

Europe 2020 – In-work poverty. Challenges for workers' organisations





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Introduction

With the Europe 2020 strategy, the EU wishes to become a “smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion. Concretely, the Union has set five ambitious objectives - on employment, innovation, education, social inclusion and climate/energy - to be reached by 2020. Each Member State will adopt its own national targets in each of these areas. Concrete actions at EU and national levels will underpin the strategy” (Europe 2020 - Europe’s growth strategy - European Commission).

The Europe 2020 strategy and the question of how workers’ organisations can influence its implementation provide the key focus for the work programme 2010-2013 of the European Centre for Workers’ Questions (EZA) and the Research Institute for Work and Society (HIVA). An annual work programme is prepared each year as part of the four-year work programme. The *work programme for 2012* focuses on the fifth headline target of the Europe 2020 strategy: 20 million fewer people in the EU in or at risk of poverty and social exclusion. The focus of this research paper is on *combating in-work poverty and on ways to reduce in-work poverty risks*.

Executive summary

The increasing incidence of in-work poverty in Europe is a growing concern for policymakers and workers' organisations. In-work poverty needs to be fought and prevented. Research into the causes of in-work poverty in Europe shows that action is best focused on fighting low pay and low work intensity at household level.

In this fight, workers' organisations play a central role. An overview of best practices of workers' organisations' initiatives on this topic shows that there is a multitude of strategic options.

Low pay can be fought by using collective bargaining strategies, by focusing policy-making on minimum wages or by making companies pay decent wages through persuasion, pressure or public procurement.

Low work intensity can be fought by avoiding the use of atypical contracts, by opposing further deregulation initiatives or by convincing employers not to use atypical forms of work. Furthermore, strategies can be developed to upgrade atypical jobs so that they provide good working conditions, a degree of job security and good pay. Finally, workers' organisations can also develop strategies that enable the working poor to look for and accept more decent jobs.

Workers' organisations have a variety of strategies for fighting in-work poverty. For instance, introducing (or increasing) minimum wages has a direct impact on the income of a broad category of workers. But as in-work poverty is not only caused by low wages, more targeted strategies that focus on the income and wages of subgroups of the population (which are frequently part of the working poor), could prove to be more efficient. Both "living wage" campaigns and the introduction of social clauses in public procurement are targeted actions, but their effectiveness is mostly limited to public services or private companies rendering public services. The large population of working poor who are employed in a less obvious context, are unaffected by these strategies. Similarly, the effectiveness of the "equal

work, equal pay” campaign is limited to those industries in which the trade unions can influence the collective bargaining process. Campaigns like “Justice for Janitors” and “Schoon Genoeg” on the other hand aim specifically at mobilising a group of vulnerable workers: cleaning workers. These campaigns are, however, very intensive for workers’ organisations and their effect is limited to those industries which are “visible” and do not face harsh international competition.

In order to gain and mobilise public support for the workers’ organisations’ demands, a strong and consistent argumentation needs to be developed. When reviewing the campaigns mentioned above, it is obvious that the development and presentation of a strong economic argument is crucial. The success of and support for the initiatives depend largely on the credibility of the economic argument; good pay and good working conditions will not have no negative impact on employment and the competitiveness of the firm, sector or country. Other campaigns focus rather on the social or ethical arguments in calling for decent wages, and focus on gaining public support; for instance campaigns like the “Living Wage Campaign” play the ethical card and use research and study reports to provide a sufficient background for their claim that a decent wage is a prerequisite for a decent living.

Developing an economic argument is crucial for workers’ organisations wishing to fight in-work poverty. In absence (or in combination with) strong economic arguments, ethical arguments can be developed. Their effectiveness, however, depends on the public support workers’ organisation can mobilise for their cause. Here, local partnerships with researchers, employers, religious and other non-governmental organisations (NGOs) play a central part.

Local partnerships are also essential for the organisation and mobilisation of atypical workers in order to improve their working conditions. Here, these partnerships provide crucial access and communication channels to reach out to the population sections that frequently are outside the scope of trade unions.

Obviously, workers' organisations have a whole range of options how to fight in-work poverty. Moreover, past experience tells us that these campaigns can be remarkably convincing. The agendas of both politicians and employers can be effectively influenced and shaped by workers' organisations' initiatives. It is their decision whether they take up the challenge or not.

PART 1

IN-WORK POVERTY IN EUROPE: A GROWING PHENOMENON

1 Facts and figures

This chapter starts with a description of in-work poverty and defines the difference between the working poor and low-wage workers.

The next section presents and analyses an overview of figures showing the evolution of in-work poverty since 2005.¹

1.1 Poverty and in-work poverty: definitions

Working poor can be defined as ‘*all workers who are poor*’, i.e. people who are employed but are nevertheless living in poverty.

Who can be defined as *being poor*? The most commonly used indicator to define the group of people living in poverty is “everybody whose disposable *income* is below 60% of the median equivalised income (of the country)”.

Therefore, everybody with a job who still has a disposable income beneath that poverty threshold belongs to the *working poor*. The European Commission uses this indicator to monitor in-work poverty.

What is “*equivalised*” *income*? Equivalised income is a measure of household income that takes account of the differences in a household’s size and composition (adults, younger & older children). Equivalised income is calculated by dividing the household’s total income from all sources by its equivalent size.

¹ A research paper commissioned by EZA on ‘The working poor and in-work poverty’ (Wets, 2010) provides us already with an extensive literature overview of the concepts and the facts and figures on working poor and in-work poverty. In this chapter we will give an update of the facts and figures and give an overview of more recent insights.

For instance, standard OECD calculations give a weight of 1.0 to the first adult, a weight of 0.5 to the second adult and each subsequent person aged 14 and over, and 0.3 to each child aged under 14 years. This means that the poverty status of individuals is influenced by both the total disposable household income (including non-wage income) and the household composition. The poverty status is based on the corrected family income but is assigned to the individual. 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 income.

This means also that there is *no strict direct relationship between 'working poor' and 'low-income workers'*. Workers earning a low wage are not necessarily poor; other household members can contribute to the household income. On the other hand, workers can be poor despite getting a decent wage (because of the household size and composition).

The "working poor" are therefore a section of the population that is difficult to identify because the concept combines two levels of analysis: the working status of individuals (individual level) and the income status of the household they live in, which is below the poverty threshold (collective level) (European Foundation for the Improvement of Living and Working Conditions [Eurofound], 2010).

1.2 In-work poverty in Europe: figures²

The figures described below are based on the European Union Statistics on Income and Living Conditions (EU SILC), organised by Eurostat. In the EU SILC survey, information on social exclusion and housing conditions is collected at household level while labour, education and health information is obtained for persons aged 16 and over. The core of the instrument, namely data concerning income at a very detailed component level, is mainly collected at individual level but a few components are included in the household part of EU SILC. In EU SILC, people are defined as being employed

based on their self-declared economic status. “Employed” is defined here as being employed for over half of the year.

In 2009, the average risk of working age adults in the EU facing monetary poverty was twice as high for the total population (16.1%) than it was for those who were employed (8.4%).³ The risk increased to 26% for those who were inactive and to 43% for those who were unemployed (European Commission, 2011). In 2011 (based on Eurostat estimate for 2011), 8.7% of the people in gainful employment were living under the poverty threshold (European Commission, 2012). *So having a job is still a good buffer against poverty. But still 8.7% of the people having a job can be defined as being poor.*

This also means that those who have a job but are poor make up a very significant proportion of those living in poverty: in 2011, the working poor represent one third of the (working age) adults living under the poverty threshold (European Commission, 2012).

The proportion of workers living in poverty was relatively stable at European level between 2005-2009 (see Table 1.1)⁴. But when taking a more detailed look at the situation and evolution in the different member states, there seems to be considerable differences between countries (see Table 1.1).

The member states with the lowest in-work poverty rate (below 5%) in 2009 were the Czech Republic (3.1%), Finland (3.7%), Slovakia (4.8%) and Belgium (4.6%). Countries with a very high in-work poverty rate included the Southern European countries like Greece (13.8%), Spain (11.4%), Italy (10.2%) and Portugal (10.3%) as well as Latvia (11.1%), Poland (11.0%), and Romania (17.9%). The in-work poverty rate in these countries was higher than 10% of the working population (with an extremely high figure of 17.9% of working poor in Romania).

