

First SISE Conference

Rome, 26-27-28th January 2017

Individual and household in-work poverty in Europe between labour market structure and the welfare state

Marianna Filandri* and Emanuela Struffolino**

*Department of Cultures, Politics and Society, University of Turin marianna.filandri@unito.it

**WZB - Berlin Social Science Center emanuela.struffolino@wzb.eu

Abstract

In-work poverty has been receiving increasing attention during the last decades. Despite the general agreement on the relevance of the phenomenon, in the literature the term working poor is ambiguous due to the different definitions adopted (Crettaz, 2013; Ponthieux, 2010). This ambiguity in the theoretical debate traces back to the fact that in-work poverty gathers together poverty and employment. Employment is actually thought to be one of the prominent solutions to poverty itself by the welfare literature. Moreover, further vagueness is due to different measures are used -absolute or relative, subjective or objective- as well as different thresholds (Kalugina, 2013; Strengmann-Kuhn, 2005).

Research on poverty highlights that work and family are domains where constraints and opportunities are structured defining different degrees of exposure to poverty risks. The role played by the family and by the labour market inclusion in protecting individuals from the poverty risk has been questioned in light of the deep changes occurred in both the welfare state and the labour market systems in many European countries. In fact, both labour market deregulation and the shrinking of welfare state seem to shape new boundaries of social exclusion defining a grey-zone where individuals who once entitled to certain protection in the past are no longer protected against the risk of labour market and market in general (Peña-Casas and Latta, 2004; Bardone and Guio, 2005; Andreß and Lohmann, 2008; Lohmann, 2008; Airio, 2010). In-work poverty arises at the intersection between this lost in protection in and out of the labor market and—as shown by the Anglo-American scholarship (cf. Danziger and Gottschalk, 1986; Klein and Rones, 1989; Bane and Ellwood, 1991)—challenge the protective roles of the employment, the welfare and the family against vulnerability and poverty.

Two common definitions of working poor exist, analytically distinct but empirically strictly related (Peña-Casas and Latta, 2004; Andreß and Lohmann, 2008; Maitre et al., 2012). The first one refers to the individual dimension and defines working poor as low-paid workers, i.e. receiving a wage below 60% of the median of the country. This definition is most commonly used by economists, and in the US rather than in Europe (Lucifora, 1998; Marx and Verbist, 2008; Lucifora et al., 2005; Meulders and O'Dorchai, 2013; Crettaz, 2013). Even though the correlation between low wage and in-work poverty is not strong as expected (Andreß and Lohmann, 2008; Larsson and Halleröd, 2011), looking at low-paid work implies to focus on the production of income as generative mechanism of poverty. As a consequence, in-work poverty has been neglected by radical welfare approaches as object of social policy because related to specific life stages and transitory employment arrangements. However, individual risk factors are mediated by the family and the institutional context. Moreover, individual income influences lifestyle choices within the family unit. These aspects are acknowledged by the second definition of in-work poverty, which refers to the household dimension: are considered as working poor those who live in households

with a total income below 60% of the country-median (Ponthieux, 2010). The structure of the household, the number of dependent children, and the problems of work-life balance are in focus in this definition, which is more frequently used in sociology.

Previous empirical evidence on the micro-determinant of in-work poverty shows that being a working poor according to the individual definition associates with individual characteristics determining different labour market arrangements (e.g. young age and low level of education). In contrast, when we adopt the second definition, working poor is associated with the characteristics and the structure of the household (e.g. small number of earners and high number of dependent children). The few studies that refer to both dimensions, actually adopt one definition and control for the factors the other definition suggests to be relevant as confounder of the main effect (Gardiner and Millar, 2006; Crettaz and Bonoli, 2011; Maitre et al., 2012; Nolan and Marx, 2000; García Espejo and Ibáñez Pascual, 2007). The macro-determinants of in-work poverty understood according to both definitions have not been thoroughly investigated, since existing research mainly focuses on one definition (Halleröd et al., 2015).

We aim to fill this gap by considering if and to what extent macro-characteristics of both the labour market structure and welfare system are associated with different degree of in-work poverty by performing a multi-level analysis on 28 European countries to estimate the probability of being working poor according to the two definitions. We advance the literature in different respects. First, we clarify the implication of using different conceptualizations of working poor by providing a rigorous assessment of the extent of the phenomenon of the working poor taking into account both definitions. This is not trivial when considering the implications in terms of the policies, since contrasting in-work poverty might imply actions on the labour market structure or through the welfare system. Second, we build on previous studies that highlight the relevant demographic individual and household characteristics that affect in-work poverty by examining variations across economic and institutional contexts. To the best of our knowledge, the few cross-national studies on in-work poverty across Europe (Lohmann, 2009; Brady et al., 2010; Halleröd et al., 2015) approach the topic relying only on one understandings of the in-work poverty and do not tackle the direct association between labour market structure and welfare characteristics.

Our results show high variance in the prevalence of the phenomenon across countries with respect to the individual and the household definitions. Furthermore, labour market development -conceptualised as quality and quantity of female employment- is positively associated with increasing presence of low-wage workers. Conversely, welfare generosity and within-country inequality negatively affect the prevalence of in-work poverty according to the household definition. The results can be discussed in light of the policy measures to be envisaged when adopting one or the other definition given the different mechanisms in place on the macro-level.