

Working poor

Symptom of the crisis, or the New Comparative Advantage?

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French Institute of Athens
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Introduction

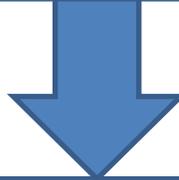
□ Structure

- What (do) we know vs what the data tells us
 - the story of inequality/poverty and the evidence
 - the (missing) evidence on in-work poverty
 - What are the issues
 - are they specific to in-work poverty?
 - what is it we should we be focusing on?
 - Reconsidering the underlying 'causes'
 - crisis versus capitalism
 - politics versus policy versus economy
 - Conclusions
-

A story of in-work poverty

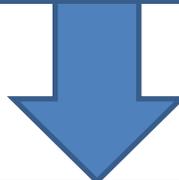
The social contract under Keynesianism / Breton Woods

- ✓ Demand management for full employment
- ✓ Welfare state benefits/transfers for the unemployed



Three phases of income insecurity in the neoliberal turn

- ✓ Unemployment with welfare state retrenchment
- ✓ Underemployment with labour market flexibility
- ✓ Under-pay with politics of austerity / fiscal consolidation



In-work poverty and rising inequality

What we know

❑ Rising inequality

- Rising inequality
- Squeezed middle
- Declining 'labour' shares

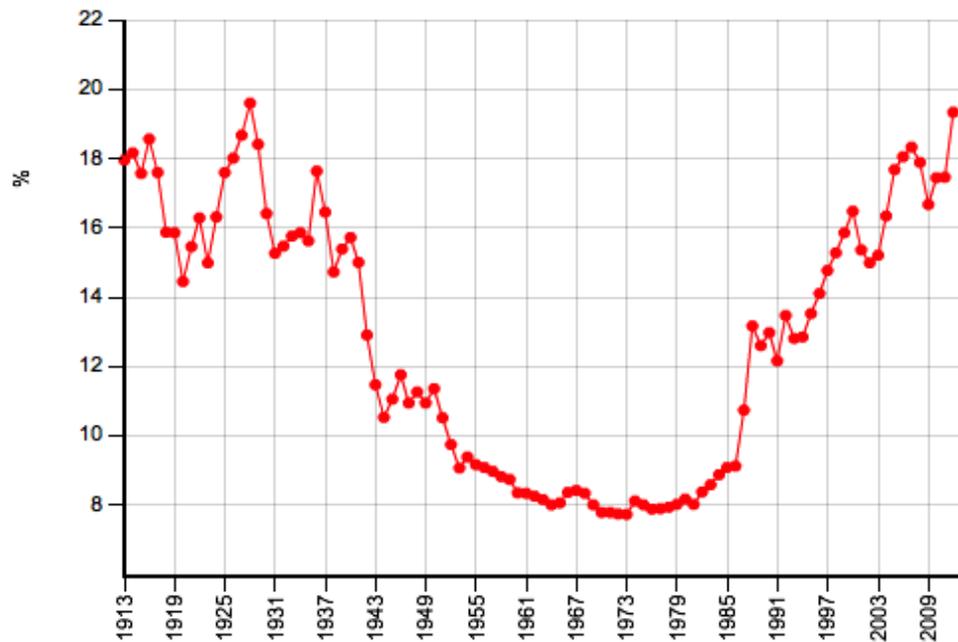
❑ Rising flexibility and precariousness

- Part-timing, temping, under-employment, ...
-

Inequality

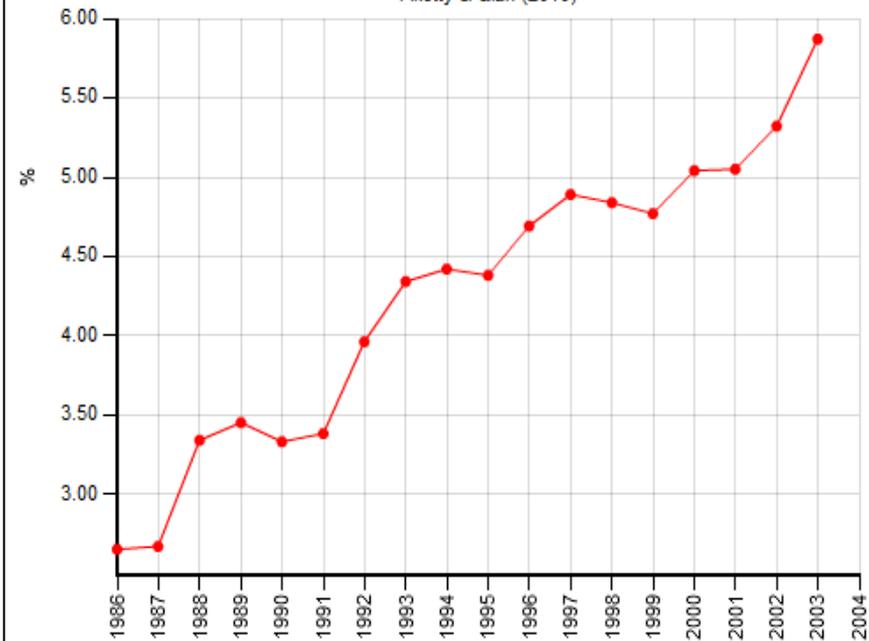
Top income shares. United States. 1913-2012

Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>
Piketty & Saez (2007)



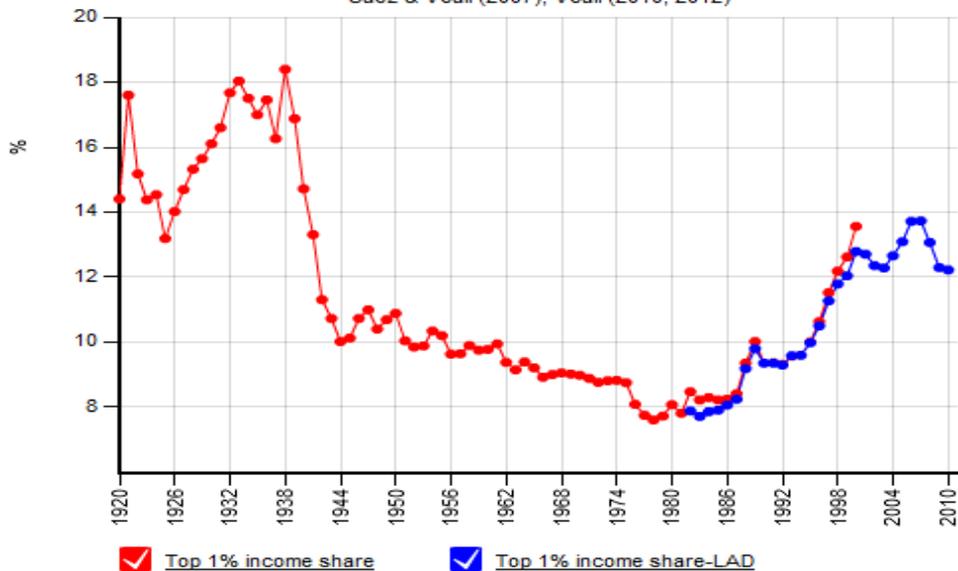
Top income shares. China. 1986-2003

Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>
Piketty & Qian (2010)