2 Source: Employment and social developments in Europe 2011, Eurofound 2010, Working poor in Europe.

3 Workers with unlimited-term contracts face even much lower poverty risks than the average person employed (5.1% against 8.1%).

4 It is not possible yet to study the impact of the economic and financial crisis (since 2008), but in-work poverty seems to have been stable in the lead-up to the crisis (European Commission, 2012).

When analysing the development at national level, for some countries the figures indicate an increase in the in-work poverty rate (the rate rose by at least 1 percentage point between 2005 and 2009): this is the case for Bulgaria, Denmark, Germany, Italy, Latvia, Spain and Sweden. In other countries, the in-work poverty rate decreased between 2005 and 2009 by at least 1 percentage point: Austria, Hungary, Poland, Portugal, Slovenia and the United Kingdom.

Table 1 Evolution of in-work poverty rate 2005-2009

	2005	2006	2007	2008	2009
EU	8.2	8.2	8.5	8.6	8.4
Austria	6.7	6.4	6.1	6.4	5.9
Belgium	3.9	4.2	4.4	4.8	4.6
Bulgaria		5.4	5.8	7.5	7.4
Czech Republic	3.5	3.5	3.3	3.6	3.1
Cyprus	6.5	7.2	6.3	6.4	7.0
Denmark	4.9	4.5	4.2	5.1	5.9
Germany	4.8	5.5	7.5	7.1	6.8
Estonia	7.5	7.5	7.8	7.3	8.1
Finland	3.7	4.5	5.0	5.1	3.7
France	6.1	6.1	6.5	6.8	6.7
Ireland	6.1	6.2	5.6	6.5	5.4
Greece	12.9	13.9	14.3	14.3	13.8
Spain	10.4	9.9	10.7	10.7	11.4
Hungary	8.8	6.8	5.8	5.8	6.2
Italy	8.8	9.6	9.8	8.9	10.2
Latvia	9.0	11.2	9.7	11.0	11.1
Lithuania	10.0	9.9	8.0	9.4	10.4
Luxembourg	9.8	10.3	9.3	9.4	10.0
Malta	4.8	4.4	4.5	5.0	5.7
The Netherlands	5.8	4.4	4.6	4.8	5.0
Poland	13.9	12.8	11.7	11.5	11.0
Portugal	11.9	11.3	9.7	11.8	10.3
Romania			18.5	17.7	17.9
Slovakia	4.6	4.8	4.7	5.1	4.8
Slovenia	8.9	6.3	4.9	5.8	5.2
Sweden	5.5	7.4	6.5	6.8	6.9
United Kingdom	8.3	7.8	8.0	8.5	6.7

Source Eurostat, EU SILC (European Commission, 2012)

Recent estimates for 2011 (Eurostat, European Commission 2012) show that the EU in-work poverty rate (8.7%) has reached the highest level since 2005. The increasing shares of part-time and temporary workers in the total employed population are likely to increase the in-work poverty rate, now and in the years to come (see further, European Commission 2012).

2 Causes of in-work poverty⁵

As already explained, having a low-wage job does not necessarily mean that the individual worker lives in poverty. The household composition is an important factor. This chapter analyses the different factors causing in-work poverty.

Crettaz (2011) identified three main interacting factors causing in-work poverty: low work intensity, family composition and low wages.

Based on different country reports on in-work poverty and labour market segmentation by national experts, the report on “In-work poverty and labour market segmentation in the EU: Key lessons” (Frazer et al., 2010) concludes that: *“The explanatory factors for in-work poverty that emerge from the experts’ reports reveal the interaction of a very complex set of factors. The main factors can be grouped under four headings: structure of economy/labour market; family/household composition and low work intensity; individual/personal characteristics and institutional factors (i.e. minimum wage, tax & social protection)”*.

2.1 Causes of in-work poverty

2.1.1 Causes on job level: low-wage work and work intensity

As already mentioned, having a job is still the best way out of poverty and the best protection against poverty. But still 8.7% of all people gainfully employed (EU-level) belong to the group of working poor.

The nature of the job seems to be important. But again, as already stated, it is *the nature of jobs at household level* that is important, next to *other sources of income*.

⁵ Source: Employment and social developments in Europe 2011, Eurofound 2010, Working poor in Europe.

This section focuses on job-related elements that can influence the incidence of in-work poverty.

First of all, having a low-paid job - even a permanent and full-time one - can lead to in-work poverty.

The global financial and economic crisis has considerably slowed down the growth of real wages around the world. Based on official national statistics from 115 countries and territories, *the Global Wage Report 2010/11* (International Labour Organisation [ILO], 2010) estimates a decline in the growth of real average monthly wages from 2.8% in 2007 to 1.5% in 2008 and to 1.6% in 2009.⁶

While the rate of wage growth slowed down in almost all countries, it turned negative in more than a quarter of the countries and territories in 2008, and in one fifth in 2009. In developed countries (including Western and Southern Europe), the ILO report estimates that, after having grown at about 0.8% per annum before the crisis, real wages actually decreased by 0.5% at the onset of the crisis in 2008 before growing at a rate of 0.6% in 2009. In Central and Eastern Europe, real wage growth fell from 6.6% in 2007 to 4.6% in 2008 and was at 0.1% in 2009. (ILO, 2010).

Low-wage earners can be defined as those earning less than two thirds of the national median wage (hourly based). The European Commission (2011) calculated that the findings in the member states show a positive correlation between in-work poverty rates and the percentage of low-wage earners. However, while the correlation is significant, it is not absolute (0.42%), which shows that in-work poverty is not only attributable to low wages. Other factors like *work intensity* and *household composition* play an important part (see below).

The factor “*work intensity*” describes the degree to which people are working at their full potential. People working in a temporary or part-time job and

⁶ The global wage growth is calculated as a weighted average of actual or estimated year-on-year growth in real average monthly wages in 115 countries and territories, covering 94% of all gainfully employed persons in the world. For coverage and methodology, see Global Wage Report 2010/11, Technical appendix I. Source: ILO Global Wage Database.

Excluding China, the report calculates that real wage growth decreased from 2.2% in 2007 to 0.8% in 2008 and 0.7% in 2009.

therefore not at their full potential can face in-work poverty, even if their hourly wage can be considered as high.

Results reported in the above-mentioned European Commission study (2011) show that in-work poverty is highly dependent on job characteristics like the term and type of the work contract. Figures are indicating that the in-work poverty rate is higher for people not working throughout the year (compared with those working permanently),⁷ higher for people working in fixed-term contracts (compared with people working in permanent contracts) and higher for people working part-time (compared with people working full-time). For instance, people working in permanent contracts face a much lower poverty risks than the average person employed (5.1% against 8.1%). The European Commission study concludes that – although no guarantee – it is a good safeguard against in-work poverty to have a permanent, full-time job.

Frazer *et al.* (2010) concluded also that the prevalence of extensive low-quality and insecure employment combined with low wages greatly increases the risk and extent of in-work poverty in some member states. Research has also shown a correlation between elements of work intensity and the hourly wages. Fixed-term contracts involve a higher percentage of low-wage earners. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI 2011) analysed the relationship between temporary work, part-time work and hourly wages. The results show that on EU average, persons working full-time on a fixed-term contract earn 17% less (based on hourly wages) compared to the equivalent person working full-time on a permanent contract. People working part-time on a permanent basis receive 4.7% less hourly wage than the equivalent person working full-time on a permanent contract. And finally, people working part-time on a temporary basis receive

⁷ Source EU SILC (Eurostat);

Working full year corresponds to working during the total number of months for which information on the activity status has been provided. Less than full year corresponds to working more than half but less than all the number of months for which information on the activity status has been provided.

16.9% less hourly wage than somebody working full-time on a permanent basis.

Figures from the Eurostat Labour Force Survey (reported in the EU Employment and Social Situation quarterly review - September 2011) show that in the period 2000-2010, *the use of fixed-term contracts has steadily grown*. The share of employees with a fixed-term contract in the total number of employees rose from 12.2% in 2000 to 14.6% in 2007, before falling to 14.1% and 13.6% in 2008-2009 and rising again in 2010 to 13.9%. This segment of the labour market seems to have been the most sensitive one during the crisis. If the trend to hire more on a temporary basis persists, even countries with a relatively low share of fixed-term contracts could soon see their share increase steeply as permanent workers exiting the labour market will be replaced by workers with fixed-term contracts.

