A1a: *At risk of poverty rate, by most frequent economic activity in previous year (18 years and over), 2007 (%)*

	Total population			Employed			Not employed		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
EU27	-	-	-	8	7	8	-	-	-
EU25	15	17	14	8	7	9	24	24	23
EU15	16	17	14	8	7	8	25	26	24
NMS10	13	14	13	8	8	9	19	19	19
AT	11	13	9	6	6	6	18	19	15
BE	15	16	13	4	4	4	25	25	25
BG	-	-	-	5	5	5	6	6	6
CY	16	19	14	6	7	6	31	32	30
CZ	8	9	7	3	3	3	13	14	13
DE	15	17	14	7	8	7	24	25	23
DK	12	12	12	4	3	5	23	22	25
EE	20	22	16	8	9	6	37	38	36
EL	20	21	19	14	12	15	25	26	23
ES	19	20	17	11	9	12	28	29	27
FI	13	14	12	5	6	5	24	24	25
FR	12	13	11	6	6	7	18	19	17
HU	10	11	10	6	5	7	15	15	15
IE	17	19	15	6	6	6	32	32	33
IT	19	20	17	10	7	12	26	27	23
LT	18	21	15	8	8	8	32	35	28
LU	12	12	11	9	9	9	5	15	14
LV	21	24	18	10	10	9	38	39	37
MT	13	14	12	4	2	5	22	20	26
NL	9	10	8	5	5	5	15	15	14
PL	15	15	16	12	10	13	19	18	20
PT	17	19	16	10	9	10	27	28	26
RO	-	-	-	4	3	5	37	37	38
SE	10	11	10	7	6	7	16	17	15
SI	11	13	10	5	4	5	19	20	16
SK	9	10	8	5	5	5	14	15	13
UK	18	20	16	8	8	8	34	35	33
NO	12	14	10	6	7	6	22	24	18

Note: The most frequent economic activity status is defined as the status that individuals report having occupied for more than half of the previous calendar year.

Source: Eurostat, EU-SILC 2007

Table A1b: *At risk of poverty rate, by most frequent economic activity in previous year (18 years and over), 2007 (%)*

	Unemployed			Retired			Other inactive		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
EU27	42	38	46	17	8	16	27	27	26
EU25	42	39	46	17	18	16	27	28	27
EU15	41	38	45	18	19	17	28	29	28
NMS10	45	40	51	10	12	7	21	21	21
AT	42	42	43	12	14	10	21	22	15
BE	34	32	36	20	21	18	27	26	28
BG	38	36	41	18	22	10	16	19	11
CY	28	27	30	51	53	48	17	19	12
CZ	48	44	53	6	8	4	13	14	12
DE	51	52	50	18	19	16	24	24	25
DK	31	25	40	17	18	15	32	28	39
EE	62	56	65	37	42	25	32	28	39
EL	35	31	41	22	25	19	25	25	27
ES	36	32	44	22	18	25	30	31	26
FI	41	34	47	21	23	17	27	24	33
FR	33	28	37	11	12	10	26	26	26
HU	46	41	51	8	8	8	23	25	18
IE	43	44	42	27	26	27	32	32	35
IT	44	39	50	16	16	15	30	31	29
LT	57	50	63	30	36	16	29	29	29
LU	46	47	45	8	11	7	15	14	21
LV	57	47	66	38	42	28	31	29	35
MT	39	d.u.	43	23	16	25	20	20	20
NL	27	27	28	9	11	7	18	17	19
PL	43	39	49	6	8	7	21	20	22
PT	32	28	37	23	23	23	30	32	26
RO	37	30	40	15	17	13	23	25	16
SE	26	20	33	11	13	8	31	29	35
SI	36	34	38	17	20	11	19	18	20
SK	45	41	51	8	9	5	15	18	12
UK	58	52	61	31	33	29	37	37	37
NO	44	41	47	13	18	6	37	34	43

Notes: The most frequent economic activity status is defined as the status that individuals report having occupied for more than half of the previous calendar year. d.u. = data unreliable.