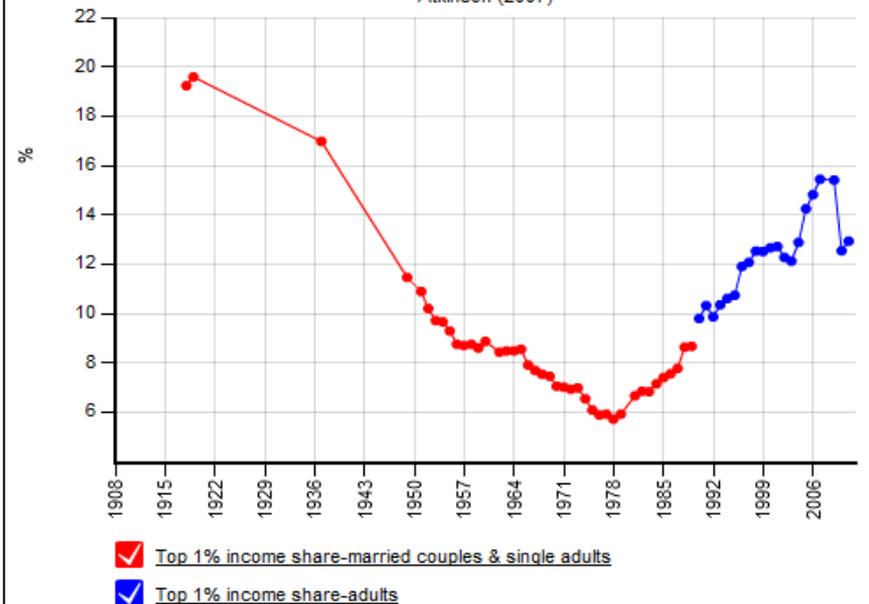
Top income shares. Canada. 1920-2010

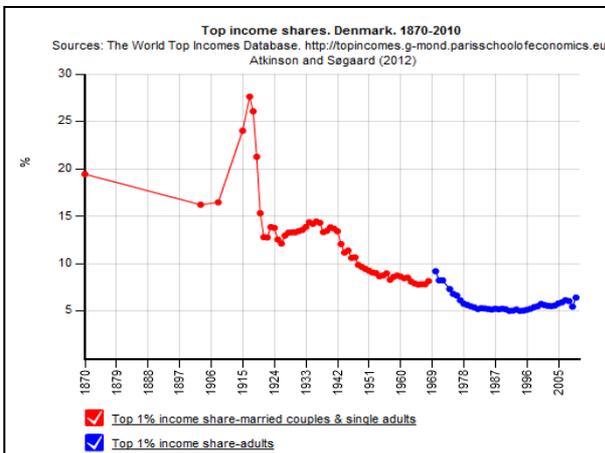
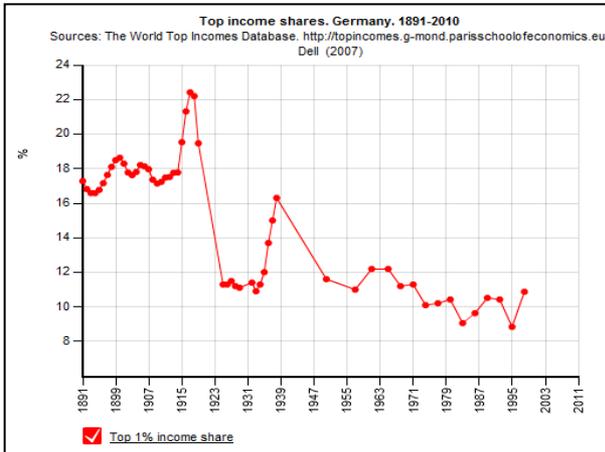
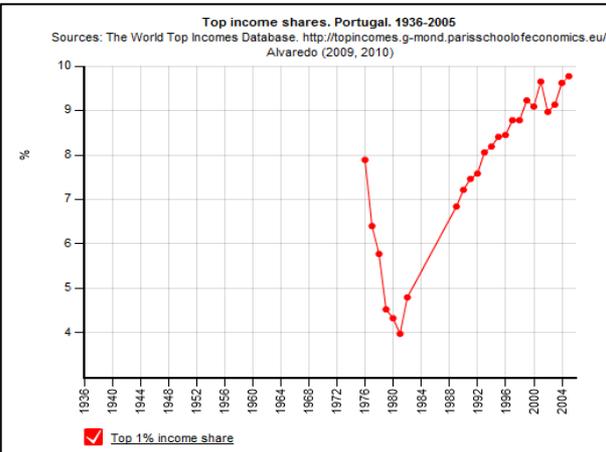
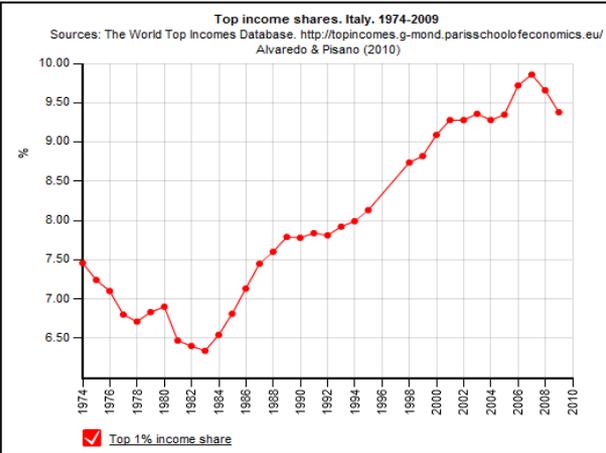
Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>
Saez & Veall (2007); Veall (2010, 2012)



Top income shares. United Kingdom. 1908-2011

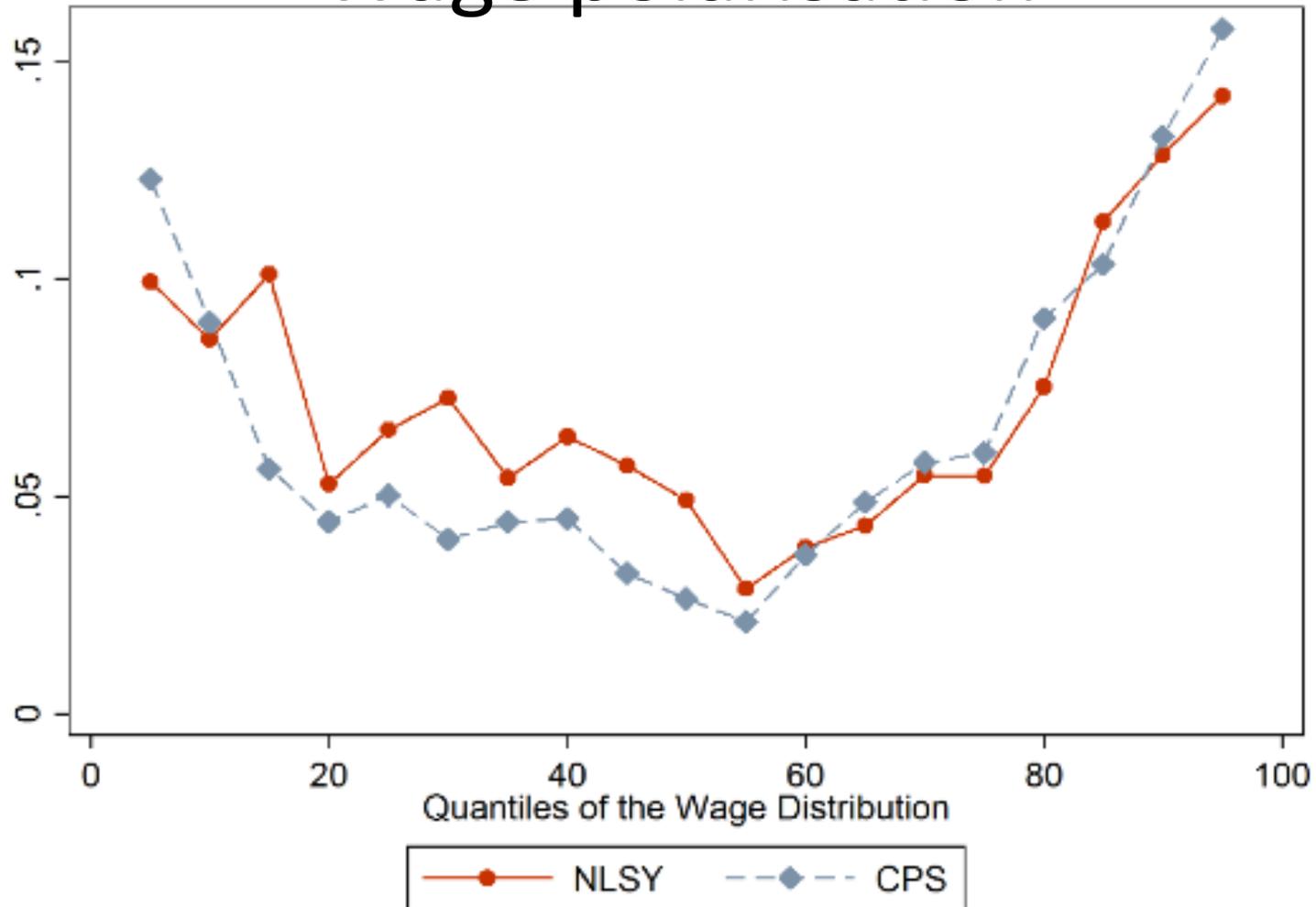
Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>
Atkinson (2007)





