

Summary

When a job isn't enough

Research into the working poor in five European countries and twenty Dutch municipalities

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Summary

Poverty is not something that is generally associated with people who are in paid work, but it most definitely does occur. In 2014, 4.6% of the Dutch working population were below the poverty line, equivalent to almost 320,000 working people aged between 20 and 64 years. Working people thus account for a substantial proportion of adults in poverty: two out of five Dutch adults living in poverty derive their main personal income from employment, and the number of working poor exceeds the number of people in poverty who are in receipt of unemployment, disability or social assistance benefit (Wildeboer Schut & Hoff 2016).

Earlier research shows that the number of working poor increased between 2007 and 2014 (see Wildeboer Schut & Hoff 2016). This was partly due to the recession, and the expectation now that the economic situation is better is that the number of persons living in households with insufficient income will fall (CBS 2018a). However, some parties (e.g. European Commission 2014; FNV 2015) believe that the economic crisis is not the only explanation for the growing number of working poor, and that some of the increase will prove to be lasting in nature. They argue that other changes on the labour market, such as the increase in flexiworking (sole traders, short-term contracts) and the splitting of full-time jobs to create low-paid part-time jobs, are also responsible for the rise in poverty.

Research themes and approach

The number of working poor in the Netherlands, and the recent growth in that number, begs the question of what the underlying causes are, and whether it warrants extra policy attention for this group. This report describes the backgrounds to poverty among working people in the Netherlands: which groups are most at risk, why is a proportion of the working population poor and why has the number of working poor increased in recent years? We also explore how fit for purpose the policy is with regard to this group: to what extent do government measures offer protection to the working poor, and what additions to that policy might be possible?

In the Netherlands, responsibility for policy to combat poverty is shared by local authorities and central government, with most of that responsibility resting at local level. This report looks at arrangements provided by both these layers of government, i.e. provisions with a municipal scope (e.g. help in kind for those on minimum income) as well as those with national reach (e.g. the national minimum wage).

For the municipal arrangements, we describe what policy local authorities are pursuing to tackle poverty in general, and to help the working poor in particular. We also explore differences in policy between municipalities and how effective they themselves feel the measures taken are.

To gain an impression of the degree of protection provided by national arrangements, we compare the Netherlands with a number of other European countries. We look not only at

formal arrangements, but also at informal or cultural differences, which can influence the number of working poor in a country. We focus special attention on differences and correspondences between the Netherlands and four neighbouring countries which are reasonably comparable with the Netherlands in many respects (level of national wealth, demography, technological development), namely Belgium, Denmark, Germany and the United Kingdom.

Our findings provide pointers for what is and is not important in combating poverty in the working population. However, it is not possible based on this exploratory study to make any statements about effectiveness.

Definition of the working poor

In this report, poverty is defined as the situation where the combined income of all members of a household is not sufficient to meet unavoidable and highly desirable expenses. We determine this on the basis of the 'modest but adequate' criterion which is used by scp to establish the existence of poverty. This criterion is based on the minimum amount needed to meet costs of housing, food, clothing and insurance, plus a small amount for recreational activities and social participation. In 2014, the norm amount for a single person was 1063 euros per month (table S.1). Norm amounts for other households are derived from this figure using empirical equivalence scales. For the cross-comparative analyses, the Dutch norm amounts are converted to amounts for the other European countries using purchasing power parities.

The working poor are people in paid work who live in a household with an income below the poverty line. As is usual in Dutch research in this field, school pupils and students with part-time jobs are excluded from the analyses where possible. Part-time workers and people who are only employed for part of the year are by contrast included, as long as they meet a specified lower threshold. Where that threshold lies depends on the possibilities offered by the data used.

Table S.1

Budget for a single person, 2014 (monthly amounts in euros)

minimum necessary expenditure		additional expenditure for social participation	
rent ^a	375	hosting visits	20
gas and other fuels	53	paying visits	6
electricity	28	holiday	24
water	9	going out	17
household equipment, home and garden maintenance	100	extra transport	7
telephone, cable tv and Internet	51	hobbies and sport	17
insurance	40	library	2
non-reimbursed medical expenses ^b	20		
food	180		
clothing	53		
washing and cleaning articles	9		
personal care	21		
transport	13		
miscellaneous	20		
total basic needs	971	additional modest but adequate	92

a Based on gross rent, i.e. before deduction of any rent benefit. Rent benefit received is added to the income in the analyses.

b Health insurance premiums paid are not included as a separate item in the budget, but are deducted from the income in the analyses.

Source: Hoff et al. (2016)

Theoretical background

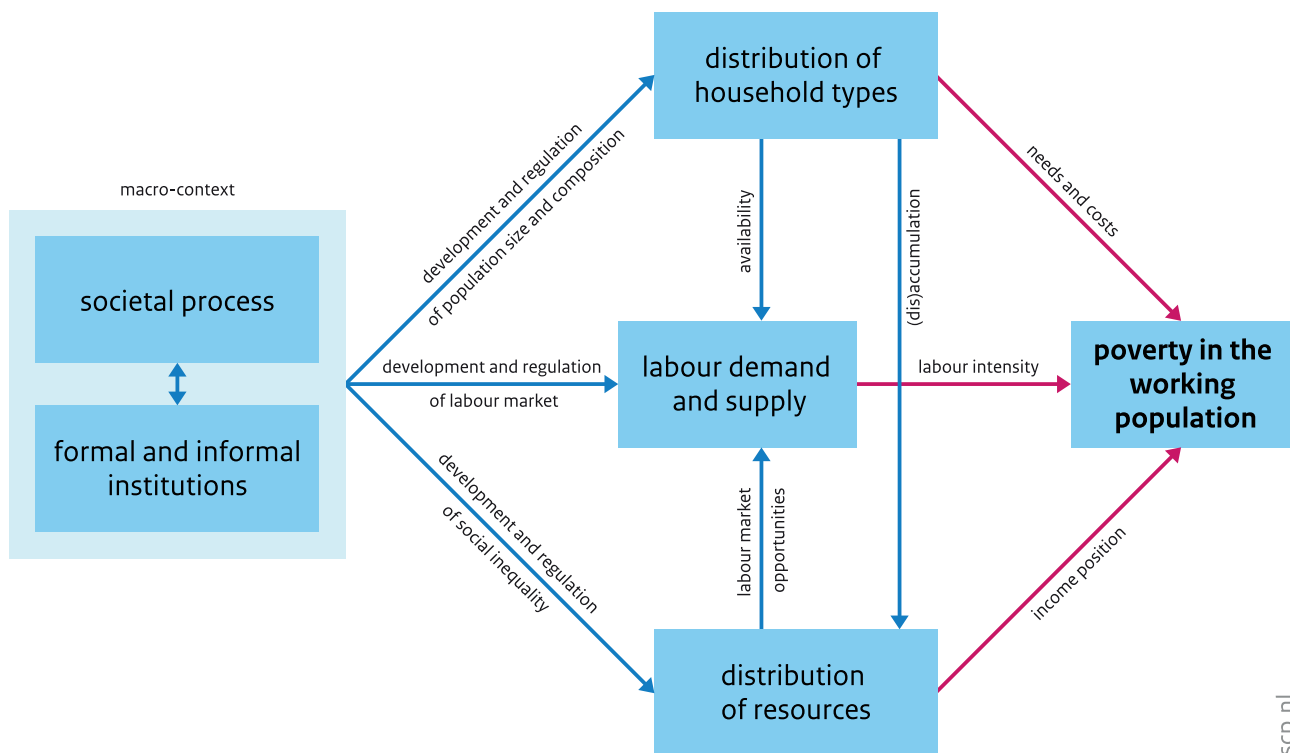
Theoretically, there are three mechanisms which can lead to poverty in the working population. The first is household needs, which increase as the size of the household grows. The second is the labour intensity within a household: the greater the number of working household members, and/or the more hours per week they work, the smaller the risk of poverty. The third mechanism is hourly income. The more household members earn per hour, the lower the risk of an inadequate household income, given the same labour intensity.