Source: Eurostat, EU-SILC 2007

Table A2: In-work poverty risk, by gender and age of employed population (18 years and over), 2007 (%)

	Gender			Age			Women, by age			Men, by age		
	Total	Women	Men	18–24 years	25–54 years	55–64 years	18–24 years	25–54 years	55–64 years	18–24 years	25–54 years	55–64 years
EU25	8	7	9	9	8	7	10	7	7	9	9	8
EU15	8	7	9	10	8	8	10	7	7	9	8	8
NMS10	8	8	9	8	9	6	8	8	5	8	10	6
AT	6	6	6	5	6	7	3	6	8	6	6	6
BE	4	4	4	5	4	4	5	4	3	5	4	5
BG	:	:	:	:	:	:	:	:	:	:	:	:
CY	6	7	6	5	6	6	7	7	7	3	6	5
CZ	3	3	3	3	4	2	1	4	1	4	3	2
DE	7	8	7	11	7	6	14	8	7	9	7	5
DK	4	3	5	20	3	2	22	2	2	19	4	2
EE	8	9	6	4	9	6	4	10	6	4	7	6
EL	14	12	16	14	14	17	14	12	15	13	15	18
ES	11	9	12	7	11	12	10	8	11	5	12	12
FI	5	5	5	12	4	4	19	5	4	6	4	4
FR	6	6	7	7	6	7	7	6	6	7	6	9
HU	6	5	7	4	6	3	2	5	2	5	7	4
IE	6	6	6	5	5	7	7	5	6	4	5	8
IT	10	7	12	14	10	8	13	7	4	15	12	10
LT	8	8	8	5	8	9	6	9	7	3	8	10
LU	9	9	9	11	10	5	7	10	4	14	10	5
LV	10	10	9	6	10	10	7	11	10	6	10	11
MT	4	2	5	2	5	3	2	2	4	2	6	3
NL	5	5	5	2	5	5	3	5	6	1	5	4
PL	12	10	13	12	12	8	12	11	7	12	13	9
PT	10	9	10	11	8	14	9	8	15	12	9	14
RO	:	:	:	:	:	:	:	:	:	:	:	:
SE	7	6	7	19	6	3	17	6	2	21	7	4
SI	5	4	5	4	5	4	6	4	3	3	5	4
SK	5	5	5	4	5	2	2	5	2	6	5	2
UK	8	8	8	10	7	8	9	7	10	11	8	7
NO	6	7	6	28	5	3	34	6	4	24	5	3

Notes: In-work poverty risk: Individuals who are classified as employed according to the definition of most frequent economic activity status and who are at risk of poverty. ":" data not available.

Source: Eurostat, EU-SILC 2007

Table A3: In-work poverty risk, by educational level and household characteristics of employed population (18 years and over), 2007 (%)

	Education			Household characteristics					
	Low	Medium	High	Single person	Single parent with dependent children	Two or more adults with dependent children	Two or more adults without dependent children	Households with dependent children	Households without dependent children
EU25	14	8	3	10	18	9	5	10	6
EU15	14	7	4	10	19	9	5	10	7
NMS10	20	9	2	10	18	11	4	11	5
AT	9	6	4	8	18	6	4	7	5
BE	7	5	2	5	14	5	2	6	3
BG	:	:	:	:	:	:	:	:	:
CY	10	7	3	12	22	5	7	5	8
CZ	9	3	1	6	15	4	1	5	2
DE	14	7	5	11	20	7	6	7	7
DK	5	4	3	8	8	3	2	4	4
EE	10	10	4	11	27	8	4	9	6
EL	26	11	5	13	22	18	11	18	11
ES	16	11	5	11	23	14	7	14	7
FI	7	7	2	10	12	4	3	5	5
FR	8	7	3	7	16	7	4	7	5
HU	14	6	1	9	17	8	2	8	3
IE	10	5	2	10	14	6	3	7	4
IT	16	7	2	11	18	13	5	13	6
LT	16	11	2	13	24	9	4	10	6
LU	19	6	2	12	39	10	4	12	6
LV	20	10	3	19	23	10	6	11	8
MT	6	2	1	3	15	7	1	7	1
NL	6	6	2	5	22	5	3	6	3
PL	28	13	2	12	16	14	7	14	8
PT	12	3	0	15	19	10	9	10	10
RO	:	:	:	:	:	:	:	:	:
SE	6	7	6	14	16	5	4	6	7
SI	10	5	1	10	13	5	4	5	4
SK	14	5	3	6	20	6	2	7	2
UK	16	8	4	11	21	8	6	9	7
NO	9	6	4	14	20	3	3	5	7

Notes: In-work poverty risk: Individuals who are classified as employed according to the definition of most frequent economic activity status and who are at risk of poverty. ":" data not available. Low = ISCED 0–2; medium = ISCED 3–4; high = ISCED 5–6.