The percentage of part-time employment in the total employment also rose constantly, from 15.7% in 2002 to 18.5% in 2010.

Stagnating wages and the increase of fixed-term contracts and (involuntary) part-time work have increased the number of persons with low income at EU level. Several country experts on in-work poverty (Frazer et al., 2010) link low-quality employment with the effects of economic globalisation and its role in creating a *segmented labour market*. One of the effects of segmentation is to increase the risk of in-work poverty. Highly segmented labour markets trap people in poorly paid jobs and result in low upward mobility. The prevalence of low wages and insecure employment is particularly evident amongst certain sectors of the economy, for instance farmers and the self-employed. If people remain in such contracts, the risk of becoming trapped in in-work poverty exists. This could undermine the inclusive growth objective of the Europe 2020 strategy by only moving towards the target of more jobs but not necessarily better jobs (European Commission, 2011).

2.1.2 Causes at household level: household composition and work intensity at household level

Not only work characteristics have an impact on in-work poverty, it is also significantly influenced by household characteristics.

As stated above, the number of dependant members in a household is a decisive factor for in-work poverty. The *size and composition* of the household are not only an important element because of the impact the number of dependants has on the available income. It is also important because having children can influence labour market participation and work intensity of household members.

Furthermore, depending on the respective welfare system, the number of children may influence non-wage income through child benefits.

Figures based on the EU SILC show that in general workers living in households consisting of two or more adults without children have the lowest in-work poverty risk (5%). 10% of the single working people are living in poverty. Furthermore, 10% of the workers living in households with dependent children are living in poverty. The highest risk of in-work poverty is faced by workers living in a single-parent family with dependent children: 18% of them are living in poverty.

But it is not only the size and composition of the household that matters. Of course, looking at the employment situation and *the work intensity of the household* is important. In a situation where too few adults in the household work or where they do not work enough to earn an adequate household income, the risk of poverty is high. Therefore, the Social Protection Committee (SPC)⁸ has defined a variable entitled *“Work intensity at house-*

⁸ The SPC is a Treaty-based committee (Article 160 of the [Treaty on the Functioning of the EU](#)) which was formally created through [Council Decisions](#) in 2000 and 2004. The SPC serves as a vehicle for cooperative exchange between Member States and the European Commission in the framework of the Open Method of Co-ordination on social inclusion, health care and long-term care as well as pensions (“[Social OMC](#)”). In particular, the Committee plays a central role in preparing the discussion in the Council on the annual Joint Report on Social Protection and Social Inclusion. The Committee also prepares reports, formulates opinions or undertakes other work within its fields of competence, at the request of either the Council or the Commission or on its own initiative. The SPC is composed of two delegates from each Member State and the Commission.

hold level". This indicator reflects the percentage of the available annual working time of all adults of working age in the household for which they were in employment.⁹

The risk of poverty of all adults aged 18-59 (being unemployed, inactive, employed) in relation to household work intensity is being discussed. The estimates for 2009 show that 9.4% of the adults live in households with very low work intensity (0-20%, including jobless households). 5.6% of the adults live in households with low work intensity (20-40%). Nearly 20% of the adults live in households with medium work intensity (40-60%), 17% in households with high work intensity (60-80%) and nearly 50%¹⁰ in households with very high work intensity (80-100%).

The EU-27 results, as presented, mask the differences between the member states. In all member states the majority of adults live in households with very high work intensity. In the Baltic States, Denmark, the Czech Republic, Slovakia and Slovenia, more than 60% of the adults live in households with very high work intensity. Different mechanisms can explain this high percentage. In the new member states, the high percentage can possibly be explained by the low hourly wages, making people work longer hours. The high proportion of adults in households with very high work intensity in Denmark can most likely be explained by the high labour market participation of women (and the availability of facilitating services encouraging high labour market participation, see below).

Most Southern European countries have a lower percentage of adults living in households with very high work intensity. This can be explained by the more traditional family models with a low female labour market participation. In countries where part-time work is widespread (and encouraged by

⁹ The household work intensity variable has recently (since 2010) been adjusted, in the framework of the Europe 2020 Strategy. It is defined as the ratio between the number of months that adults (aged 18-59, not being a student aged 18-24) worked and the total number of months that adults in the same household could have worked in theory. For persons who declared having worked part-time, an estimate of the number of months in terms of Full-Time Equivalents (FTE) is computed on the basis of the number of hours usually worked at the time of the interview.

¹⁰ This group includes a large number of full-time employed persons in one-person households.

government measures) (for instance Germany, the Netherlands, Sweden) we see a higher percentage of adults in households with a high work intensity level (compared to the EU average).

The European Commission (2011) examined *the link between the level of work intensity at household level and the risk of poverty* among adults. The evidence suggests that when household work intensity increases beyond 20%, the risk of poverty begins to drop significantly (from 50-55% to 40%) but stays high. 20% of the adults living in households with medium work intensity live below the national poverty threshold. 8% of the adults living in households with a household work intensity of 60-70% live in poverty, household work intensity of 70-80% brings the rate down to 7.5%. Very high work intensity at household level decreases the poverty rate significantly (5.4% in the 80-90% work intensity bracket, 4.5% in the 90-100% work intensity bracket). As the European Commission (2011) concluded in terms of policy, this suggests that increasing the labour market participation of adults belonging to households with a work intensity below 60% is important in combating poverty.

But sometimes, working at (almost) full potential is not enough. In countries such as France, Greece, Italy, Latvia, Lithuania, Luxembourg, Romania, Spain, Slovakia and Slovenia, only living in households with a very high work intensity rate (more than 80%) offers protection from the poverty risk. In these countries, wages (which are generally the most important component of income) are probably still too low to fight poverty.

On the other hand, in some member states (Denmark, Ireland) a lower work intensity level is sufficient to reduce the risk of poverty for adults.

The European Commission (2011) suggests that this may reflect *flexible and well functioning labour markets and well developed institutional support* (incl. good income support for those not working at their full potential). Policies that provide those employed with adequate income support (for instance minimum wages) as well as supplementary income from social security and tax systems play an important role in fighting in-work poverty (European Commission, 2011).

Frazer *et al.* (2010) conclude: “Institutional factors such as the lack of regulations establishing an adequate minimum wage, relatively high taxes on low wages, the lack of in-work benefits, the forcing of people off benefits and into low paid work, inadequate child income support, the lack or high cost of essential services (e.g. child care and public transport), ... can contribute to in-work poverty. To put it more positively, in several member states with low rates of in-work poverty it is clear that factors such as low wages and insecure employment have been mitigated by positive institutional arrangements which ensure that the net income of households is adequate. Another important institutional factor in several member states is the role played by adequate minimum wage arrangements.”

2.2 In-work poverty by individual characteristics

Labour market research has shown that the intensity and quality of work varies across population groups: women, young people, migrants and low-skilled people are facing a higher risk of underemployment and of working in more precarious jobs.

The risk of in-work poverty can be greatly increased by certain individual factors such as poor education, poor health and nationality which interact with other risk factors. Low levels of education and qualifications increase the likelihood of in-work poverty as they lead workers towards low-paid sectors and insecure jobs. In many countries, being a migrant or from an ethnic minority can considerably increase the risk of in-work poverty. Age is also a factor and in many countries young people face particular risks of in-work poverty (Frazer *et al.*, 2010).

The results show that despite their more precarious position on the labour market, women are not more likely to be part of the working poor; at EU-level *the in-work poverty risk for men is higher than for women*. This can partly be explained by the household situation and by the fact that working women are often second earners in a household. So despite the generally

less positive situation of women on the labour market (more part-time work and fixed-term contracts), the risk of in-work poverty seems higher for men (at EU level and in most countries).

In-work poverty (EU level) tends to slightly *decrease with age*. Again, household circumstances matter: in some countries where young people leave their family and become financially independent at an early age, the in-work poverty risk is higher than in other countries where the young tend to stay at home longer even when having a job. Young people work more often in part-time and fixed-term jobs than older people.

At EU level, there seems to be a *strong link between education and the risk of in-work poverty*. The higher the level of qualification, the lower the incidence of in-work poverty. Among the lower-skilled group, the incidence of part-time and fixed-term jobs is higher than for other skill groups.