These three direct mechanisms are theoretically driven by the macro-context, which incorporates both the societal process (economic, technological, demographic, ecological, socio-structural and ideological trends), and the prevailing institutions. The latter refer to formal laws and rules governing aspects such as the minimum wage or contractual protection, but also the informal behavioural expectations which are encapsulated in social norms and values.

Figure S.1 illustrates the theoretical background to in-work poverty. This study explored the potential significance of these underlying causes.

Figure S.1

Theoretical framework: causes and mechanisms of in-work poverty



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Data sources

Data on the extent of and background to poverty in the Netherlands are taken from two large national databases. The income data are drawn from registries, including those of the Dutch Tax and Customs Administration. People whose main source of personal income is employment and whose household income is below the poverty line are classed as working poor. The most recent figures relate to 2014: more recent data were not available at the time of this study.

Information on local authority measures and the degree of protection they offer to working people was collected via interviews held in 2017 with policy officials in twenty Dutch municipalities. These municipalities are located throughout the Netherlands and differ in terms of population size and share of working poor.

The international analyses of in-work poverty drew on the European Union Statistics on Income and Living Conditions (EU-SILC). The Dutch sample in this data source contains far fewer observations than the data sources used for the national analyses. Here, the working poor comprise people who have performed paid work for at least seven months in a given calendar year and whose disposable household income is below the poverty line. The figures in the international comparison relate to the years 2013 or 2014.

Differences in the data and the definition of the working poor mean that the poverty figures for the Netherlands in the country-comparative analysis differ from those resulting from national registry data.

The data generally do not contain information on undeclared and untaxed income components, implying that the poverty rate may be overestimated for households with those sources of income.

5.1 Key findings

Rise in poverty after turn of the century due to lagging wages

The share of working poor has grown steadily since 1990 (figure S.2). The increase in the 1990s appears to be due primarily to the fact that working people at the bottom of the wage distribution failed to keep up with the general rise in prosperity. The average working household saw its income increase during that period partly due to the growth in the number of intermediate and high-skilled double-earners.

Figure S.2

Poverty in the working population and the total population, persons aged 20-64 years,^a 1990-2014 (in percentages)



a The unemployment rate is calculated as a percentage of the labour force aged 15-75 years (working and looking for work). The poverty figures relate to persons aged 21-64 years (1990-2000) and 20-64 years (2001-2014), respectively. There is a trend break in the poverty figures in 2001 due to a change in the income data from Statistics Netherlands (CBS).

Source: unemployment: Eurostat (EBB'01-'15); poverty: CBS (IPO'01-'14); SCP treatment

The poverty line also rose because it partially tracks the trend in GDP per capita. Working people at the bottom of the income distribution benefited to only a limited extent from the increased prosperity (Thijssen & Pommer 2001) because a relatively high proportion of them were single-earners.

The poverty rate increased further after the turn of the century, from 3.1% in 2001 to 4.6% in 2014. This is linked among other things to the fact that this was a period of substantial and prolonged economic downturn. Declining household purchasing power due to the lagging wages of employees was probably the main cause, followed by reduced profits of self-employed workers and the more frequent incidence of unemployment within households (e.g. unemployment of the partner, partial unemployment of those in work). The growth in the number of sole traders (self-employed persons without staff), who have a higher than average risk of poverty, offers only a limited explanation for the rise in poverty. We have no figures for later years, but estimates suggest that the poverty rate has decreased thereafter, without falling back to the level that prevailed before the 2008 economic downturn (see CBS 2018a).

Majority of working poor are self-employed, part-timers or on-call workers

Only a small proportion of the Dutch working poor (8%) are in permanent full-time waged employment. The majority of working poor are self-employed (45%, with or without staff), part-time workers (27%) or on-call workers (12%). In addition, a small percentage work as temporary agency staff or in temporary full-time jobs. Poverty is thus more common among working people who do not have the protection of a floor to their hourly pay in the form of Collective Labour Agreement arrangements or the minimum wage (self-employed workers), or who work only a limited number of hours per year (part-time workers, on-call workers).

Sole traders the biggest risk group

Groups which are both fairly large and have a greatly increased poverty rate are classed in this report as 'high-risk groups'. These groups have a strong influence on the poverty rate among working people. Sole traders are the biggest high-risk group in the Netherlands; in 2014, 13% of them had an insufficient income. They were followed by working people living in a single-person household or with a migration background; just over 8% of these groups were living below the poverty line in 2014. These groups are quite large: 36% of the working poor are sole traders, 32% have a migration background and 29% are single persons; there is some overlap between these groups.

Other important high-risk groups are self-employed workers with staff, on-call workers, temporary or permanent employees with small part-time jobs, single parents, working people with a non-working partner and working people living in a household receiving social assistance or unemployment benefit. The poverty rate in these groups was between 6.5% and 10.5% in 2014.

However, these groups are substantially smaller than the three groups cited earlier.

Among those with a migration background, working people with a Turkish or Moroccan and other non-Western origin (excluding those with a Surinamese/Antillean background) stand out particularly. In 2014, 11% and 12%, respectively, of these groups had an insufficient income. The poverty rate among working people originating from Central and Eastern Europe is also higher than average (12%), but this is a much smaller group.

For employees, low working hours is the main cause of poverty; for self-employed workers it is the low hourly income

The contribution made by the three mechanisms to the incidence of in-work poverty in the Netherlands is different for wage-earners and self-employed workers. In households where all workers are in waged employment, the labour intensity is the main factor influencing the incidence of poverty. The share of employees in poverty is especially high in households where the combined number of hours worked by all household members is relatively low (less than 20 hours per week). These are households whose members work part-time and/or where one or more household members is unemployed for part of the year. A low hourly pay rate for the main breadwinner, i.e. less than 130% of the minimum wage, also increases the poverty risk, though to a lesser degree. The size of the household makes virtually no difference; only when a household has five or more members does the risk of in-work poverty begin to increase slightly.