Source: Eurostat, EU-SILC 2007

Table A4: In-work poverty risk, by job characteristics of employed population (18 years and over), 2007 (%)

	Months worked in year		Professional status			Full-time or part-time		Type of contract	
	Full year	Less than full year	Employee	Self-employed	Family worker	Full-time	Part-time	Permanent contract	Temporary contract
EU25	8	15	6	18	31	7	12	5	13
EU15	8	15	6	18	27	7	11	5	13
NMS10	8	16	6	19	39	8	18	5	12
AT	6	10	5	10	30	5	8	5	8
BE	4	11	3	11	13	3	5	3	9
BG	:	:	:	:	:	:	:	:	:
CY	5	13	6	5	7	6	10	5	17
CZ	3	7	3	6	10	3	4	2	6
DE	7	16	7	12	17	6	10	6	13
DK	4	11	3	17	18	4	5	3	
EE	7	12	6	27	39	7	16	6	9
EL	13	26	8	23	40	13	27	5	19
ES	10	14	7	30	52	10	14	5	12
FI	4	11	3	15	27	3	15	3	10
FR	6	13	5	16	37	5	12	4	13
HU	5	13	5	11	0	5	17	4	13
IE	5	8	4	13	34	4	11	3	7
IT	9	18	8	15	12	9	14	6	19
LT	7	18	6	19	37	7	28	6	17
LU	8	25	9	14	9	9	10	9	15
LV	9	20	9	19	37	8	26	8	16
MT	4	12	:	:	:	4	8	4	9
NL	5	4	3	16	3	4	4	3	5
PL	11	18	7	26	41	11	19	5	12
PT	9	15	6	22	37	8	28	5	10
RO	:	:	:	:	:	:	:	:	:
SE	6	17	5	16	0	6	8	5	20
SI	4	14	4	15	14	4	11	4	10
SK	4	13	4	11	:	4	10	4	8
UK	7	26	7	17	:	6	13	5	10
NO	6	22	6	13	18	5	7	6	20

Notes: In-work poverty risk: Individuals who are classified as employed according to the definition of most frequent economic activity status and who are at risk of poverty. ":" data not available.

Source: Eurostat, EU-SILC 2007; data by professional status own calculations based on EU-SILC 2007

Table A5: Full-time employees and self-employed people with earnings < 60% of median earnings*, 2007 (%)

	Employees									Self-employed, 25 years and over **		
	Total	18–24 years	25 years +	Women	18–24 years	25 years +	Men	18–24 years	25 years +	Total	Women	Men
EU25	14.0	43.7	11.5	19.2	49.1	16.8	10.7	40.3	8.3	30.5	41.1	26.8
EU15	13.8	46.9	11.1	19.1	52.1	16.3	10.7	43.7	8.0	30.6	41.0	27.2
NMS10	14.7	26.7	13.8	19.6	34.0	18.6	10.6	21.8	9.7	30.4	41.7	24.8
AT	14.1	38.1	10.4	22.4	41.6	19.2	9.8	36.1	5.9	24.6	35.4	20.0
BE	6.2	15.7	5.5	10.0	29.0	8.3	4.3	7.2	4.1	25.2	35.7	21.7
BG	:	:	:	:	:	:	:	:	:	:	:	:
CY	15.2	46.3	13.4	28.5	71.9	25.5	5.6	21.7	4.8	15.5	37.9	8.6
CZ	12.0	17.9	11.6	19.5	24.6	19.1	6.2	13.3	5.6	19.8	31.8	15.5
DE	19.5	74.8	13.7	26.4	75.1	20.2	15.8	74.5	10.5	27.4	41.3	22.7
DK	9.8	46.0	7.8	11.1	47.9	9.9	8.9	45.4	6.2	48.5	54.0	46.9
EE	13.2	7.7	13.7	21.0	13.9	21.5	5.8	4.0	5.9	2.7	1.8	3.1
EL	17.0	61.3	14.5	23.2	72.2	20.2	13.1	53.5	10.9	27.4	41.8	21.9
ES	11.5	28.4	10.1	17.3	40.7	15.6	8.2	22.4	7.0	35.3	44.8	31.8
FI	6.6	27.3	5.6	8.0	34.2	7.2	5.4	24.5	4.3	54.1	56.2	53.2
FR	8.9	25.8	7.8	11.5	28.2	10.3	7.2	24.3	6.1	30.1	32.4	29.4
HU	16.5	29.5	15.4	16.7	26.1	16.1	16.2	31.4	14.8	20.5	25.2	18.4
IE	17.1	41.8	13.4	25.1	50.2	20.5	12.1	34.7	9.1	29.6	41.3	28.3
IT	12.5	41.9	10.6	16.3	46.0	14.5	10.3	39.8	8.3	24.5	34.6	21.4
LT	20.7	20.7	20.8	28.6	31.8	28.3	13.0	11.6	13.1	28.1	33.5	24.7
LU	14.5	46.6	12.6	25.0	44.3	23.6	10.1	47.9	8.1	33.0	35.1	32.3
LV	22.3	27.5	21.8	27.9	36.8	27.2	16.8	20.9	16.3	36.7	40.9	34.2
NL	13.7	62.4	9.5	24.2	63.5	18.3	11.1	61.8	7.4	40.6	40.1	40.7
PL	14.3	32.0	13.0	18.6	41.6	17.0	10.9	25.1	9.8	37.0	49.3	30.0
PT	10.4	18.0	9.8	14.8	23.2	14.1	6.7	13.8	6.2	29.6	42.6	22.6
RO	:	:	:	:	:	:	:	:	:	:	:	:
SE	14.6	48.2	12.5	18.8	58.8	16.2	11.7	40.8	9.8	48.6	49.1	48.5
SI	12.8	24.9	12.3	14.7	23.5	14.5	11.3	25.5	10.4	31.9	41.5	28.9
SK	12.7	21.6	11.9	18.8	28.2	18.1	6.9	16.8	5.9	27.2	26.5	27.4
UK	16.7	46.7	13.8	24.7	52.4	22.0	11.4	42.9	8.4	35.0	53.2	30.1
NO	14.1	43.9	12.5	19.3	50.3	17.9	10.7	40.9	8.9	38.7	44.2	37.0