In an ILO study analysing the patterns, causes and consequences of low-paid work, Grimshaw (2011) concluded that some groups are facing a higher risk of low-wage work, simply because of their *skin colour or ethnic background*. Although no figures are available, we can assume that ethnic labour market segmentation leads to a higher risk of in-work poverty for people with a foreign ethnic background. Based on the analysis made by country experts, Frazer *et al.* (2010) stated: *"In many countries, being a migrant or from an ethnic minority can greatly increase the risk of in-work poverty. (...) The Dutch experts note groups with a relatively high risk of in-work poverty include non-western migrants. The Finnish experts comment that 'the work-related poverty of immigrants in Finland is two-fold: firstly there is the general labour market position and difficulties in employment and secondly the segregation of professions into ethnic and non-ethnic varieties'. The Italian expert points out that migrants are very often employed in unskilled jobs."* Characteristics of the *employer or sector* can define the chances of more low-wage work. For instance, the location of the organisation, the organisation's size, the organisation's activities/sector, whether the organisation is family-owned or not, competition on the market, ... are all factors co-determining the chances of having a low-wage job.

2.3 Econometric analysis of the determinants of in-work poverty¹¹

The previous sections described the three main factors that can lead to in-work poverty: inadequate hourly/monthly pay, low work intensity and the household structure. We have also established that there is a certain interaction between the described factors. To study the interplay between the described mechanisms and to examine more formally the characteristics associated with in-work poverty (including a set of individual characteristics), the European Commission (2011) reported the results of an econometric analysis (likelihood ratios based on logit regression analysis) on the determinants of in-work poverty at individual level. For each factor, the likelihood of in-work poverty is estimated controlling all other factors.

The results show that *at EU level*, low work intensity (household level) and low wage seem to be the key determinants. Being a low-wage worker increases the likelihood of in-work poverty five times. Furthermore, working at less than half of the household's full potential increases the risk of in-work poverty more than five times. Marx *et al.* (2011) calculated that increasing work intensity at household level does more to reduce poverty more than raising low wages.

A lesser but still important role is played by household composition (child/adult ratio): the likelihood of poverty increases with a rising number of dependent children, but less than for the two other factors.

Individual characteristics (in particular education and work experience) all play a significant role for in-work poverty but much less so than the three main factors discussed. Involuntary part-time work and having a fixed-term contract both influences the likelihood of in-work poverty (by a factor of 2.7 and 1.5 respectively).

¹¹ Source: employment and social developments in Europe 2011.

The analyses were repeated *on member state level*. The results show that *the three most important factors have a different impact and importance across countries in Europe, depending on the wage structures, the presence of minimum wages or wage bargaining structures, the presence of family support systems, ...* Therefore, we can conclude (in line with the European Commission analysis) that policies securing adequate incomes (for instance minimum wages) as well as supplementary incomes from social security and tax systems can play an important role in fighting in-work poverty (European Commission, 2011).

PART 2

HOW TO TACKLE IN-WORK POVERTY?

3 Policies for fighting in-work poverty: general remarks

3.1 Creating jobs versus making work pay

Fighting in-work poverty is all about “*making work pay*”. Having paid employment should be a guarantee for having sufficient income and a decent standard of living. Therefore, employment should be accessible to all, it should be of high quality, well paid and harness the potential of the worker.

Nevertheless, concrete policy measures to *make work pay* may increase the costs of creating jobs and therefore reduce the overall employment opportunities of citizens. Policies reducing the number of working poor could increase the number of non-working poor. Policy responses should consider this possible trade-off and go for policies that at the same time make work pay and increase employment opportunities for low-skilled workers so they can escape poverty through integration in the labour market.

3.2 Substantive and procedural policy

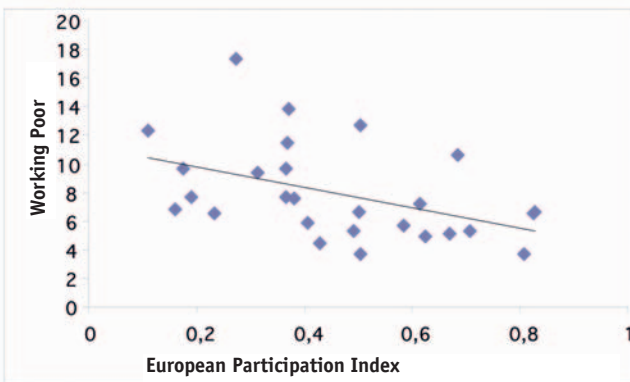
“Policy” can be approached with a focus on the *substantive* policies or on the *procedures* with which a policy is made. A focus on the substantive issues describes *what* is implemented, which rules and regulations are put in place in order to realise specific policy goals. A focus on the procedural part describes *how* policies are shaped, which stakeholders are included in the policy-making process and so on.

In the following section, the primary focus is on substantive policy, yet *procedural issues also play an important role in fighting in-work poverty.*

Social and labour market policies can be shaped in the context of intense social dialogue or through unilateral governmental action. In some countries, the social dialogue has a bipartite character whereas in other countries the state is involved as an important third stakeholder. These procedural differences have an impact on how substantive policies are shaped and implemented.

On a macro level, we see that in countries with strong unions and intense social dialogue, social inequality is relatively lower compared to countries where workers' organisations play a lesser role (Koeniger, Leonardi & Nunziata, 2006). Moreover, research shows that the incidence of low-wage work is linked to the role of unions and the level of co-ordination of collective bargaining (Bosch, 2009).

When plotting the relation between the "European Participation Index" (summarising the degree to which employees participate through the board, on company level and through collective bargaining), for instance, and in-



work poverty, the results indicate that the more employees participate on the different levels, the less the country faces problems related to in-work poverty.

3.3 Substantive policies in a context of activation

The following section focuses on several *substantive* policies that can be developed in the fight against in-work poverty. We focus on the role workers' organisations can play in this regard.

These policies are often embedded in a political context of "activation" of the labour market and a general trend towards "flexicurity" policies in various European countries. The European Union supports these policy directions with the "Lisbon Strategy" or the more recent 'Europe 2020' initiatives. Yet, thoughtless activation and flexibilisation without proper security systems can increase the incidence of in-work poverty.

3.4 Reducing in-work poverty through better income and decent work

The econometric analysis of the European Commission showed that low pay and low work intensity at household level are the primary reasons for in-work poverty in Europe. Therefore, workers' organisations should concentrate on these two issues in order to fight the growing phenomenon of the working poor. Recent developments - partly due to the economic and financial crisis - indicate a slowdown of the wage increase in Europe and a rise of part-time work and fixed-term contracts.

Therefore, policies should be developed and promoted that guarantee adequate income for workers and work intensity should be increased by promoting decent work which is stable, provides sufficient working hours and is accessible for all groups of workers.

The following section focuses on these two major policy strategies and defines what workers' organisations can do.

4 Ensuring adequate income for employees

Although in-work poverty depends on the family income and not on the individual income of a worker, econometric evidence shows that *low pay* is a primary cause for in-work poverty in Europe. Workers' organisations should therefore develop policies that guarantee adequate income for employees, they should 'make work pay' in financial terms. This chapter discusses the role workers' organisations can play in promoting statutory minimum wages or voluntary wage increases.

4.1 Statutory minimum wages

Workers' organisations and other NGOs frequently refer to minimum wages as a basic element to "make work pay" and fight in-work poverty. Yet, there are still discussions about the impact of introducing or increasing minimum wages on the rate of in-work poverty on the one hand and on general employment on the other. Using scientific findings, we here discuss *the advantages and disadvantages of using statutory minimum wages as an instrument in the fight against in-work poverty*.

Further, we will discuss *the role of workers' organisations* in pushing for the introduction of minimum wages. For this purpose, we refer to national and European campaigns and stress the importance of the continuing fight for the "indexation" (inflation adjustment) of minimum wages.

4.1.1 Fighting in-work poverty through statutory minimum wages?

Introducing (or raising) a statutory minimum wage has an immediate positive effect on the lowest wage groups in a country. It therefore seems to be a straightforward and effective policy instrument for fighting low pay and thus reducing in-work poverty.

Nevertheless, researchers have very different opinions on the effectiveness of statutory minimum wages in the fight against in-work poverty. We discuss the primary advantages and disadvantages of introducing (or raising) a statutory minimum wage.