Polarisation

Wage polarisation

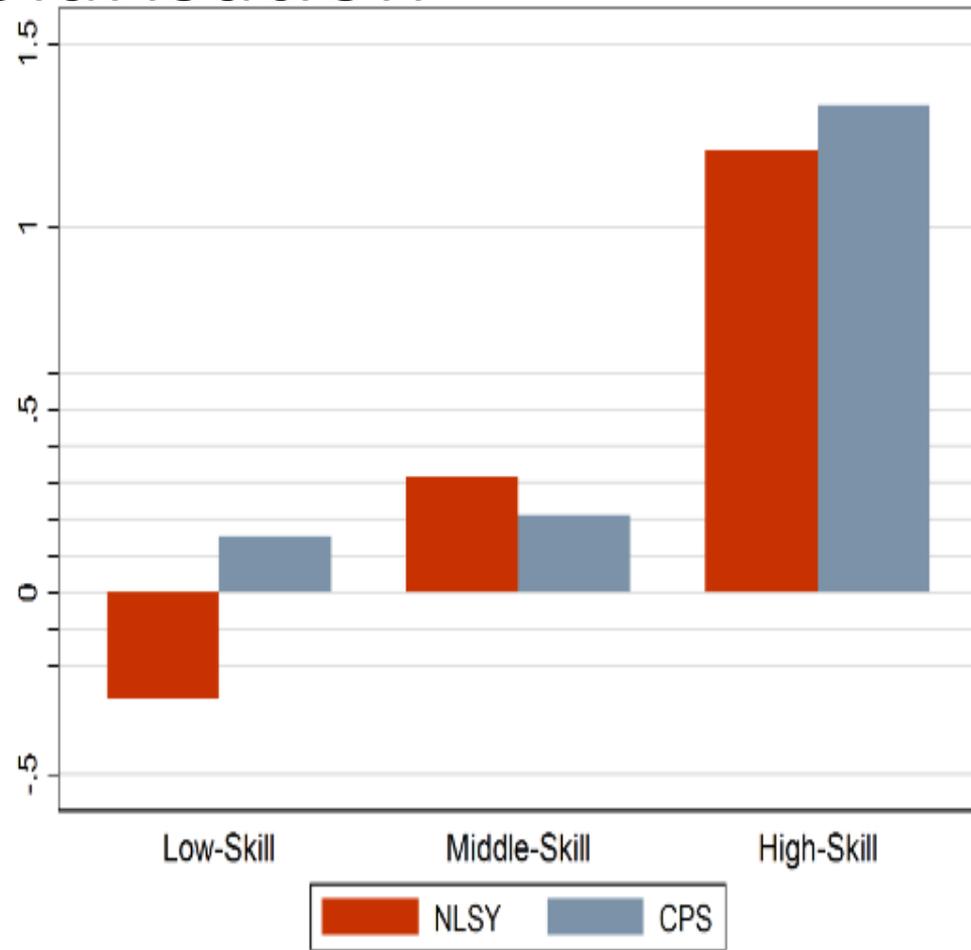
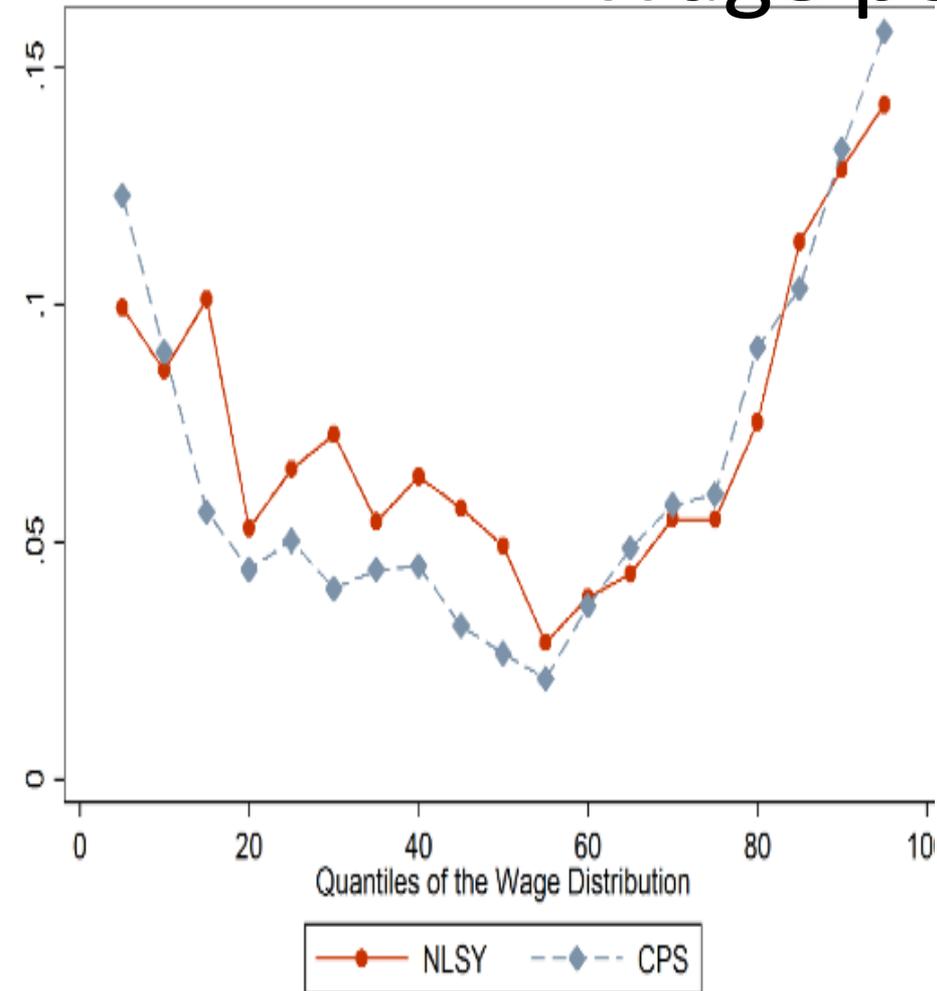