Notes: The table includes the earnings of people working full time throughout the year; it does not include persons working part time or for less than a full year. * The full-time median earnings relate to employees working full time. ** Self-employed people aged 18–24 years are not included because the number of observations is too small to be reliable or significant. ":" data not available.

Source: Own calculations based on EU-SILC 2007

Table A6: Full-time employees and self-employed people at risk of poverty (income <60% of median) in relation to full-time employees and self-employed with earnings <60% of median earnings*, 2007

	Employees									Self-employed, 25 years and over **		
	Total	18–24 years	25 years +	Women	18–24 years	25 years +	Men	18–24 years	25 years +	Total	Women	Men
EU25	17.7	12.0	19.5	14.1	11.7	14.7	21.7	12.3	25.5	36.0	31.8	38.2
EU15	17.8	11.9	19.9	14.1	11.7	14.7	21.7	12.1	26.0	36.3	32.0	38.4
NMS10	17.1	12.8	17.8	14.3	11.6	14.7	21.5	14.1	22.9	34.4	31.3	36.9
AT	22.6	12.4	28.4	14.3	8.8	16.3	32.4	14.8	48.2	26.2	17.8	32.5
BE	13.4	7.2	14.6	7.5	4.1	8.5	19.9	15.2	20.4	23.9	15.4	28.6
BG	:	:	:	:	:	:	:	:	:	:	:	:
CY	16.3	10.3	17.5	17.4	:	18.8	12.2	9.3	12.9	8.6	3.1	16.1
CZ	12.2	13.2	12.0	9.2	3.4	9.7	19.4	25.6	18.3	19.1	14.8	22.3
DE	18.0	12.1	21.4	18.6	15.2	20.3	17.5	9.8	22.4	31.4	29.5	32.6
DK	15.0	28.2	10.6	4.9	11.4	3.8	24.0	34.2	18.6	27.9	28.6	27.6
EE	24.2	12.6	24.8	23.6	10.2	24.2	26.3	17.6	27.0	:	:	:
EL	14.6	6.0	16.7	10.5	:	11.3	19.3	5.1	23.0	46.2	35.1	54.2
ES	19.6	9.1	21.9	16.3	11.4	17.2	23.6	7.0	28.0	49.6	45.6	51.6
FI	8.9	:	10.1	6.8	:	7.6	11.6	5.4	13.8	22.9	28.2	20.5
FR	16.2	10.5	17.5	8.7	7.7	8.9	24.1	12.7	27.2	32.0	38.9	29.5
HU	14.9	7.1	16.0	13.4	4.4	14.3	16.2	8.4	17.8	29.7	25.0	32.7
IE	5.5	:	7.3	4.3	:	5.1	7.2	0.9	10.3	34.1	:	34.4
IT	26.0	20.5	27.4	19.1	10.6	20.7	32.3	26.5	34.2	33.8	27.5	37.0
LT	16.7	19.3	16.5	15.8	22.3	15.3	18.7	12.5	19.2	45.1	32.9	55.5
LU	27.3	16.7	29.6	20.9	18.0	21.3	34.0	15.9	39.5	25.6	22.3	26.9
LV	24.9	16.0	26.0	21.0	12.9	21.9	31.2	19.9	33.0	22.7	27.5	19.1
NL	8.0	:	11.3	5.8	6.6	5.3	9.2	0.0	14.8	30.5	27.4	31.2
PL	19.3	14.5	20.2	15.5	14.8	15.7	24.6	14.2	26.7	38.8	35.2	42.2
PT	14.8	26.2	13.1	10.3	29.5	7.9	22.9	21.7	23.1	36.7	31.6	41.7
RO	:	:	:	:	:	:	:	:	:	:	:	:
SE	20.8	26.9	19.3	13.2	20.7	11.5	29.3	33.2	28.3	13.9	16.0	13.3
SI	11.7	4.8	12.3	10.5	8.8	10.6	12.9	3.4	14.2	18.9	18.0	19.3
SK	13.0	9.0	13.6	10.8	3.1	11.7	18.7	16.3	19.4	24.2	23.3	24.4
UK	14.9	9.1	16.8	10.9	7.6	11.6	20.7	10.3	25.9	39.4	26.5	45.6
NO	14.1	30.4	10.9	12.2	32.6	9.7	16.2	29.1	12.6	17.2	21.0	15.8