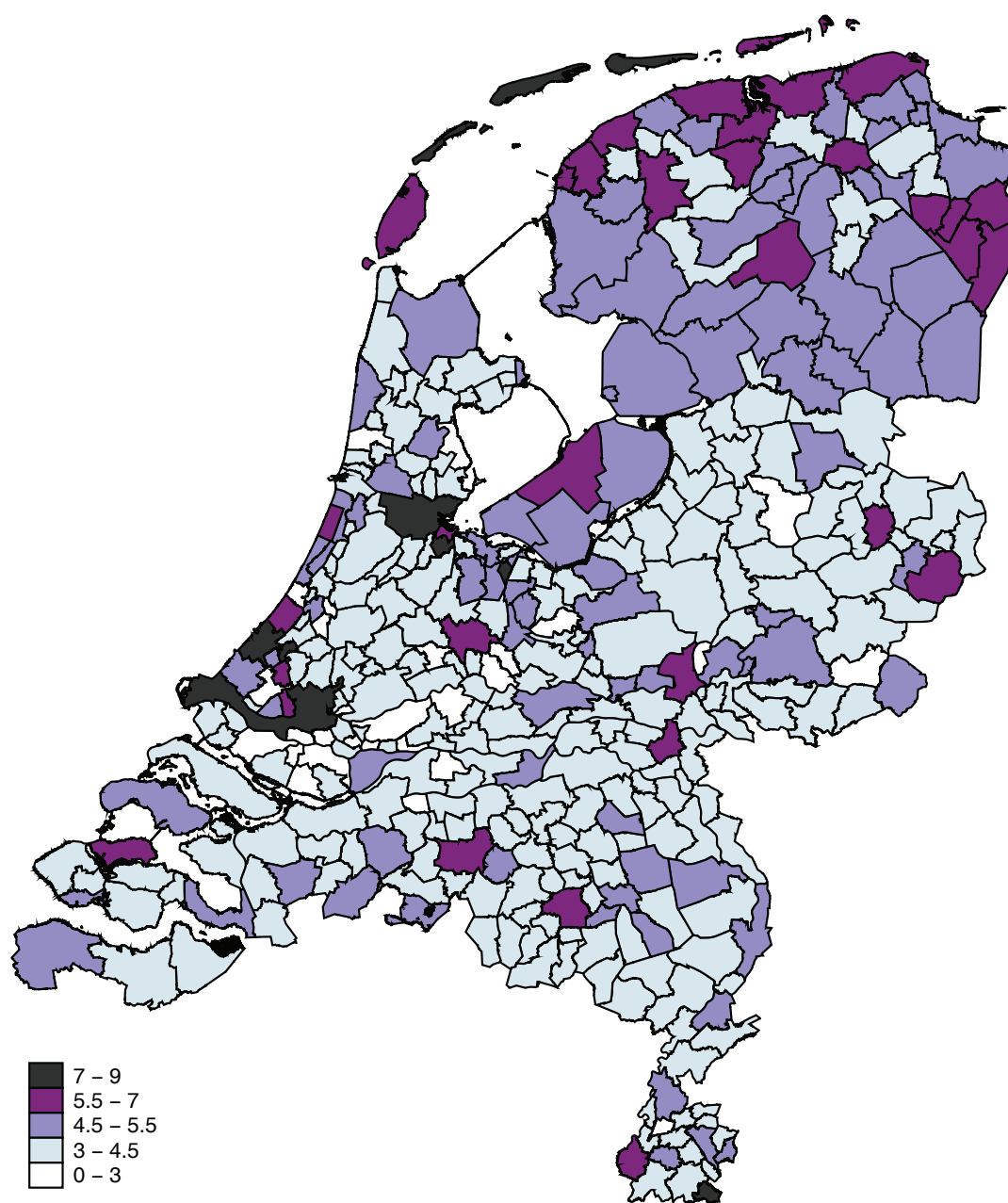
The situation is different for households where at least one of the working members is self-employed. It is not the (small) number of hours worked that is then the main cause of poverty, but the low hourly income of the main breadwinner. A low hourly income for self-employed workers can indicate either a low income per hour worked or a high number of unproductive hours, when the person is working but their activities are not (yet) generating any income. A low labour intensity is uncommon in households of this type, and this factor therefore has little influence on the incidence of poverty among the self-employed. As with employees, the size of the household also has only a limited effect. By contrast, in addition to large households, single-person households are found to have a heightened risk of poverty. It is plausible to assume that this is due to the lack of an alternative source of income in these households to compensate for the low or even negative income from self-employment.

Variation in the percentage of working poor across municipalities

Dutch municipalities differ in the extent of in-work poverty (figure S.3). The highest proportion of working poor are found in the municipalities of Vlieland, Amsterdam, The Hague, Ameland, Vaals, Terschelling, Laren, Rotterdam, Texel and Schiermonnikoog.

Figure S.3

In-work poverty rate per municipality, 2013 (in percentages)



Of this group, Amsterdam, The Hague, Rotterdam and Vaals also score highly on poverty among all adults (including non-workers). This does not apply for the Wadden Islands (Ameland, Terschelling, Texel, Schiermonnikoog): here, the high percentage of working poor may be due to people who are dependent on seasonal employment in the tourist industry, plus the longer travel times to municipalities which offer more (and better-paid) work.

Few Dutch municipalities have specific policy on in-work poverty

The content of municipal arrangements and the protection they offer was explored through interviews with policy staff in twenty Dutch municipalities. The results make clear that most municipalities devote little attention to policy specifically aimed at the working poor. This is not a deliberate choice; the assumption is that the existing arrangements can help everyone with a low income, including those in work. The income thresholds for these arrangements are generally between 110% and 130% of the statutory minimum income, which increases the chance of workers to become eligible for such arrangements. If municipalities do have a policy aimed at the working poor, it is often designed to make it easier for people to move into work – as an employee or self-employed – from or in combination with social assistance benefit. Examples of such arrangements are compensation for additional childcare costs or help with commuting expenses, or exempting a portion of the income from employment so that people who accept paid work are less likely to have their social assistance benefit cut.

Municipalities see difficulty in reaching working people as a problem

Municipalities do not have a clear picture of residents who are living in poverty but are not current or former social assistance benefit clients. On the one hand, there is a strong chance that working (former) social assistance benefit clients will include people who are below the poverty line and that local authorities will therefore find them. On the other hand, this also means they miss a high proportion of the working poor. Many local authorities do attempt to reach groups that are not clearly on their radar, for example using general communication channels (e.g. house-to-house flyers) and via chain partners (schools, GPs, etc.). Some local authorities have also set up initiatives aimed at identifying problems at an early stage by sharing data with housing associations, health insurers and utility companies. A few municipalities also try to contact the working poor via employers, but not always very successfully.