Advantages of statutory minimum wages:

- Minimum wages reduce in-work poverty as they *guarantee a decent wage* for every full-time worker. Employers are forced to pay at least the minimum wage so that extremely low-paid jobs will disappear;
- Moreover, as a statutory minimum wage “creates a certain “foundation”, low-wage competition between companies will be limited, reducing the incentive and economic need to pay very low wages;
- Furthermore, introducing or increasing a statutory minimum wage does not only raise the wages of the minimum wage earners. *Spill-over effects* occur. To this effect, research in developing countries showed that even the wages in the informal sector are positively affected by increases in the statutory minimum wage (Saget, 2001). Wages just above the minimum wage will be similarly affected by an increase in the minimum wage;
- The wages of other low-wage earners tend to increase as well with the introduction of a (higher) minimum wage (OECD, 1998). The positive income effect thus affects more employees than the very low-wage workers;
- Another positive consequence of a (higher) minimum wage is higher *aggregate demand* as a result of higher incomes (however, the effect of this consequence on in-work poverty is indirect);
- Higher wages which are the result of a (higher) minimum wage also *increase the incentive for the unemployed to search and accept paid employment*. This might positively affect employment and activity rates and can reduce government expenditure on unemployment and social benefits;
- Research also indicates that higher wages in low-income jobs have a positive, albeit limited effect on employee *motivation* and *productivity* (Salverda, 2009);

- And finally, another advantage of minimum wages currently very important is that they only produce low *public expenditure*. Apart from the costs related to the enforcement and application of the minimum wage, introducing or increasing the minimum wage has no impact on the state budget. In the context of the current public debt crisis in Europe, this is an important advantage.

Nevertheless, opponents of (higher) minimum wages point to the possible *negative employment effects* of a statutory minimum wage, the *untargeted* effect of minimum wages for fighting in-work poverty and the possible stimulation of *informal employment* (as employers wishing to pay sub-minimum wages cannot do so legally).

Disadvantages of statutory minimum wages:

- The main argument of the opponents is that (high) minimum wages *decrease employment* and thus the possibility of the poor to escape poverty by searching and accepting paid employment.

Literature on the effect of minimum wages on employment is rather mixed. Yet, most studies cannot find a statistically relevant negative correlation between minimum wages and employment in general. Focusing on certain parts of the labour market (unskilled labour, teenage or young workers), more significant (although small) results are found (Edagbami, 2006). Scientific literature indicates that a minimum wage can have detrimental employment effects on specific groups in the labour market. More specifically, employment opportunities for young and teenage workers could be negatively affected by a minimum wage. Nevertheless, these negative effects can be compensated by the introduction of a multi-level, age-related minimum wage (as it is the case in several European countries such as Belgium, Czech Republic, France, Ireland, Latvia, Malta, The Netherlands, Slovakia, and the UK).

In conclusion, we can say that there is a trade-off between the quality and quantity of jobs, but its importance should not to be overestimated (Doucouliagos & Stanley, 2009);

– Yet, for fighting in-work poverty, a minimum wage is a rather *blunt and non-specific instrument*. It affects a greater population than the working poor (as most low-paid employees are not working poor) and affects only a certain share of the working poor (as most working poor have an income than is above the minimum wage). The effect on in-work poverty should therefore not be overestimated. Studies comparing different policy alternatives (Marx, Vanhille & Verbist, 2011) conclude that a minimum wage does not seem to be the best policy option for effectively fighting in-work poverty.

4.1.2 A minimum wage, which minimum wage?

Statutory minimum wages are relatively common in over 20 of the 27 EU member states. Yet, having a minimum wage is in itself not enough to effectively fight in-work poverty. First of all, the effectiveness of a minimum wage policy depends on the degree of centralisation of collective bargaining and the coverage of collective agreements (European Commission, 2012, p. 164). It also depends on the level (or levels) of the minimum wage and the composition of the working poor (see further).

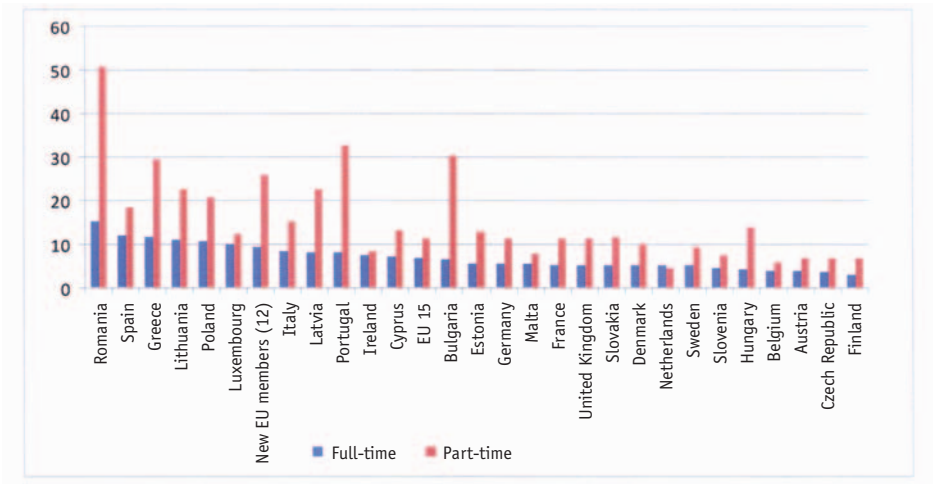
4.1.2.1 Composition of the working poor

In countries in which the working poor consist predominantly of full-time workers and those with an unlimited-term contract, the effect of a minimum wage is likely to be greater (OECD, 1998). Based on the EU SILC data (see Figures 4.1 & 4.2), we can estimate in which countries the introduction or increase of a minimum wage will have the greatest effect on in-work poverty.

As discussed above, in-work poverty is more prominent among workers with a part-time or fixed-term job. Yet in countries like Greece, Lithuania, Poland, Romania and Spain, more than 10% of the full-time employees can be considered to be working poor. And countries like Cyprus, Germany, Italy,

Latvia, Lithuania, Luxembourg and Poland have the largest shares of employees with permanent contracts living in poverty. We can assume that the introduction (or increase) of the minimum wage in these countries will have the greatest effect on the in-work poverty rates.

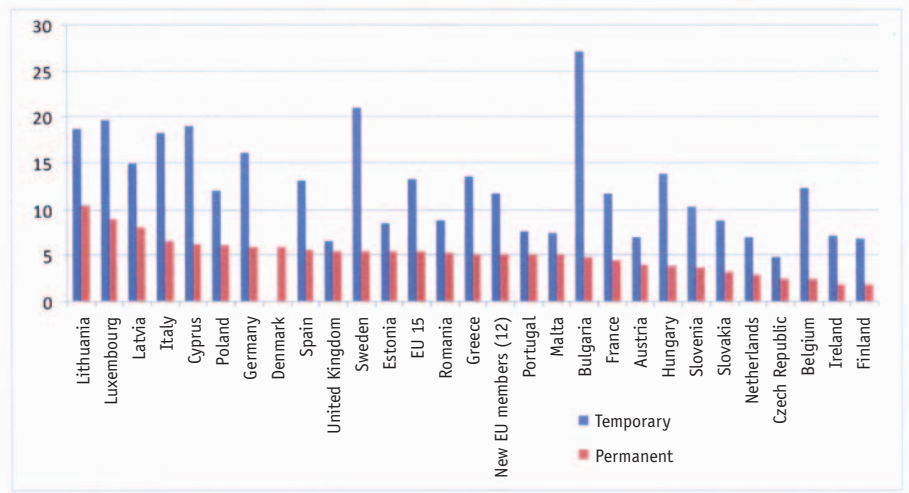
Figure 1 Proportion of working poor in part-time and full-time employment in Europe



Source Eurostat – EU SILC data

In a country like Finland, with a very low general share of in-work poverty and low in-work poverty among workers having an unlimited-term and full-time job, an increase of the minimum wage will have little impact on the in-work poverty rate.