Notes: The table includes the earnings of people working full time throughout the year; it does not include persons working part time or for less than a full year. * The full-time median earnings relate to employees working full time. ** Self-employed people aged 18–24 years are not included because the number of observations is too small to be reliable or significant. ":" data not available or unreliable.

Source: Own calculations based on EU-SILC 2007

Annex 2: Main national policies aimed at (working) poor

AT	Tax exemptions for people with low incomes. As an element of the tax reform in 2009, which mainly offers tax relief for middle-income earners, the tax-free allowance has been raised from €10,000 to €11,000 on gross annual earnings. According to the income tax statistics, about 2.5 million people are exempt from paying tax. Moreover, workers who do not pay tax can have 10% of their social insurance contributions, up to a maximum of €110 a year, refunded from the state. This amount has been raised for commuters to €220 a year. In 2008, new rules came into force reducing the unemployment insurance contributions of low-income earners.
BE	A variety of measures – including an employment bonus, training bonus and lower social security contributions – are offered to employers wishing to hire low-wage workers or that already employ low-wage workers. These social tax benefits at federal level are complemented at regional level with employment policies to create jobs for low-skilled, low-wage workers, which include measures to encourage people living on a welfare benefit back into work (job insertion plans).
BG	At the initiative of trade unions, the government adopted measures for compensating the negative consequences of the flat tax on low-income and middle-income earners by increasing wages to cover the losses. However, this measure was not implemented in all private sector companies. In 2008, the family income tax was removed, negatively affecting net incomes of families with children.
CY	A 12% increase in public assistance for basic needs, a 61% increase in the extra Easter bonus for recipients of public assistance and a €350 allowance for the care of paraplegics. Scheme to assist low-income pensioners. State Subsidies Scheme (Σχέδιο Κρατικών Χορηγιών). Organisation for Vocational Training and Rehabilitation of people with Disabilities (Οργανισμός Επαγγελματικής Κατάρτισης και Αποκατάστασης Ατόμων με Αναπηρίες). Granting of allowances, assistance, pensions and schemes, such as a maternity grant, widow's pension, orphan's benefit, occupational accident benefit, lump-sum financial assistance to large families and to disabled people for purchasing a car. Social pension for those who have never paid social security contributions.
CZ	The taxpayer can claim income tax alleviation. This is currently at a level of CZK 24,840 (close to €1,000) a year and may be deducted by any individual. For individuals at a minimum income level, this means that their income tax is zero. A tax alleviation per child (CZK 10,680 (about €430) a year) and for a spouse with a low income (also CZK 24,840 a year) means that the relative tax reduction is greater for low-income families. The social protection consists of systems of state social support and social assistance. It is based on the so-called minimum subsistence level, that is, a defined level of minimum income required by individuals, families and households to guarantee their basic living needs.
DE	Labour market: unemployment benefit I, unemployment benefit II, start-up benefit, integration benefits. Family policy: childcare infrastructure, parental leave allowance. Fiscal policy: tax rates, tax allowances. Policies addressing the working poor have been devised in fields as varied as the labour market, education, family, the tax system and social welfare benefits. Social policy: parents whose household income is relatively low but who are not entitled to unemployment benefit II receive an additional monthly family allowance of up to €140. The allowance is granted for a maximum period of three years. Households with low income are entitled to a public housing allowance.
DK	Policies (transfer payments and social benefits) are in place to counteract in-work poverty. For example, a single parent working in a low-paid job living in public housing is likely to be eligible to three to five different forms of social benefits. However, apart from supplementary unemployment insurance (<i>supplerende dagpenge</i>), these benefits are granted on the basis of income and assets and are not related to the labour market status of the individual. In addition, none of these policy measures has been initiated in the context of the current discourse on working poor at European level.
EE	Tax allowances, social assistance benefit, no in-work benefits. A proportional income tax of 21% of earnings applies. However, there is an annual basic tax allowance amounting to EEK 27,000 (€1,726) a year or EEK 2,250 (€144) a month, which reduces the tax burden especially for low earners. Some additional allowances are available, including an increased basic allowance depending on the number of children. Initially, it was implemented from the third child in 2001, then extended to the second child in 2006 and to the first child in 2008. The allowance for the first child was abolished again in 2009.
EL	Tax exemptions for employees and pensioners with annual incomes of less than €12,000 and for non-paid workers (such as self-employed persons, traders, farmers and individuals depending on rental income) with annual incomes of less than €10,500. Subsidy schemes providing a lump-sum monetary benefit for young self-employed people with low incomes. Article 142 of Law 3655/2008 stipulates a special benefit for the protection of motherhood, irrespective of income (GR0809019I). The National Social Cohesion Fund planned to provide targeted income support. Other measures concern large families (large family allowance), with a lump-sum payment of €2,000 for the birth of the third child and each subsequent child. No form of guaranteed income exists.
ES	Tax exemptions for employees and pensioners with annual incomes of less than €12,000 and for non-paid workers (such as self-employed persons, traders, farmers and individuals depending on rental income) with annual incomes of less than €10,500. Subsidy schemes providing a lump-sum monetary benefit for young self-employed people with low incomes. Article 142 of Law 3655/2008 stipulates a special benefit for the protection of motherhood, irrespective of income (GR0809019I). The National Social Cohesion Fund planned to provide targeted income support. Other measures concern large families (large family allowance), with a lump-sum payment of €2,000 for the birth of the third child and each subsequent child. No form of guaranteed income exists.