Workers who remain off the radar despite these measures, for example because they have no children and can therefore not be reached via schools, will remain out of the picture. This also applies for self-employed workers, who have a reputation for not readily seeking help. Both groups contain a fairly high proportion of working poor (43% have no children, 45% are self-employed (these are partially overlapping groups)). Local authorities recognise this problem, but do not have a solution for it.

Little information on effectiveness of municipal poverty policy

The effectiveness of local policy is difficult to determine, quite simply due to a lack of (recent) research on this topic. Many interviewees in this study feel that attempts to provide poor residents with financial support and boost their social participation through the various arrangements are reasonably successful. On the other hand, most of them also believe that this does not genuinely solve the problems or reduce the number of people living in poverty. Based on their personal impressions, virtually all policy staff interviewed were however able to cite an arrangement with which they achieve results. For those in

work, they set great store by preventing problems arising by offering training, supporting self-employed entrepreneurs and expanding the possibility for combining work and receiving social assistance benefits.

As regards the poor population in general, local authorities mainly refer to provisions with a wide reach, such as discount cards, free public transport and collective supplementary health insurance, and place great faith in support in kind.

We found virtually no differences between types of municipality on these issues; the measures and provisions deployed are more or less comparable regardless of geographical location or number of residents. One of the few correlations found relates to the percentage of working poor and the strictness of the social assistance benefit policy. There are indications that municipalities with a lower share of working poor more often take an ‘average’ stance (between mild and strict) on imposing obligations on social assistance benefit recipients. Local authorities which according to their own report apply a strict (or mild) social assistance benefit policy often have a high percentage of working poor. To what extent there are causal effects at work here, and whether the policy has resulted in an above-average poverty problem or is a reaction to it, is not possible to say based on this study.

Formal employment rules: wide variation between countries

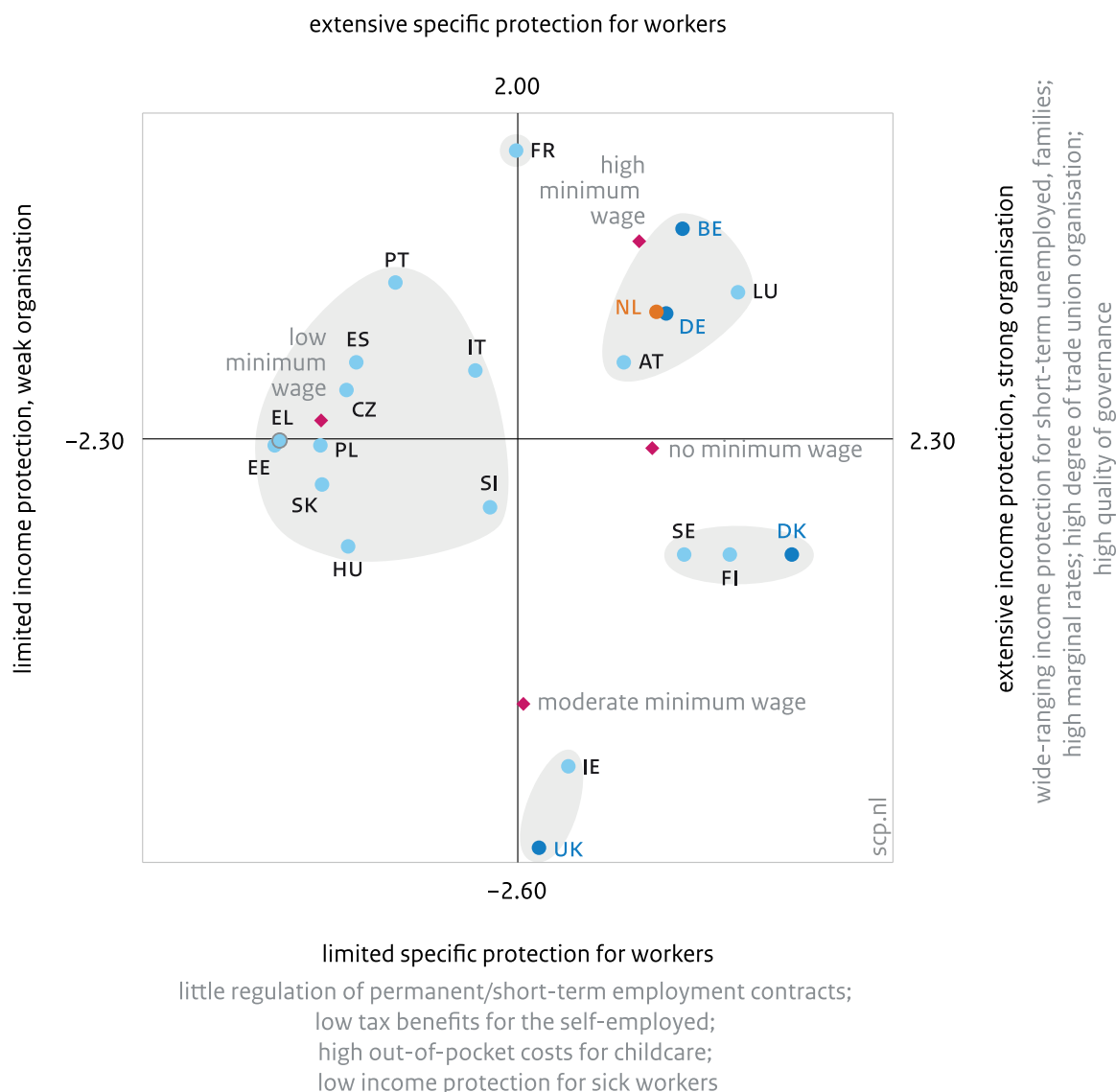
The protection against poverty provided by national institutions was explored in a number of steps. First, we investigated how formal and informal rules, which we expect to be particularly important for understanding in-work poverty, differ. The Netherlands and the four neighbouring countries included in this study (Belgium, Denmark, Germany, the United Kingdom), together forming the ‘focus countries’ in this study, were compared against each other, but also positioned within a wider group of 21 European countries. As regards the formal rules, the study focused on variations as regards the minimum wage, the protection offered by permanent and short-term contracts, implicit marginal rates, (tax) provisions for the self-employed, arrangements around sickness absence, income protection during short-term unemployment and for working families, and the childcare costs to be borne by the client. Two organisational aspects were also included in the comparison: the quality of governance (potentially important for the effectiveness of regulations) and the share of workers who are members of a trade union (potential influence on the social protection offered by the rules). The analysis also looked at the shares of people not employed on a standard full-time employment contract and (only for the five focus countries) at the prevalence of atypical work (such as zero-hours contracts, posted workers, etc.).

