

WorkYP Newsletter

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WorkYP National Reports

Dear readers,

We are delighted to present the third issue of our Newsletter. Over the last few months, the partners of the WorkYP project have been busy drafting National Reports on in-work poverty (Deliverable 3.2 of the Project), with the aim of providing an overview of labour and social regulations that may have an impact on in-work poverty in the different Member States that participate in the Project (Luxembourg, Germany, the Netherlands, Italy, Sweden, Poland and Belgium).

The focus of these reports was on the so-called VUP groups, which the Project has identified as being particularly vulnerable in terms of risk of in-work poverty. The National Reports are a key content of the Project, since they are the basis for a comparative study that will help identify the main problems and policies that, in the last stage of the Project, will feed policy recommendations to fight in-work poverty.

In this context, each partner organized a workshop at national level (the National workshops) inviting representatives from trade union and employers' organisations, public authorities and civil society organisations working directly with persons experiencing in-work poverty. Stakeholders brought in their views on the problems in regulation and policy-making that directly or indirectly have an impact on in-work poverty. Their views have been incorporated to the National Reports.

The final reports have been presented in the National Conferences, where stakeholders and general public alike were invited. External experts, social partners, researchers from different fields and policy makers did participate and made contributions to the National Conferences.

The present Newsletter summarises the main findings of the National Reports and the main contributions from stakeholders during the above described events, and highlights some critical issues that emerged in each of the participating countries.

Luxembourg

The University of Luxembourg organised a national workshop on 23rd April 2021. This event brought together Luxembourgish stakeholders (social partners, NGOs, national policy-makers and Luxembourgish members of the European Parliament) that discussed important insights that have been incorporated in the National Report. The National Conference took place on 2nd July 2021 with remarkable interdisciplinary contributions.

Luxembourg features high in the EU statistics on in-work poverty and, furthermore, data show an increasing trend in recent years. Being in-work poverty a complex phenomenon with many drivers, labour law and social security regulations can only explain a part of it. This was made clear in the abovementioned events: attention need to be paid also to other factors in order to have a correct understanding of the situation.

For example, it has been suggested that the high cost of housing could have an impact on in-work poverty, however this is difficult to assess since the main statistical indicators only partially and very

indirectly reflect expenditure on accommodation (in the case of material deprivation rate). Also the household dimension seems to play a very important role for every group of workers.

Beyond these caveats, some factors have been identified as problematic in relation to in-work poverty in Luxembourg during the national workshop and national Conference. The taxation system of personal income features two aspects that may be problematic: a) the fact that taxation penalises single parents; b) the fact that very low salaries, and even the minimum social salary, are not exempted from taxes. Another issue is that the minimum wage for non-qualified workers, sensibly lower than for qualified workers, may not be very protective, particularly in some sectors where it is difficult to get the status of qualified worker. Finally, although the regulation of fixed-term and part-time work is comparatively strict in Luxembourg, workers with low work intensity and temporary contracts are more vulnerable to in-work poverty.

Germany

Goethe University organised the German national workshop on 3rd May 2021, whereas the National Conference took place on 19th July 2021.

The National Report and the national workshop have produced some interesting results. In Germany, the expansion of the low-wage sector and income inequality have been accompanied, rather paradoxically, by a strong growth in labour market participation. Stakeholders at the national workshop expressed their concerns that reforms aimed at curbing low-wage and atypical employment would lead to an increase in unemployment. On the other hand, the experience with the recently introduced statutory minimum wage is unanimously assessed as a success in the sense that it did not lead to a surge in unemployment in any of the most concerned sectors. However, its level remains below 50% of the median wage.

Another relevant issue in Germany is the fact that the benefits offered by the social security system are not very protective. The main cause of this is that the amount of most benefits is fixed at a level that is generally too low to lift a household out of relative income poverty. These benefits are furthermore conditional on strict obligations in terms of labour market reintegration. Moreover, the current system for deductions on incomes from employment from the total amount of benefits may disincentive the search of full time and better paid jobs, while promoting indirectly some employers' practices of keeping beneficiaries' wages artificially low.

Finally, there is a trend of decreasing collective bargaining coverage. Beyond recent changes in the economic landscape and the features of the system of collective bargaining in Germany, the abovementioned increase in income inequality seems to be linked to this reduction of the coverage levels.

Netherlands

The Dutch Universities member of the Consortium (Tilburg, Rotterdam and Utrecht) organised together the Dutch national workshop (13th April 2021) and the National Conference (17th June 2021). Both events brought together a number of stakeholders. The national workshop was very much centred on the trajectories of individuals experiencing in-work poverty in the Netherlands, whereas the National

Conference was more focused on the minimum wage and the potential impact of a Directive on Adequate Minimum Salary.

Concerning the first issue, those stakeholders present at the workshop highlighted the following elements as being likely to have an impact on in-work poverty. First, the system of reducing benefits when a person finds a job, even if it is low paid, is problematic. This is the so-called *poverty trap* because even though individuals start working, their income still remains below the poverty threshold because of the reduction/repayment of benefits. Second, the presence of apparent self-employed workers who work through an intermediary, on whom they depend to get work assigned, is also problematic. These apparent self-employed do not have a stable income, and often work at quite a low rate, while being dependent on the intermediaries. Moreover, very often self-employed are not 'true' entrepreneurs, but simply individuals trying to survive because they cannot find another job. This leads to a high rate of failure when trying to set up successful enterprises. Finally, the participants in the workshop highlighted that individuals often describe a 'fear of the government, tax authorities and other institutions' as a result of their experiences.