FI	As of 2006, employers receive subsidies for employees aged over 55 years in low-paid jobs.
FR	The tax credit Employment allowance (<i>Prime pour l'emploi</i> , PPE) is a financial incentive to return to work and remain in employment for people with low wages and/or social income. Social transfers (child benefit, housing benefit, unemployment and disability benefit, and income guarantee systems) are designed as a redistribution system in favour of low-income households. The Active Solidarity Income (<i>Revenu de Solidarité Active</i> , RSA) was introduced on 1 June 2009 to replace the Minimum Integration Income (<i>Revenu Minimum d'Insertion</i> , RMI). The purpose is to combine the reduction of poverty with a better integration in employment.
HU	Minimum wage. The minimum wage is exempt from personal income tax. In 2008, a two-tier statutory minimum wage was introduced: the guaranteed wage for people working in jobs that require at least secondary school level qualifications is now 125% of the minimum wage, provided that the individuals have at least two years of work experience.
IE	System of tax credits. All Pay As You Earn (PAYE) taxpayers are entitled to an annual tax credit known as the PAYE Tax Credit. This was worth €1,830 in 2009. Other important fiscal policy measures aimed at the working poor are to remove people earning the national minimum wage or less from the tax net and to increase the amount of some in-work social welfare benefits for the working poor. For instance, where their working hours fall below a certain threshold, workers are entitled to supplementary income support, depending on their social security contributions.
IT	Since the 2000 law aiming at an integrated approach to welfare and social support, a grant is given to low-income families with at least three children and the fiscal deduction has been increased for members of the family except the partner. No tax credits exist.
LT	With regard to the protection of people with the lowest income, it is worth noting that a new 15% common rate of income tax of individuals came into effect in Lithuania on 1 January 2009, replacing the existing 24% rate. In order to protect people with the lowest income, a tax-exempt amount of income (TEAI) is applied to alleviate the tax burden. The TEAI is applied to employees on an individual basis subject to the amount of gross income derived from work. The higher the income, the lower the TEAI. Currently, employees whose income from employment relations or corresponding relations does not exceed the minimum monthly wage are granted a TEAI of LTL 470 (€136) a month. The TEAI ceases to be applied to employees with a gross income above LTL 3,150 (€913) a month. In addition, cash social assistance is provided to all people in general, taking into account the amount of income and property of a household.
LU	Minimum social wage and indexing. Minimum guaranteed income. Childcare service vouchers: in order to extend access to childcare facilities to people living in households at risk of poverty, the government is introducing a system of service vouchers intended for families with children, which will allow them to buy a certain number of hours in infant day-care homes, crèches and 'half-way centres' (<i>maisons relais</i>) for minding children after school. This should lead to a reduction in childcare costs. Child bonus (replacing tax reduction). Compensatory rebates for employees. Single-parent family tax credit. The introduction of tax credits is to help low-wage earners, employees and pensioners who earn so little that they do not pay any tax. Like the child bonus, these new tax credits would be a 'combination of fiscal and social policy'.
LV	Minimum wage regulation. In Latvia, no independent policy exists to diminish the poverty risk. According to legislation (Regulations of the Cabinet from 3 March 2009 on recognising whether a family or a single person is poor), families can depend on social support if the income of each family member does not exceed 50% of the minimum wage over a three-month time period. Under the regulations, the family may obtain a status of being poor if its financial resources are limited, if it has no money reserves, if it has debt commitments or loans, if it has no assets accruing income and if it is not on a full provision of the government or local self-government.
MT	Exemption from income tax for low earners receiving wages of up to €8,500 for single persons and up to €11,900 for married persons. In addition, since 1 January 2007, social security contributions payable by employees working eight hours a week or more have been adjusted to 10% of what they earn from such work instead of a flat rate tied to the national minimum wage. Supplementary Allowance when the income declared is less than €9,966 (excluding social security contributions) in the case of a couple. This allowance is also granted to single persons whose income does not exceed €7,799 a year (excluding social security contributions paid). The maximum payment is €372.72 a year in the case of a couple and €209.64 in the case of a single person; it is applicable to both employed and self-employed people. Children's Allowance of not less than €250 per child. Energy Benefit is applicable to households whose income is less than €7,795.76. This benefit aims to mitigate the impact that the surge in oil prices had on water and electricity bills; it came into effect in October 2008.
NL	Municipalities are responsible for the administration of the Dutch social security system. All Dutch citizens who live on the social minimum or on a certain limit above the minimum can ask for an additional income supply. There is a complex system of additional income-supply regulations, such as subsidies, tax regulations and childcare provisions.
NO	Funding for combating poverty has increased considerably in recent years, with a pronounced political focus on low-income individuals. In 2009, the then Minister of Finance, Kristin Halvorsen, suggested a significant tax reduction for individuals with an income of less than NOK 200,000 (€25,000) a year to improve the situation and living conditions for individuals at risk of poverty. Social security payments have also increased to keep pace with consumer price and wage development in general. The policies over the last decade have focused less on self-employed individuals than on the rest of the labour market.