The formal rules can be reduced to two main dimensions (figure S.4) on the basis of a non-linear principal components analysis. The first relates to the income protection for households and short-term unemployed, the implicit marginal rates and the degree of organisation (quality of governance and union density). This includes an opposition between countries with a low minimum wage and those with a high or no minimum wage. The second

dimension is concerned with the specific protection of workers: the regulation of employment contracts, tax breaks for the self-employed, parental contribution to childcare costs, and the level and duration of sickness benefits.

Figure S.4

Formal institutions in 21 countries (2013; CatPCA object scores)



On these main axes, Denmark and the United Kingdom are found to belong to divergent regulatory regimes, which are also commonly found in the scientific literature (e.g. in the work of the Danish sociologist Esping-Andersen). Denmark has a ‘social-democratic’ system offering high income protection in the first year of unemployment and generous provisions for working single parents, in combination with high quality of governance and high trade union membership. There is no statutory minimum wage, but many Collective Labour Agreements do contain arrangements on minimum remuneration. Denmark posts a fairly average score on the second main axis, reflecting the rather modest protection offered to workers on both permanent and short-term contracts, a product of the ‘flexicu-

ernity' model. There are also few tax breaks for the self-employed, and statutory sickness benefit is low and of short duration. Atypical work is rare in Denmark.

The United Kingdom is an exponent of the 'liberal' system, with less extensive formal rules on employment than in the other focus countries. The UK occupies a middling position on income protection and organisation when compared with all 21 countries, but generally scores the lowest within the five focus countries. On the dimension relating to specific protection of workers, the United Kingdom achieves by far the lowest score of all 21 countries. This is mainly because of the low protection for employees (both permanent and short-term employment contracts), the high costs of childcare (especially for couples), the low level of employee sickness benefits and the modest minimum wage. Atypical work is very common in the United Kingdom, especially in the form of very vulnerable employment agency work, zero-hours contracts and poorly paid internships.

The three other focus countries fall into the same 'corporatist' cluster. Belgium scores slightly higher than the Netherlands and Germany on both dimensions, with more extensive income protection/organisation and targeted protection of workers. On the first dimension, this is chiefly because of the higher trade union membership and the high implicit marginal rates for workers. The minimum wage in Belgium is just as high as in the Netherlands (in Germany there was no minimum wage in the year of the study; this was introduced in 2015). Of these three countries, Belgium offers the least income protection for short-term unemployment, and household benefits in Belgium are also lower than in Germany (though higher than in the Netherlands). On the second dimension, Belgium offers the most protection of these three countries to employees with or without a permanent contract. Belgium is comparable to Germany and more generous than the Netherlands when it comes to tax breaks for the self-employed, the low out-of-pocket costs for childcare and the level of sickness benefits. Only the duration of sickness benefits is shorter in Belgium than in the other two focus countries in this cluster. Atypical work is rare; zero-hours contracts are for example forbidden by law in Belgium.

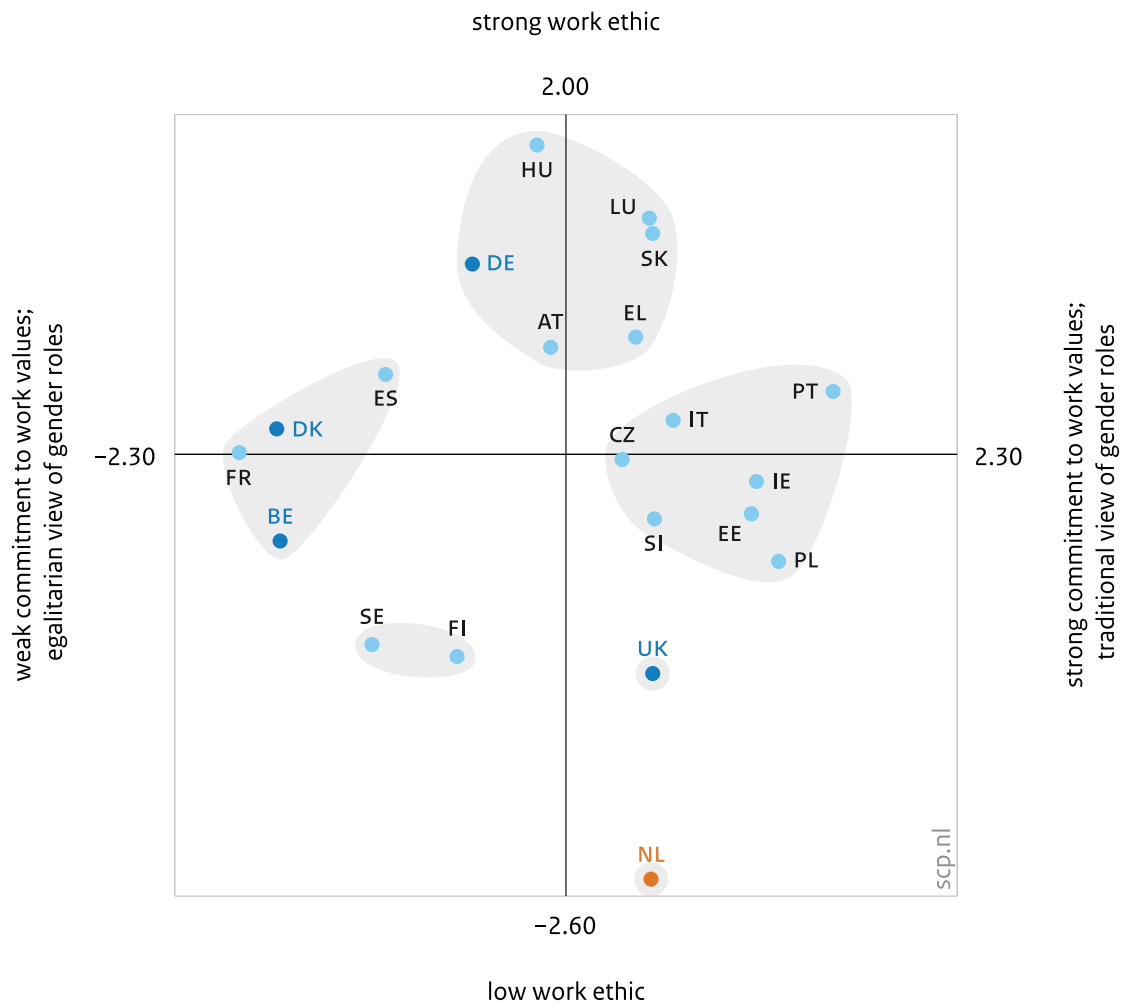
Germany and the Netherlands achieve roughly the same scores on both axes, but for different reasons. Replacement incomes in the first year of unemployment are slightly higher in the Netherlands than in Germany, and the quality of governance is better, but family benefits are much lower and the implicit marginal rates are slightly lower. Both countries achieve comparable scores on the degree of organisation and minimum wage. On the second dimension, the Netherlands offers less protection for people without a permanent contract, and there are fewer tax breaks for the self-employed; statutory sickness benefit is lower and clients are required to pay a higher proportion of the costs of childcare themselves. However, this is offset by the higher statutory minimum wage, the extensive protection for employees on permanent contracts and the longer duration of employee sickness benefits. Atypical work occurs regularly in both countries according to a qualitative country comparison. In Germany this manifests itself in the large number of 'Minijobs' – in

which the employee is allowed to earn up to 450 euros per month tax-free – which can be associated with underpayment, perhaps especially in the period before the introduction of the minimum wage (the period to which our data relate). In the Netherlands, atypical work refers to the large group of people with zero-hours contracts, bogus self-employment and people seconded from abroad.