Figure 2 Proportion of working poor in fixed-term and permanent contracts in Europe



Source Eurostat – EU SILC data

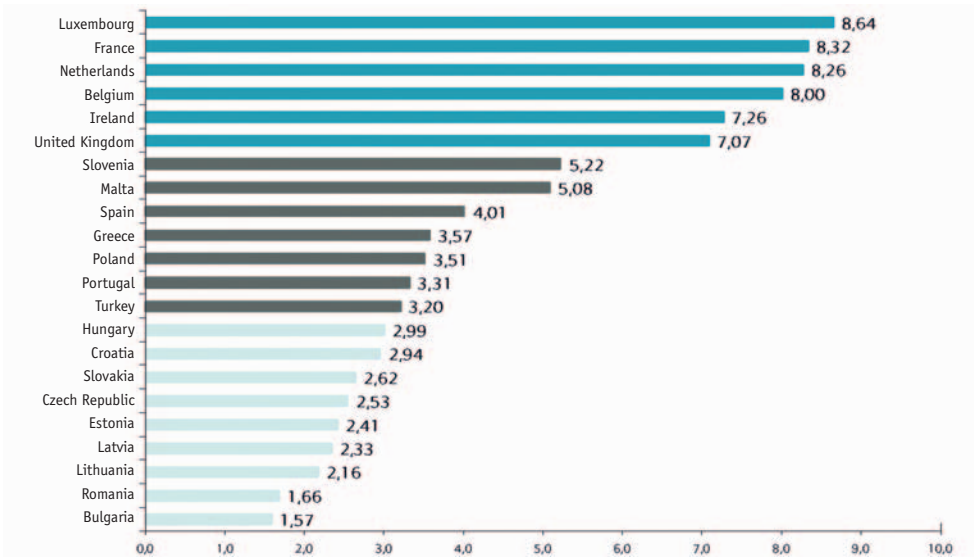
4.1.2.2 Level of the minimum wage

As mentioned above, minimum wages in Europe are relatively widespread: more than 20 of the 27 EU member states have minimum wages. Yet, having a minimum wage is in itself not enough to effectively fight in-work poverty. It all depends on the level of the minimum wage. Great differences exist between the minimum wages of different countries in terms of purchasing power standards (Figure 4.3) or in relation to the average or median income.

A comparison shows that countries with minimum wages lower than 50% of the median wage or lower than 40% of the average wage have significantly higher rates of in-work poverty than countries with minimum wages above this threshold. Hence, it is not just having a minimum wage that matters, the level of the minimum wage is of great importance, too.

Furthermore, we observe that several new member states have minimum wages, but they are significantly lower than the national poverty threshold.

Figure 3 National minimum wages in Europe in April 2012 (per hour, in purchasing power standards [PPS])



Source European Trade Union Institute (ETUI) Policy Brief 5/2012

A minimum wage for fighting in-work poverty?

Advantages of a minimum wage

- Guaranteed decent wage for low-wage earners
- Increase of low wages through spill-over effects
- Increase of the aggregate demand
- Increased incentive to accept paid employment, 'work pays'
- Increased employee motivation
- Small impact on public budget

Disadvantages of a minimum wage

- Possible decrease in low-skilled & youth employment
- Blunt instrument to fight in-work poverty
- Impact depends on level and context

Remark

- Effect depends on type of in-work poverty
- Level of minimum wage is important (50% of median income)
- Reduced minimum wages for young workers

4.1.3 What can workers' organisations do?

We quote some examples of the role workers' organisations can play in pushing for (statutory) minimum wages.

4.1.3.1 National campaigns

a) German example



In-work poverty is a particular problem in Germany. From 2005 to 2011, the in-work poverty rate went from 4.8% to 7.7%, an increase of about 2.9 percentage points, which is the worst evolution of all countries in Europe. Nevertheless, workers' organisations didn't fight for the introduction of minimum wages in the past as collective bargaining was well established and various sectors had different minimum wages. However, the influence of

trade unions on the wages in Germany is weakening. Collective bargaining coverage is declining and the government-backed introduction of so-called mini-jobs puts downward pressure on wages in all sectors (Bispinck & Schulten, 2011).

Therefore, the relatively small union "Gewerkschaft Nahrung-Genuss-Gaststätten" (NGG) for the food, beverages and catering sectors launched a plea for the introduction of statutory minimum wages. After some hesitation, the larger service sector union "Vereinte Dienstleistungsgewerkschaft" (Ver.di), took over the idea and started a bigger political campaign. It took Ver.di about six years of discussion before the "Deutsche Gewerkschaftsbund"/German Confederation of Trade Unions (DGB) congress voted in favour of a statutory minimum wage. This was followed by the DGB launching a *large-scale campaign* for the introduction of a minimum wage (mindestlohn.de).

More than 4,000 huge banners were distributed all over the country and an intensive internet campaign was set up in co-operation with a company having experience in campaigning for union initiatives (wegewerke.de). Using text messages, people could express their support of the campaign and this way more than 20,000 text message signatures were collected. Using research results, interactive 'Google maps' were elaborated which reported minimum wages in different regions together with the contact addresses of several members of the federal state parliaments (and their opinion on a minimum wage) so that activists and citizens could directly contact them. Brochures were designed which treated twenty misconceptions on the minimum wage, substantiated by scientific evidence. At the party convention of the "Christliche Demokratische Union"/Christian Democratic Union (CDU), the trade union provided brochures in the typical CDU style defending the introduction of a minimum wage as a way to exert pressure on CDU politicians to include the demand for a minimum wage in the congress resolutions (Wegewerk, 2012). Furthermore, surveys were held and the results were presented to the media and used in campaigning material and even on 'Second

Life' (an online virtual world), the minimum wage campaign was continued. Public campaigning was accompanied by *political lobby work* towards the "Sozialdemokratische Partei Deutschlands"/Social-Democratic Party (SPD), the "Bündnis 90/Die Grünen"/Green party (Grüne) and the CDU. As a result, both the SPD and the Green Party adopted the demand for a minimum wage. The ruling coalition officially rejected the demand, yet also in these parties a growing number of members support the idea of a statutory minimum wage (Bispinck & Schulten, 2011). To be continued.

b) Swiss example

In Switzerland, minimum wages were traditionally discussed and agreed upon on industry level. Although the collective agreement coverage was mediocre (50%), wages were generally high due to a tight labour market and a low level of unemployment. Nevertheless, as a result of a long period of recession and larger scale immigration, unemployment rates went up and low wages became an issue, predominantly in the service industries. Therefore, the newly created services union UNIA felt the need for the establishment of a minimum wage, stipulated by collective agreement. The initial proposal to introduce wage subsidies in the low-pay sectors was quickly abandoned and replaced by a public campaign for a minimum wage. The minimum wage was to be determined by collective agreements in individual industries. What is crucial in this campaign is the development of a catchy slogan – 'no wages below 3,000 francs' – and the decision not to campaign for the introduction of a minimum wage via parliament, but to focus on public campaigning and collective bargaining in individual industries (Oesch & Rieger, 2006).

The Swiss unions first developed an intensive *media campaign* which was to win the hearts and minds of the Swiss for minimum wages. Studies and reports on the employment conditions of the working poor in Switzerland served as instruments to raise the public awareness for the issue of low pay. Secondly, an *economic argument* for the introduction of minimum wages was

developed through studies that established an ‘optimum minimum wage’ and estimated effects of introducing a minimum wage on the Swiss economy. Furthermore, action was taken in several industries in which low pay was a specific issue. Strong media campaigning supported the demands of the unions and a “*naming-and-shaming*” strategy was developed in order to exert pressure on big companies to accept higher minimum wages which were applicable to broader categories of employees.

Oesch & Rieger (2006) evaluated the campaign and concluded that the campaign had *several positive effects on wages* in Switzerland:

- A disproportional increase of the wages of low-skilled workers;
- Minimum wages in various low-pay sectors were increased to 3,000 francs;
- A widening of the wage gap was prevented.

In addition, the campaign had *positive effects on the image of trade unions* and put a stop to the neo-liberal consensus that any form of workers’ protection is negative for the economic development.



MINDESTLÖHNE!
jetzt!

In 2009, however, the Swiss unions changed their perspective and started campaigning for the introduction of a statutory minimum wage. They joined forces with different NGOs and political parties and started the “Mindestlöhne jetzt!” (Minimum wages now!) campaign to collect enough signatures to demand a referendum on the issue. In March 2012, the people’s initiative was officially accepted, so it is most likely that a referendum on the issue will follow.

National campaigns for a minimum wage: success factors

1. Intensive media campaigns;
2. Using various communication channels;
3. Using strong arguments, based on studies and reports;
4. Developing an economic argument;
5. Developing a catchy slogan;
6. Lobbying politicians;
7. Mobilising union activists;
8. Finding striking cases – naming and shaming;
9. Organising surveys & communicating the results broadly.