PL	No measures are aimed at the poor or working poor. The family allowance mechanism provides for deducting a specific amount for each child from income tax, after health insurance deductions. Thus, in order to benefit from this allowance, the taxpayer must have a certain level of income as the health insurance contributions account for most of the tax due on lower incomes. The family allowance is only available to taxpayers filing income tax returns subject to the general rules.
PT	Social Insertion Income (<i>Rendimento Social de Inserção</i> , RSI), according to Decree-Law 13/2003, of 21 May. This benefit may be claimed by any individuals and households whose income is less than the social pension; it applies to self-employed people as well as employees. Another measure concerns the entitlement to partial unemployment insurance benefit. This is available to beneficiaries who, while receiving unemployment benefits, earn a part-time salary lower than the amount of the unemployment benefit; or who have a part-time working week equal to between 20% and 75% of the full-time equivalent.
RO	Social benefits of all kinds have been put in place through various programmes. The programme for families includes: an allowance for newly born children, a parental allowance, incentives for parents who – although benefiting from parental leave – choose to resume work, gifts such as clothing for a newly born child, nursery vouchers, a complementary family allowance, a support allowance for a single-parent family and a foster-family allowance. Also available are a newly-weds support programme, which includes a financial contribution of €200 upon marriage, and a home heating allowance programme for the cold season.
SE	Minimum wages are often negotiated in many low wage-risk agreements. Unemployment insurance covers temporary unemployment spells – corresponding to the idea that in-work poverty is actually an unemployment problem – and covers people who are only working part time up to the value of full-time wages. Since 1 January 2008, part-time workers receive unemployment benefits for a maximum of 75 days rather than the previous maximum of 300 days (SE0711029I). This could imply an increased risk of in-work poverty for the individuals affected.
SI	The <i>National report on strategies for social protection and social inclusion 2008–2010</i> lists forms of income support for vulnerable groups, aiming to prevent social exclusion. These include child benefit, subsidies for kindergartens, subsidised school meals, scholarships, income support for persons with disabilities and income support for older people. They are the first priority in the national action plan for social inclusion. In addition, extraordinary financial social assistance may be granted in exceptional circumstances.
SK	Security of work income support, access to employment support, education and integration in the labour market, access to public services and development of human capital. These measures are designed for individuals, groups of socially excluded people or people at risk of social exclusion, as well as policymakers and service providers. The main objectives for the elimination and prevention of poverty are: a decrease in child poverty and ending the intergenerational transfer of poverty by preventive measures and by supporting families with children; increased efforts in combating discrimination of vulnerable groups; and improving access to the labour market and increasing the employment rates and employability of disabled jobseekers and groups at risk of social exclusion.
UK	National minimum wage. Income support scheme for people working less than 16 hours a week. This targets groups who are at risk of in-work poverty. The eligibility of workers for this scheme is dependent on factors such as the worker's income and hours worked, the level of savings of the worker and the worker's total household income. The amount of income support received by each worker is subject to a calculation based on these factors. Working Tax Credit for boosting the income of people at risk of in-work poverty. A Child Tax Credit system is also available for individuals with children. Tax credits are available to self-employed workers as well as employees. Child benefit is universal and involves a weekly payment for each child within a family.