Country differences also found in informal rules on work

In-work poverty can also be influenced by the informal behavioural expectations associated with working. This study looked at country differences in work ethic, views on gender roles and the importance attached to four different aspects of work: remuneration, job security, other extrinsic (suitable hours, generous holidays, not too much pressure of work, family-friendly) and intrinsic characteristics (interesting, responsible and relevant work, career development opportunities, degree of control, ability to work on own initiative and social contacts). These characteristics can also be reduced to two principal dimensions (figure S.5). The first dimension incorporates commitment to all the cited work values plus the degree of traditionalism regarding the societal roles of men and women. The second relates to the work ethic.

Figure S.5
Informal institutions in 21 countries (2008; CatPCA object scores)



Once again, there are differences between the five focus countries, but these do not align with the classification of formal institutions, and consequently with the usual typology of welfare states developed by Esping-Andersen. Belgium and Denmark now fall into the same country cluster, in which the population attaches relatively little importance to all four aspects of work. This is accompanied by an egalitarian view of gender roles and a fairly average work ethic. The German population appears to have a slightly stronger work ethic and attaches more importance to job security and remuneration. The British have a weaker work ethic and attach importance not only to job security and remuneration, but also to the other extrinsic aspects of work and its intrinsic components (though rather less to job security). Their view of male and female roles is also less egalitarian. The Netherlands exhibits quite a unique pattern. The work ethic is strikingly low by international standards, especially among women. The Dutch attach relatively high importance to remuneration, the other extrinsic aspects of work and its intrinsic components (though rather less to job security). The Dutch view of gender roles is more traditional than is usual in Western and Northern Europe. These informal rules correspond well with the dominant organisation of work and care tasks in the Netherlands. They could perhaps be summed up as a ‘one and a half earner culture’, which has evolved from the high

importance the Dutch have traditionally placed on self-care in parenting and running the household, with clearly delineated responsibilities for men and women.

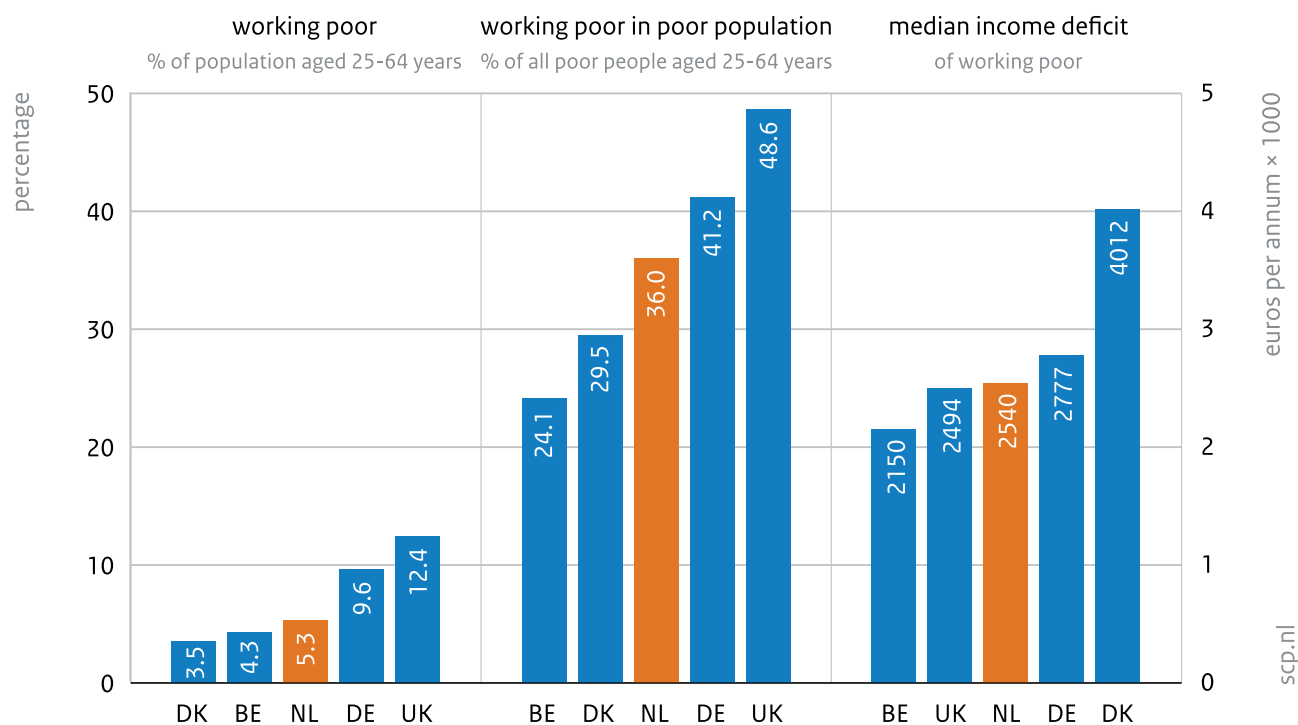
Poverty rates align with expectations from institutional analysis

Based on the institutional variation and the size of the groups at high risk (the self-employed, part-time workers, people on temporary contracts and atypical forms of employment), expectations were formulated in advance for the five focus countries. These suggested that the share of working poor would be the lowest in Denmark, followed by Belgium. The share was estimated to be higher in the Netherlands and Germany – for different reasons, but at about the same level. Our expectation was that the United Kingdom would have the highest proportion of working poor, based on the institutional structure and the size of the groups concerned.

Our assumptions are largely borne out (figure S.6). Denmark does indeed have the lowest share of working poor (3.5% of all 25-64 year-olds), closely followed by Belgium (4.3%). The United Kingdom has the highest share of working poor of the five focus countries (12.4%), again in line with expectations. Also as assumed, the Netherlands and Germany have relatively more working poor than Belgium and fewer than the United Kingdom, but the figures in the two countries are anything but equal; the Netherlands has a slightly higher share of working poor than Belgium (5.3%), with the caveat that this ranking reverses if the non-working poor aged 25-64 years are also included. The share of working poor in Germany is much higher (9.6%), closer to the UK than to the Dutch figure. The five focus countries also differ slightly in terms of perceived material and social deprivation, and in the degree to which the working poor themselves say they are able to make ends meet.