Percentage Growth of the Quantiles of the Wage Distribution

Change in log real wages along the quantiles of the wage distribution between the two cohorts (79-97) for the NLSY and the comparable years and age group in the CPS.

Source: Boehm (2014)

Wage polarisation



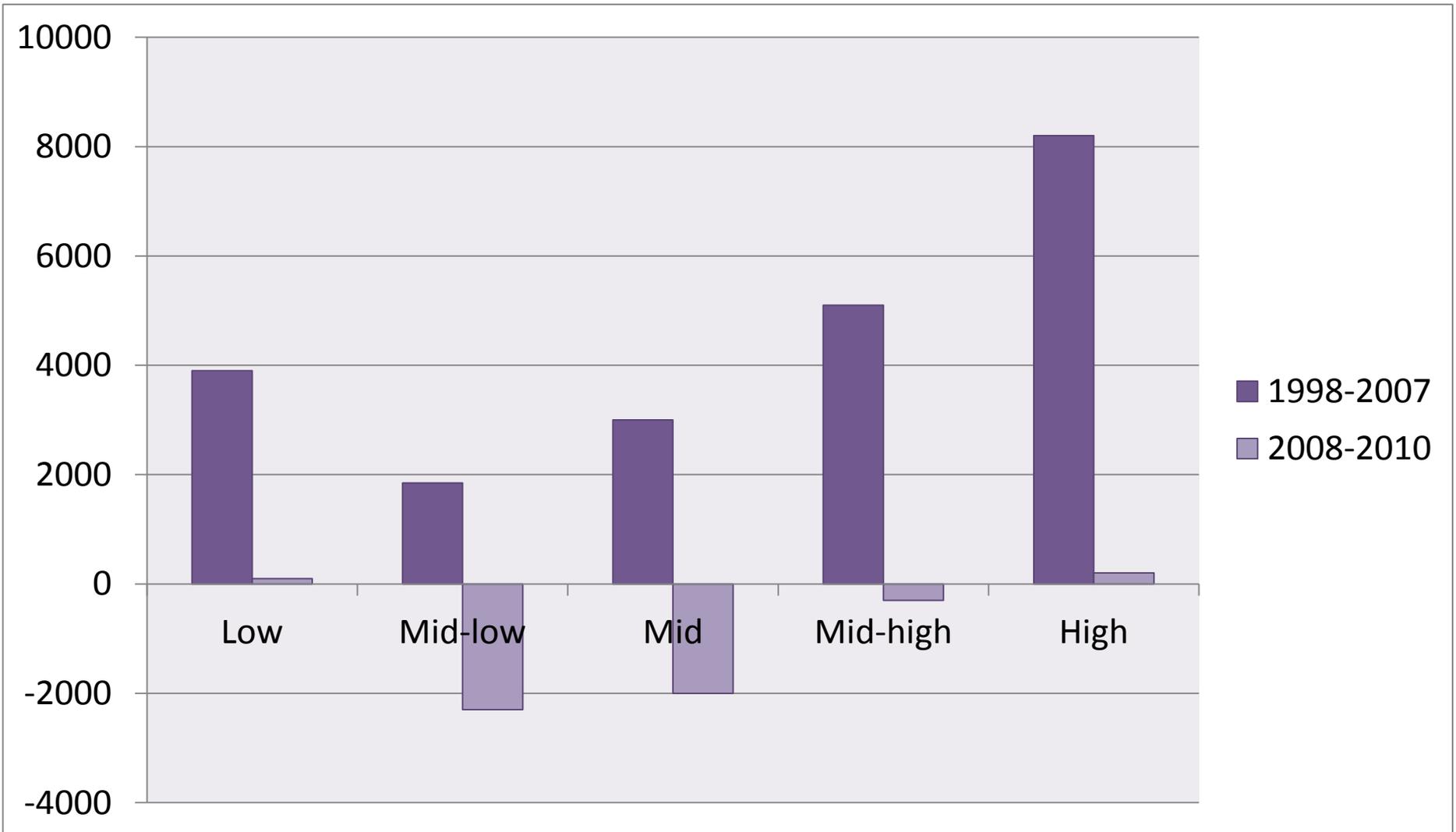
Wage Changes by Occupations

Percentage Growth of the Quantiles of the Wage Distribution: Change in log real wages along the quantiles of the wage distribution between the two cohorts (79-97) for the NLSY and the comparable years and age group in the CPS.

Wage Changes by Occupations: Change in average real wages in low-, middle-, and high-skilled occupations for the NLSY and the comparable years and age group in the CPS.

Source: Boehm (2014)