4.1.3.2 EU minimum wage policy

As trade union power differs from one member state to the other, the likelihood that unions can effectively push for the introduction or increase of minimum wages depends on the national setting. Nevertheless, the EU in general would benefit from comparable minimum wages in all members states as they decrease the incentive for downward wage competition between member states.

Researchers like Schulten (T. Schulten *et al.*, 2005; T. Schulten, 2002, 2012) therefore propose to harmonise the different EU policies towards a relative minimum wage, depending on the national context. In the first place, Schulten (2002) proposes to increase the European minimum wages to at least 50% of the national average wage. Schulten (2002) sees the (then newly established) “Method of Open Coordination” (OMC) as a sound policy instrument for the implementation and development of the European minimum wage. He identifies two tasks the trade unions: (1) being involved in the adoption and continuation of the (OMC-inspired) minimum wage policy and (2) supporting these policies by internally co-ordinating collective bargaining strategies.

It is clear that developing a minimum wage policy is not on the current priority list of the European Commission, nor of the European Council.

Therefore European trade unions can play a role in pushing for the adoption of a European minimum wage policy. Before taking action on the minimum wage topic, the different European trade unions must first reach an agreement; the demand for a minimum wage was not included in the European Trade Union Confederation's (ETUC) "Athens Manifesto" due to union disagreement (ETUC, 2011).

While agreement between the affiliates of the ETUC is preferable, unions can exert pressure on the European Union to take action on the subject of minimum wages in other ways. Traditional *lobbying and mobilising* are options. However, a new option has been available since 1 April 2012: "*the European citizens' initiative*".

Networks of European citizens can launch a citizens' poll and collect signatures to support their cause. When reaching a certain minimum number, an official demand is submitted to the European Commission to launch an initiative on the subject. The European trade unions can use this instrument to push the agenda on minimum wages and at the same time create public awareness and support for the issue.



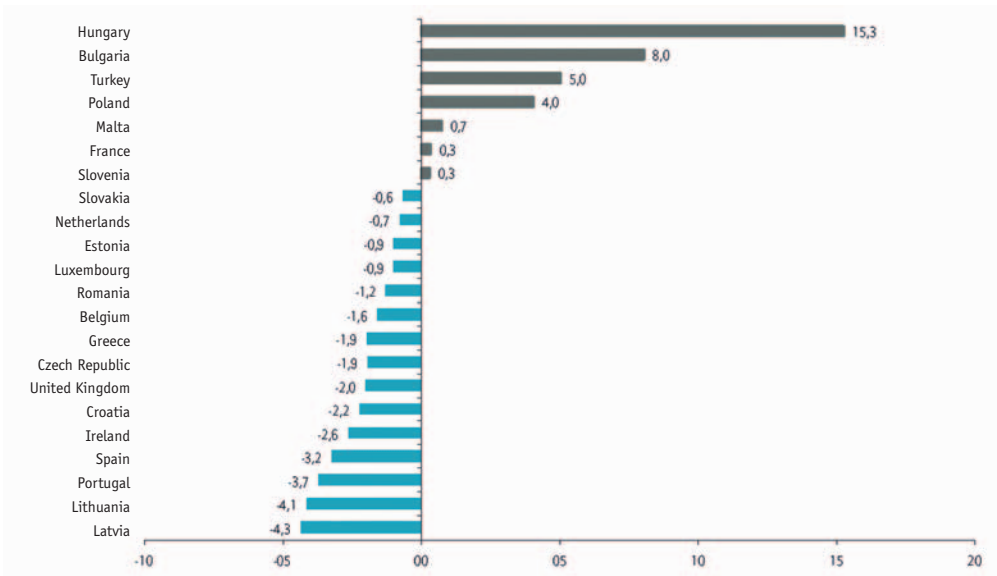
4.1.3.3 Inflation adjustment of minimum wages

As a result of inflation, the purchasing power of wages decreases over time. Without the regular adjustment of the wages, employees see the risk of joining the ranks of the working poor increasing with the passing of time. In Europe, wages, unemployment benefits and minimum wages are frequently adjusted to compensate for inflation. Nevertheless, these adjustments are

rarely automatic, are restricted to the legally stipulated minimum or do not apply to all employees in the private sector.

As in several countries the nominal minimum wage was raised only slightly or was actually frozen in 2011 while consumer prices have been rising more rapidly, the real value of the minimum wage, taking into account inflation, has decreased in a number of countries (ETUI Policy Brief, 2012). Recent figures for 2011 show a decrease of the real minimum wages in the majority of the countries under review.

Figure 4 Increase of real minimum wages in 2011, in %



Source: ETUI Policy Brief 5/2012

While the adjustment of the minimum wage should maintain the purchasing power of the workers concerned, it doesn't guarantee the income of workers receiving wages slightly above the minimum wage.

Automatic wage indexation systems are implemented in countries like Belgium, Cyprus and Luxemburg and used to as an appropriate mechanism to fight and prevent an increase of in-work poverty in these countries (Eurofound, 2010).

4.2 Stimulating voluntary wage increases

The next section discusses the role workers' organisations can play in pushing for voluntary wage increases.

4.2.1 Promoting a "living wage"

Although many countries have statutory minimum wages, they are often rather low and insufficient to guarantee a decent living. Minimum wages are a "minimum" and therefore hardly sufficient for employees to reach a decent standard of living. Consequently, unions and other organisations in the US, Canada and the UK have launched the concept of a "living wage". Based on a survey of household expenditures, these organisations determined a wage level considered sufficient for a decent standard of living in a certain context. Apart from calling for higher minimum wages, unions in the US and in the UK resort to pushing individual employers and local authorities to pay at least the "living wage" or more to their workers. Alliances of unions, anti-poverty organisations, NGOs, churches and other local organisations call for the establishment and dissemination of the living wage through public campaigns, union actions, political lobbying, research and media campaigns. Local governments can be convinced to pay the living wage and only work with subcontractors doing the same. Some successful examples are to be found in London (Balazard, 2011) and the US (Niedt, Ruiters, Wise & Schoenberger, 1999).

In the US, trade unions co-operate with multiple other civil society organisations (including local partners) to make a case for the establishment and payment of living wages. They mobilise and organise precarious workers. They focus on local government. The unions involved are mostly public sector unions which can effectively campaign for the introduction of the living wage in public procurement procedures. This guarantees decent pay for workers of subcontractors.

Success factors of these campaigns are the combination of lobbying activities and public campaigns, the inclusion of employers in the organisation which are supportive of the living wage idea and active community involvement of the union. Further, the support of researchers who can provide data and evidence for the campaign and respond to criticism is vital (Kloosterboer, 2007, p. 77).

4.2.2 Using public procurement to increase wages

Public procurement is an interesting and direct tool for fighting in-work poverty. As public contracts account for about one fifth of the gross domestic product (GDP) in many countries (Schulten, 2012), decisions on public contracts are of crucial social and economic importance.

By including criteria related to decent pay and decent work, public institutions can prevent their subcontractors from paying sub-minimum wages turning their employees into working poor.

There are, however, certain limits. Public procurement in Europe is governed by the EU Public Procurement Directive 2004. Including references to decent work is allowed under this directive, yet different interpretations exist on the extent to which work-related aspects can be taken into consideration in granting public contracts.

A recent assessment of the European Court of Justice (ECJ) limits the liberty of public authorities to include clauses related to labour conditions in public tenders. In the Ruffert ruling, the ECJ judged that public authorities cannot

oblige contractors to pay at least the wages set by collective agreements. Nevertheless, public authorities can still demand decent pay from public contractors by referring to “procurement minimum wages” or generally applicable collective agreements (Schulten, 2012).

What can workers’ organisations do? A coalition of unions and NGOs tried to influence the EU directive on public procurement. The purpose was to review the rather neo-liberal character of the EU directive which gave absolute priority to the “lowest price” as a criterion for awarding public contracts. “The Coalition for Green and Social Procurement” sought to include criteria referring to labour standards and sustainable development but was only partly successful in doing so (Bieler, 2010). One of the reasons why it couldn’t fundamentally influence the decision-making process is the reluctance of the coalition members to go beyond the mere lobbying strategy.

With the recent case law on the evaluation of the public procurement directive, the coalition re-launched its activities. In a recent ETUC position paper (2012), it demanded that social and environmental considerations should be compulsory criteria in public tenders.