Figure S.6

Poverty and income deficits according to the ‘modest but adequate’ criterion in five countries (2013/2014), percentages and euros on an annualised basis)^a



a The threshold amounts for a single person (2013) are: BE €12,633 p.a.; DE €11,670 p.a.; DK €15,881 p.a.; NL €12,732 p.a.; UK €13,320 p.a.

Source: EU-SILC'14 (SCP treatment)

The differences in the share of the working poor between the five focus countries are probably largely due to institutional factors. The assumption that there are institutional differences between the focus countries, whilst their societies form a fairly homogeneous group in other respects, is largely borne out empirically. The differing degrees of in-work poverty in the five countries could not be related to macro-differences in national wealth, unemployment, inequality of earned incomes or the composition of the working population. The first dimension of the formal institutions is probably the most important: the combination of high income protection and strong organisation (quality of governance, trade union membership) is accompanied by less in-work poverty. The two types of informal institutions also appear to make an independent contribution to country differences in the prevalence of in-work poverty; a strong commitment to the various labour values, traditional views on the societal roles of men and women and a strong work ethic are associated with a higher proportion of working poor. The second formal dimension is probably less important in understanding this phenomenon: the targeted protection of workers is not related to the share of working poor at national level. This dimension includes the contractual protection of workers in permanent and non-permanent employment.

Analysis of country differences in the percentage of working poor

We next investigated for each of the Netherlands' neighbouring countries whether the difference in the percentage of working poor compared with the Netherlands is related to the divergent poverty risks of subgroups, or with the share taken by those groups in the working population aged 25-64 years. A decomposition analysis was performed for this purpose, in which the subgroups were classified on the basis of the three theoretical mechanisms introduced earlier: size of household, labour intensity and hourly income. Separate analyses were performed for self-employed workers and employees.

In the United Kingdom, the at-risk subgroups – self-employed workers and employees with a low labour intensity and/or low hourly income, and households with children – are fairly large, but that also applies for the Netherlands. All UK subgroups are however exposed to substantially greater risks, and it is therefore not surprising that the proportion of working poor is more than double that in the Netherlands. In Germany, too, it is mainly the higher poverty risks of the vulnerable subgroups which exacerbate in-work poverty, although this influence is tempered by the relatively small risk for wage-earners with children and the fact that there are fewer self-employed workers – and especially sole traders – than in the Netherlands. The relatively lower share of working poor in Belgium and Denmark compared with the Netherlands is not because the subgroups are exposed to less risk in those countries, but because those groups are smaller. This applies across the board in Denmark, and in Belgium mainly for the subgroups which set themselves apart in terms of the labour intensity and hourly income of employees (and thus not for self-employed workers and households with children). It is possible that the formal institutions in the Netherlands do not so much increase the poverty risk of workers as the size of the vulnerable groups. Perhaps the one and a half-earner culture among the Dutch population cited earlier also plays a role.

Overall, the working population in the United Kingdom can be described across the piece as 'large number of vulnerable persons, with high poverty risks', and in Denmark by contrast as 'few vulnerable persons, with low poverty risks'. The Netherlands forms a hybrid between these two extremes among the five countries studied, with a large number of vulnerable persons but relatively low poverty risks. The pattern in Germany and Belgium is less clear-cut. As these differences occur between countries with comparable societal conditions but divergent formal and informal rules on employment, institutional factors are likely to be an important cause of in-work poverty. This offers perspectives for future policy.

5.2 Policy considerations

The fact that a substantial part of working people are living below the poverty line is problematic for a number of reasons. First and foremost, it goes against the policy principle that work should pay. This can be interpreted to mean that people in work should earn a sufficient income to ensure that they are not poor (i.e. earn a 'living wage'). The existence of a

large group of working poor is at odds with this principle. The second reason that poverty in the workforce is problematic is more practical in nature and concerns the difficulty of reaching this group. Working people who have never received social security benefit are 'invisible' for policy, especially if they are also not identified by other means (their children's school, their GP). If workers furthermore believe – rightly or wrongly – that they are not eligible for government arrangements, they are less likely to ask for help. It follows from this last point that, if these workers do sound the alarm, this may indicate the existence of serious and somewhat intractable problems.

Limiting the amount of in-work poverty is therefore a desirable goal. The question then is how much scope there is to achieve it. Reducing the poverty rate to zero is theoretically conceivable, but would be difficult to achieve in practice. Reducing poverty also does not happen by itself. If the economy remains strong in the years ahead, some improvement may be expected, but in our estimation and that of others (CBS 2018a), the low poverty rate seen in 2001 is unlikely to return soon. In the first place, a small part of the growth in poverty is due to changes on the labour market that have been under way for some time, i.e. the increase in the number of self-employed workers. That number is now stabilising, but the growth in self-employment means the poverty rate among those in work is a few tenths of a percentage point higher than it otherwise would be. Second, the number of workers with a migration background is set to grow further in the years ahead (CBS 2018b); members of this group are much more often poor than average, and this helps drive up the incidence of in-work poverty. Third, the purchasing power of those at the lower end of the income distribution will have to rise if the poverty rate is to fall. There are several ways of achieving this: negotiated wage increases, a rise in self-employed workers' income and/or an increase in the annual working hours of households, achieved either by boosting the number of hours worked or reducing the periods of unemployment. The growth in negotiated wages is limited at present (CPB 2017), especially among the low-skilled (Bakens & Fouarge 2017) – precisely the group with a higher than average incidence of poverty. The weak wage growth may be partly due to the flexibilisation of the labour market (CPB 2017), which is a particular feature at the lower end of the jobs market. This weakens the negotiating position of employees. That may be changing in 2018, now that employers are having difficulty finding suitable staff.

Despite these difficulties, there does appear to be some scope for reducing poverty: at the beginning of this century the share of working poor in the Netherlands was substantially lower, and in the international comparison two of the focus countries had a smaller proportion of working poor. Changes in the percentage of working poor can therefore be achieved not only through economic growth, but probably also through institutional changes. Denmark may offer a better example here than Belgium. Denmark has the lowest poverty rate among workers of all the focus countries (two-thirds of that in the Netherlands). Not only is the share of working poor in Belgium slightly higher than in the Netherlands, but so is the poverty rate in the non-working population aged 25-64 years. It is

therefore possible that emulating the Belgian institutional model would mainly lead to a substitution of working poor by non-working poor.

What are the plausible bandwidths when it comes to the potential of policy to influence the share of working poor? Suppose the relative size of the vulnerable groups in the Netherlands were equated to that in Denmark (with an unchanged low poverty risk); the share of working poor in the Netherlands could then in theory be reduced by around 40% (based on the 2013 measurement). On the other hand, it is also possible that institutional changes would drive up in-work poverty even further; if the group sizes remained unchanged but the risk profile was the same as in the United Kingdom the share of working poor in the Netherlands would more than double. Policy choices are therefore likely to have consequences.