Employment polarisation

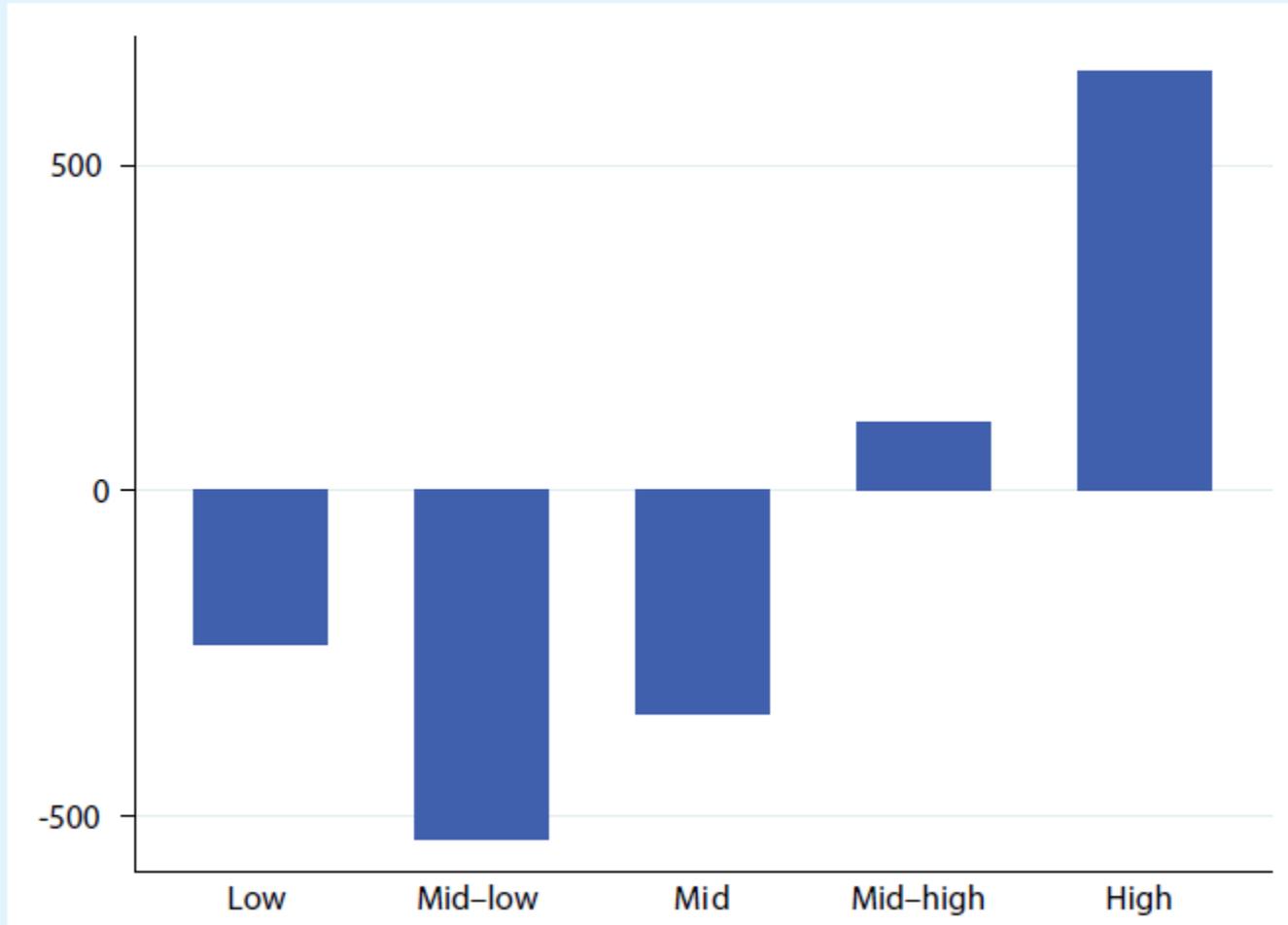


Absolute change in employment by wage quintile, EU, 1998-2010 (thousands). 23 Member States (no data for Bulgaria, Malta, Poland and Romania). Absolute growth (in thousands) of a particular job quality quintile.

Sources: Eurofound, EU-LFS, ECHP, EU-SILC 2005

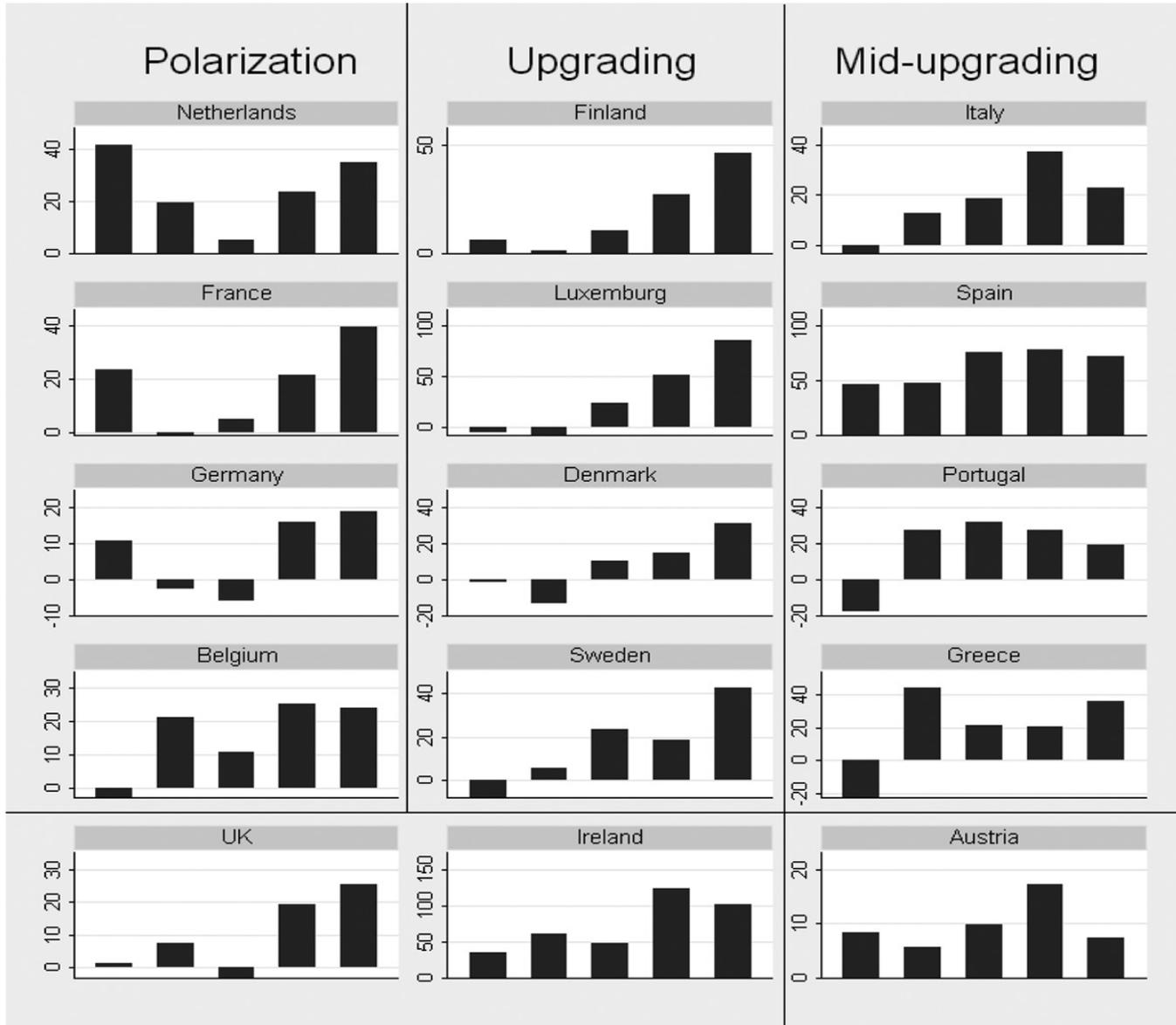
Employment polarisation

Figure 3: Net employment change in the EU27, by job-wage quintile, 2011 Q2 to 2012 Q2 (thousands)