Other actions workers’ organisations and unions can take are (Bell & Alastair, 2007) to promote:

- reference to the principal ILO conventions in the tender;
- including labour standards in product specification or contracts;
- excluding contractors that violate labour standards;
- the monitoring of contractual performance conditions;
- ...

5 Work intensity through decent work

Besides low pay, the second most important cause of in-work poverty is low work intensity. Non-permanent employment due to insecure work contracts, part-time work or flexible working hours and the fact that it is simply impossible for some people to accept a permanent and full-time job are the main drivers of low-work intensity.

These issues are part of the core business of workers' organisations, which is why they are treated by almost all workers' organisations on a daily basis. In general, three strategies can be adopted for increasing work intensity. The first two are policy initiatives focusing on the job, whereas the third strategy focuses on the employee. First, workers' organisations can try to reduce the incidence of atypical labour contracts which lead to low work intensity. They can do so by calling for regulation or limiting the use of these contracts on company level. Secondly, workers' organisations can insist on upgrading the quality of atypical work so that workers having such atypical employment are guaranteed a quality job. At last, workers' organisations can also focus on the employee and push for policies that enable workers to search for and accept permanent and full-time employment.

5.1 Reducing the incidence of atypical work

In the context of the Europe-wide "flexicurity" agenda, the use of atypical work contracts is flexibilised. This leads to an increased use of part-time and fixed-term employment all over Europe.

Various workers' organisations have opposed this policy direction and called for regulation on the use of such atypical contracts.

5.1.1 Regulation

Workers' organisations and trade unions can promote regulation on different levels.

On European level, the ETUC plays a role in criticising the overall EU drive towards flexibility. Through lobbying work, press releases and publications, the ETUC tries to influence the European agenda, albeit with limited success. On the national level, various workers' organisations oppose further flexibilisation and related activation policies of the unemployed (Pedersini, 2008). Yet, union actions on these levels only have limited success and mostly consists in containing further labour market flexibility measures.

5.1.2 Limitation

In addition to fighting for better or sustained regulation on the use of atypical work contracts, workers' organisations can at the same time take initiatives to limit the use of such contracts in sectors and individual companies. When negotiating collective agreements, trade unions can push for special regulation or the introduction of quotas governing the use of atypical forms of work in individual sectors and companies. Nevertheless, as atypical workers are generally less unionised and mainly work in sectors where the unions have less power, special campaigns to reach out to these workers are needed.

An example of an innovative union campaign that aimed at reducing and containing the use of atypical work contracts is the "Better not cheaper" campaign of IG Metall. In this campaign, the German metalworkers' union developed activities that were to convince company managements to "strive for better" with a focus on higher-quality products and processes, instead of going for the "downward spiral" which includes the increased use of fixed-term contracts, agency work and low pay.



This campaign mobilised support for the idea of focusing on quality rather than cost-competitiveness. Based on co-operation and a competition, unions developed alternative business plans replacing the management restructuring plans which mostly involved staff downsizing and outsourcing. With the help of a network of consultants, several successful “better, not cheaper” cases were put into practice by the unions. By doing so, jobs were saved, working conditions enhanced and the profitability of the firm safeguarded.

5.2 Improving the quality of atypical work

Workers’ organisations can also take initiatives to increase the quality of atypical employment so that the workers concerned don’t join the ranks of the working poor. Higher pay, better working conditions, improved insurance coverage, employee-centred time flexibility and possibilities for atypical workers to move towards a permanent and full-time job are essential here.

5.2.1 Organising atypical workers

For workers’ organisations to have a sustainable impact on the work and wage conditions of employees, unionisation and organisation are of vital importance. Strong unionisation provides the union with local information and is a guarantee for policy application in the field.

However, the working poor are less active in the unions for several reasons. First, their limited financial capacity constitutes an obstacle to becoming a member. Secondly, they mostly have fixed-term or part-time jobs and frequently change jobs, which reduces the incentive to become involved in union activities at the workplace. Third, they work in sectors which are traditionally difficult to organise due to their fragmented nature, frequent agency work and the relatively small size of the companies. However, research shows that workers with a fixed-term contract in Spain are generally more critical for the economic system and are more inclined to join a union, yet the unions do not sufficiently address these workers (Sánchez, 2007).

Justice for Janitors: In the US and Canada, the Service Employees International Union (SEIU) sought to defend the rights of immigrant cleaners. These workers were facing low pay, anti-union strategies and easy dismissal as many of them had no residence permit. Moreover, putting pressure



on the direct employer was ineffective as higher wages and better working conditions meant losing the cleaning contract and thus losing the job for the workers. Therefore, the SEIU developed alter-

native methods of action which were directed towards the customers of the cleaning service: the building owners and users. Combining these strategies with good publicity campaigns, continuing (financial and moral) support of the union and perseverance of the workers resulted in the successful organisation and improvement of the working conditions for cleaners all over the US. Nevertheless, some resistance of local union officials who were not enthusiastic about organising precarious, non-white workers had to be overcome (Kloosterboer, 2007, p. 73).

Schoon Genoeg (“Clean enough”): For trade unions, fighting in-work poverty and demanding better wage and working conditions are core activities. But other organisations share a similar concern for the working poor. Communication and co-operation with anti-poverty or religious organisations can enhance the impact of a campaign for minimum or decent wages. An example from London illustrates the added value of creating connections to the wider civil society: a

coalition of churches, mosques, unions, schools and other associations managed to put the issue of a ‘living wage’ on the political agenda, (Balazard, 2011). More specifically, for precarious workers with flexible contracts, working via local community centres, churches

and mosques is of primary importance to connect and dialogue with the union. This is shown by a campaign of the Dutch “FNV Bondgenoten” union which unionises workers in the cleaning sector and managed to organise a successful strike (Heuts, 2010).



Polish workers in the UK: A focus on a specific industry such as the cleaning industry is fruitful, yet campaigns directed at specific parts of the labour market also produced effective results in improving the labour conditions of atypical workers. We here refer to the co-operation between Solidarnosc and the British Trade Union Congress (TUC). The TUC managed to effectively boost the working conditions of Polish seasonal workers by attending the job fairs where British employers hire Polish workers (Kloosterboer, 2007, p. 29).

Italian unions for 'atypical workers': In Italy, special union branches were founded which organise the atypical workers and defend their interests both towards the employers, the government and within the union.



5.2.2 Extending collective agreements

Even if organising atypical workers is difficult, unions can improve the quality of atypical jobs by extending the coverage of collective agreements (on all levels) to fixed-term jobs and agency workers.

For instance, benefits of employees in a company or industry can be extended to include fixed-term and agency staff. Moreover, training opportunities can be offered to fixed-term and agency staff so that atypical work becomes a stepping stone rather than a dead-end street.

5.2.3 Fight for equal treatment

“Gleiche Arbeit - Gleiches Geld” (Equal work - equal pay): In an attempt to combat the abuse of temporary work in the German metal industry, the German metalworkers union IG Metall launched a campaign in 2008 under the slogan ‘equal pay for equal work’. Backed by scientific studies, they put the topic of

temporary workers on the political as well as on the shop-floor agenda. By 2011, about 1,200 company-level agreements had been concluded improving the conditions for agency workers in German companies. The agreements included:

- Provisions on equal pay for agency workers;
- Limits to the use of temporary workers in the company;
- Wages paid on sick leave (Bispinck & Schulten, 2011).

At sectoral level, IG Metall managed to conclude a collective agreement in the steel industry including provisions on equal pay for temporary workers. Employers who do not pay the same wages to permanent staff and temporary workers can be fined to pay compensation to agency staff (Dribbusch, 2011).



5.3 Enabling access to decent work by providing services

Workers often accept (and even search for) atypical jobs for various social and family reasons. Instable family life, child and elderly care obligations and other social situations often constitute practical obstacles for employees to apply for and accept a permanent and full-time job.

Here, workers' organisations can play their role by:

- Pushing for the provision of sufficient and affordable child care;
- (Pushing for) the provision of social services to workers and the unemployed which support and enable them to find decent jobs;
- Training of union activists so that they can play a role in solving social problems by finding professional help for workers. Research results from Belgium show that the provision of this kind of services is a core activity of union activists in smaller companies. Consequently, unions should provide activists with sufficient training and support to help them do this work (Liagre et al., 2011).

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