Considerations for national policy

Reducing the level of in-work poverty is however easier said than done. If it were decided to follow the Danish example, it is important to reduce the size of the vulnerable groups whilst at the same time ensuring that their risk of poverty does not increase.

Based on the outcomes of our exploratory analyses, some considerations for national policy are worth noting, under the assumption that poverty among working people in principle is undesirable from a policy point of view. The latter is in line with the fundamental rights section of the Dutch Constitution ('It shall be the concern of the authorities to secure the means of subsistence of the population') and the commitment expressed in the current Dutch government's Coalition Agreement to 'fight poverty and indebtedness' and to 'make work pay' (Regeerakkoord 2017: 22, 27). Against this background, it is relevant to:

- *Ensure adequate minimum income protection for employees and self-employed.*
This means seeking to prevent people working for pay levels that are below the poverty threshold for a single person. That is already the case for single employees (in full-time employment and with the exception of employers ignoring the minimum wage), but not for self-employed workers. The proposal contained in the Coalition Agreement that sole traders who work for the same client for at least three months at a rate that is less than 125% of the minimum wage should henceforth be treated as employees, is relevant in this regard (Regeerakkoord 2017: 25). In reality this proposal would be tantamount to the introduction of a minimum hourly rate. Such a measure could also be considered for other low-paid self-employed workers, though this could potentially be at odds with the principles of market forces and free enterprise. It is also conceivable that self-employed workers and clients could implement a minimum hourly rate by shortening the length of assignments, which would have little impact on net income.
- *Be conscious of the importance of households' labour intensity and the costs of children.*
An adequate minimum income for single persons is not enough to reduce poverty in the whole working population. Where people work part-time or are unemployed for part of the year, singles and couples can fall below the poverty line; and if there are

children, the unavoidable and highly desirable expenditure items increase. This warrants a policy focus on:

- a promoting full-time employment for single persons;
- b encouraging a higher labour intensity among couples, especially if their hourly pay rate is low;
- c stepping up the help for parents to meet the costs of children; in particular, working single-parent families and couples with large families can easily slip below the poverty line. The international comparison showed that Germany and Denmark perform better in this respect.

- *Seek to strike a good balance between those in permanent employment on the one hand, and on the other vulnerable self-employed people, employees who are involuntarily in part-time or temporary work, and people with atypical contract forms.*

The Netherlands has, in comparison with for instance Denmark, a rather large group of vulnerable self-employed persons, and a reduction of its size could be instrumental in reducing the share of working poor. With regard to employees, it is not self-evident that a policy pursuing the situation where ‘permanent becomes less permanent and flexible less flexible’ will be effective. Only a limited share of people on permanent contracts are poor, implying that a growth of the relative size of this group could indeed limit the overall share of working people living below the poverty threshold. However, this comes with two caveats: from the international comparison the type of contract did not emerge as a particularly strong driving factor of the share of working poor in different countries, and the average poverty risk could increase if those in (permanent) employment would become less secure. Appropriate fine-tuning therefore is required.

- *Avoid policy aimed at reducing in-work poverty leading to more poverty among those not in work as a result of lower labour demand and discouraged workers.* The different rates between the Netherlands and Belgium suggest that poverty among working people and among those who are not gainfully employed to some extent are susceptible to waterbed effects.
- *Bear in mind that this study’s conclusion that ‘institutions matter’ in understanding and combating poverty among working people has a cultural component.* This implies that one should be aware of the constraints posed by informal rules – such as the aspects of work that people value, societal views on gender roles and the work ethic – on the emergence, implementation and effectiveness of new policies that aim to reduce the number of working poor.

Considerations for municipal policy

It emerged from our analyses that local authorities wrestle with the problem of the working poor. Three aspects are at play here: local authorities are not adequately reaching the target group; in many cases they do not feel equipped to address the underlying problems; and the working poor are not always open to their initiatives. There is no simple solution to these issues. For example, the scope to reduce the number of people in poverty often

falls outside the sphere of influence of local authorities: fiscal measures and changes to the level of benefits are the preserve of central government and fall outside the competence of local authorities. Additionally, the fact that many self-employed workers do not want to be dependent on the government (either national or local) may be an inherent element of their desire for free enterprise.

At the same time, however, this is not the whole story: to a certain degree, local authorities are able to shape their poverty policy as they see fit. The fact that several of the interviewed policy officials reported that a shift in emphasis is currently taking place from lawfulness to effectiveness indicates that local authorities are increasingly making use of that freedom. In addition, local authorities have a clear view of the local labour market, and in this respect, too, they could perhaps do more for residents living in poverty than they do at present.

Possible additions to municipal policy could be:

- Local authorities appear to focus primarily on addressing the expenditure problems and social participation of the working poor of whom they are aware, namely current and former social assistance benefit clients and households they are able to reach via chain partners (schools, GPs) or through general communication (e.g. house-to-house flyers). However, local authorities could also play a role in relation to other problems (too few hours or assignments, inadequate hourly pay rates) or for other groups (people without children, self-employed workers).

Local authorities could for example opt, as a few are already doing, to open up access to employment and training services aimed at helping people find more or better-paid work to people not in receipt of social assistance benefit. If this helps the newly reached poor to find work that provides a sufficient income, this could foster their integration into society and promote social cohesion within the municipality. One problem here is the lack of financial incentives for this: helping the working poor to find better jobs costs local authorities money but does not deliver savings if the individuals concerned are not in receipt of social assistance benefit. There may be a facilitating role here for national government.

- To improve the reach and delivery of services for the working poor, it is desirable that local authorities seek to connect (even more) with other stakeholders: local and regional employers, trade unions and organisations of sole traders, social counsellors, schools and other training providers. National government could encourage and facilitate such initiatives.
- Local authorities not only have a role in developing and implementing policy, but are themselves also employers or procurers of services. In that role, they could strive to ensure that workers work sufficient hours and earn a reasonable hourly income. They could also set an example themselves here. Here again, however, there is a problem in that the financial incentives operate in the wrong direction; it can be financially attractive for a local authority, in its role as an employer or contractor, to spend as little as possible on wage costs.

- Finally, it is desirable to increase the knowledge base regarding the working poor. Local authorities generally know too little about which measures are effective and which are not. As already stated, this is partly because not all the working poor are on their radar, and local authorities thus do not know whether the measures actually reach them. It is also due to the low priority often given to the evaluation of local policy, leading to a lack of systematic knowledge about what does and does not work. It is therefore important to evaluate existing policy regularly and share experiences with various policy measures with other local authorities or with other departments within the municipality. Consideration could also be given to (small-scale) experiments with initiatives focusing specifically on ‘what works’ for the working poor who are not current or former social assistance benefit recipients. The fact that they are not, or no longer, receiving benefits also means there are no restrictions either in respect of what they can earn or in terms of sanctions policy.

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