Annex 3: EU-SILC

The EU Statistics on Income and Living Conditions (**EU-SILC**) is one of the instruments of the European Statistical System (**ESS**) and is the main source of comparable data on income, poverty, living conditions and social exclusion. Every year, cross-sectional data and longitudinal data are collected. The former pertain to a given time or a certain time period, while the latter refer to individual-level changes over time, observed periodically over – typically – a four-year period.

The survey was officially launched in 2004 in 12 of the EU15 (except Germany, the Netherlands and the UK) as well as Estonia, Norway and Iceland. The remaining nine of the then 10 NMS started in 2005. A total of 25 EU Member States have participated in the survey since 2005, while Bulgaria, Romania, Turkey and Switzerland launched surveys in 2007. At present, the microdata for these countries, on which the tables included in this report are based, are not available.

The reference population for the sampling of the EU-SILC is defined as ‘all private households and their current members residing in the territory of the Member State at the time of data collection’. The survey, therefore, does not cover individuals living in collective households or institutions like prisons and hospitals. Moreover, some offshore islands and outermost regions of France, Ireland, the Netherlands and the UK may be excluded.

The sample size of the EU-SILC has been determined as 121,000 households for the whole EU, which increases to 127,000 with Norway and Iceland. This total number is allocated among Member States in a way to ensure maximum precision in each country. The EU regulations allow flexibility in the sampling design and most countries have opted for an integrated approach, where both a cross-sectional and longitudinal dimension are dealt with through a single design.

The data collected in EU-SILC are categorised into four groups:

- variables measured at household level;
- information on household size and composition, and basic characteristics of household members;
- income and other more complex variables termed ‘basic variables’ (education, basic labour information and second job) measured at individual level, but normally aggregated to construct household-level variables;
- variables collected and analysed at individual level termed ‘detailed variables’ (health, access to healthcare, detailed labour information, economic activity history and calendar of activities).

The reference period of the information collected in the cross-sectional survey is the complete calendar year – that is, all 12 months of the previous year prior to the survey date.

Annex 4: List of country groups and codes

Country groups

EU15 15 EU Member States prior to enlargement in 2004 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom)

NMS 12 New Member States, 10 of which joined the EU in 2004 (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) – and are sometimes referred to as the NMS10 – and the remaining two in 2007 (Bulgaria and Romania)

EU27 27 EU Member States

Country codes

AT	Austria	ES	Spain	MT	Malta
BE	Belgium	FI	Finland	NL	Netherlands
BG	Bulgaria	FR	France	PL	Poland
CY	Cyprus	HU	Hungary	PT	Portugal
CZ	Czech Republic	IE	Ireland	RO	Romania
DE	Germany	IT	Italy	SE	Sweden
DK	Denmark	LT	Lithuania	SI	Slovenia
EE	Estonia	LU	Luxembourg	SK	Slovakia
EL	Greece	LV	Latvia	UK	United Kingdom

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