On the issue of the minimum wage, some problematic aspects were highlighted. The reference for the minimum wage in the Netherlands is the month, which results in unfair and unjustified differences between sectors (in some the working week is 40 hours while in others may be 36). Also, the enforcement of the Minimum Wage Act is sometimes problematic, in particular if an individual works part-time or has multiple jobs in different sectors. Regarding the solo self-employed, relatively widespread in the Netherlands, there is a discussion going on whether a minimum rate should also be introduced for them, because they are not covered by labour law. The introduction of an EU-Directive on Adequate Minimum Wages was regarded as positive. Finally, from an economical perspective, and based on existing literature, the CPB (Central Planning Bureau) assumes a small negative effect of the introduction of a higher minimum wage on employment in the Netherlands.

Italy

The University of Bologna organised the Italian national workshop on 22nd April 2021. The National Conference took place on 9th July 2021. In both events stakeholders representing social partners and civil society organisations as well as scholars from different disciplines were present.

During the debates that took place in both events, it was emphasized the importance of measures indirectly affecting in-work poverty, *i.e.* those measures and policies supporting households' family costs on the basis of their incomes, regardless from the existence of any current or previous working relationship (namely, for instance, social assistance, family benefits, childcare measures, healthcare policies, education and life-long learning, housing policies). At the same time, it was highlighted that the Italian social assistance policy has long been characterised by an evident weakness.

It is in this context that some proposals to tackle in-work poverty were discussed. These consist on policy proposals that should aim at strengthen childcare services, provide adequate welfare system for some categories (such as dependent self-employed or precarious workers) or reinforce lifelong learning and education that could help workers acquire new skills

Finally, several stakeholders highlighted that individuals working in the informal economy result to be at risk of poverty but fall outside the scope of the Project.

Sweden

The University of Lund organised the Swedish national workshop, that took place in three sessions (18th, 22nd and 25th March 2021) and the Swedish National Conference (15th June 2021).

Several of the participants highlighted that the groups of persons most at risk of in-work poverty in Sweden are those in very precarious situations and out of the scope of the Project, such as persons subject to human trafficking, labour exploitation, undocumented immigrants or workers part of the undeclared, informal market. The participants highlighted the need for future research focusing on these groups of highly precarious workers even though there was an understanding that there are specific difficulties relating to such research.

With reference to the VUP groups considered by the Project, some important factors that may affect poverty status were identified and discussed during the events. A first important problem is work intensity. Those working few hours are more at risk of in-work poverty. This is particularly clear in the retail sector, where there is a high share of fixed-term and part-time employment with a negative impact on the incomes earned. Moreover, it has been pointed out how digitalisation of work, namely in form of working time scheduled by algorithmic management, plays a major role in these crucial sectors for the economy. A related problem is that often this low-intensity jobs do not make possible to access benefits. Another group with difficulties in the Swedish labour market are those workers employed intermittently or on-demand, since they experience problems to access social security and because of the low levels of the benefits granted to them. Finally, it was highlighted that declining trade union membership is a worrying trend. Sectors where collective agreement coverage tends to be lower more often are sectors where in-work poverty seems more common.

Poland

The University of Gdansk organised the Polish national workshop on 28th and 29th April 2021. The Polish National Conference took place on 30th June 2021. Different stakeholders participated in the event, including some Polish institutions and representatives of the social partners.

The most important topics that were discussed included the evaluation of specific social programs, strategies and accepted practices of assisting people in the job search process, the training system for low-skilled people, the membership of fixed-term workers to trade unions or, finally, the experiences of employers related to the crisis on the labour market caused by the Covid-19 pandemic. The aid programs for entrepreneurs (protective shields) offered by the State in the framework of the pandemic were thoroughly assessed with particular emphasis on support for the so-called poor sectors.

Belgium

On 14th June 2021, KU Leuven organised the Belgian national workshop, which gathered representatives of the social partners, organisations of self-employed, academics, representatives of social insurance institutions, policy-makers and representatives of the civil society. The national Belgian National Conference took place on 20th September.

The main problematic aspect of the Belgian system discussed at the national workshop is that certain categories of non-standard workers, such as self-employed persons, part-time employees and persons performing work under temporary or flexi-job contracts, are not included in social security protection. Moreover, in some instances, these workers are not entitled to a legal minimum wage. The combination of these factors may result in the persons under these non-standard contractual arrangements falling under the poverty line, particularly in the case of one-person households.

Beyond this problem, some other factors were identified as having an impact on in-work poverty. First, the fact that the Belgian legal framework still treats differently intellectual and manual workers in some cases may lead to problematic differences, such as for temporary unemployment benefit due to economic difficulties of the undertaking or incapacity benefits. Secondly, the social security schemes concerning most contingencies, including cease of activity, are often different for self-employed and employees, resulting in lower and shorter benefits for self-employed. As a result, the benefits may not suffice to adequately protect self-employed persons against in-work poverty. Thirdly, contributions to the social security system are regressive: the higher the occupational income, the lower the marginal rate, which is obviously unfair for low occupational incomes. Fourthly, there are very strict requirements for access to income guarantee for part-time workers. Last but not least, regulation of platform work in Belgium usually frame it as a form of employment that should not be the person's main occupation, which not always corresponds to reality. On the other hand, persons performing platform work in Belgium are generally treated as self-employed persons by the online platforms.

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