Source: EU LFS (authors' calculations), ESES 2010 (see Annex 1 for more details)

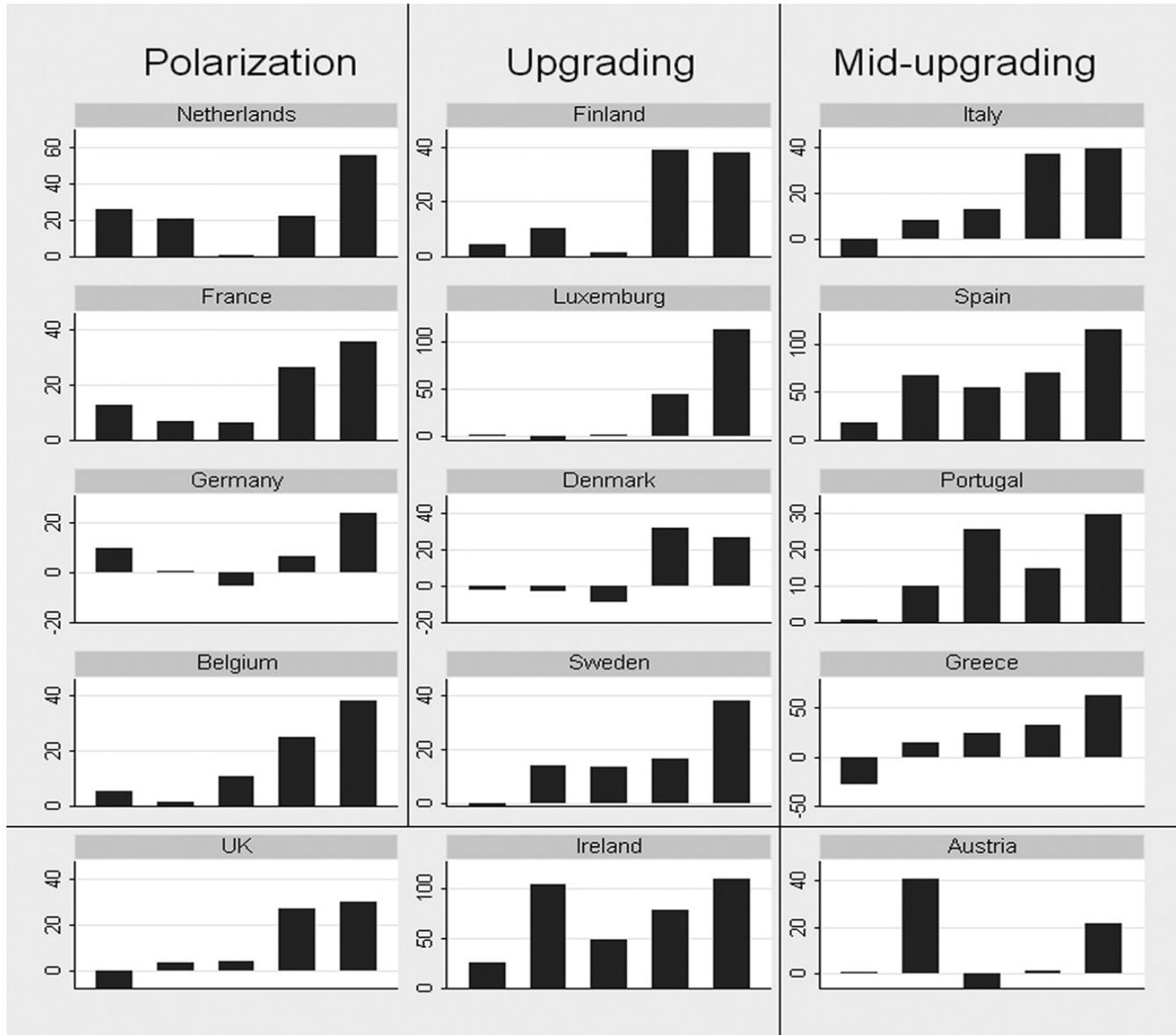
Employment polarisation



- Relative change in employment by wage quintiles, 1995-2007

- Source: Fernàndez-Maciàs(2012)

Employment polarisation



- Relative change in employment by education quintiles, 1995-2007

- Source: Fernàndez-Maciàs(2012)

Employment shifts during the crisis

Table 1: *Employment shifts by major sector/occupational categories, EU27 (% change, 2011 Q2 to 2012 Q2)*

Sector / Occupation	White-collar		Blue-collar		All occupations
	High skill	Low skill	High skill	Low skill	
Manufacturing	0.7	0.3	-2.4	-2.3	-1.3
Construction	2.3	0.1	-3.0	-9.3	-2.9
Retail	0.0	-0.1	-1.0	-0.5	-0.3
Other private services	2.0	1.0	-2.4	-2.1	0.3
Public services including health and education	1.6	0.4	-3.9	-4.4	0.1
All sectors	1.5	0.5	-1.8	-2.5	-0.3

Note: Primary sector omitted. The colours represent a scale from dark green (most growth) to dark red (least growth).

Source: *EU LFS (authors' calculations)*

Capital-labour shifts

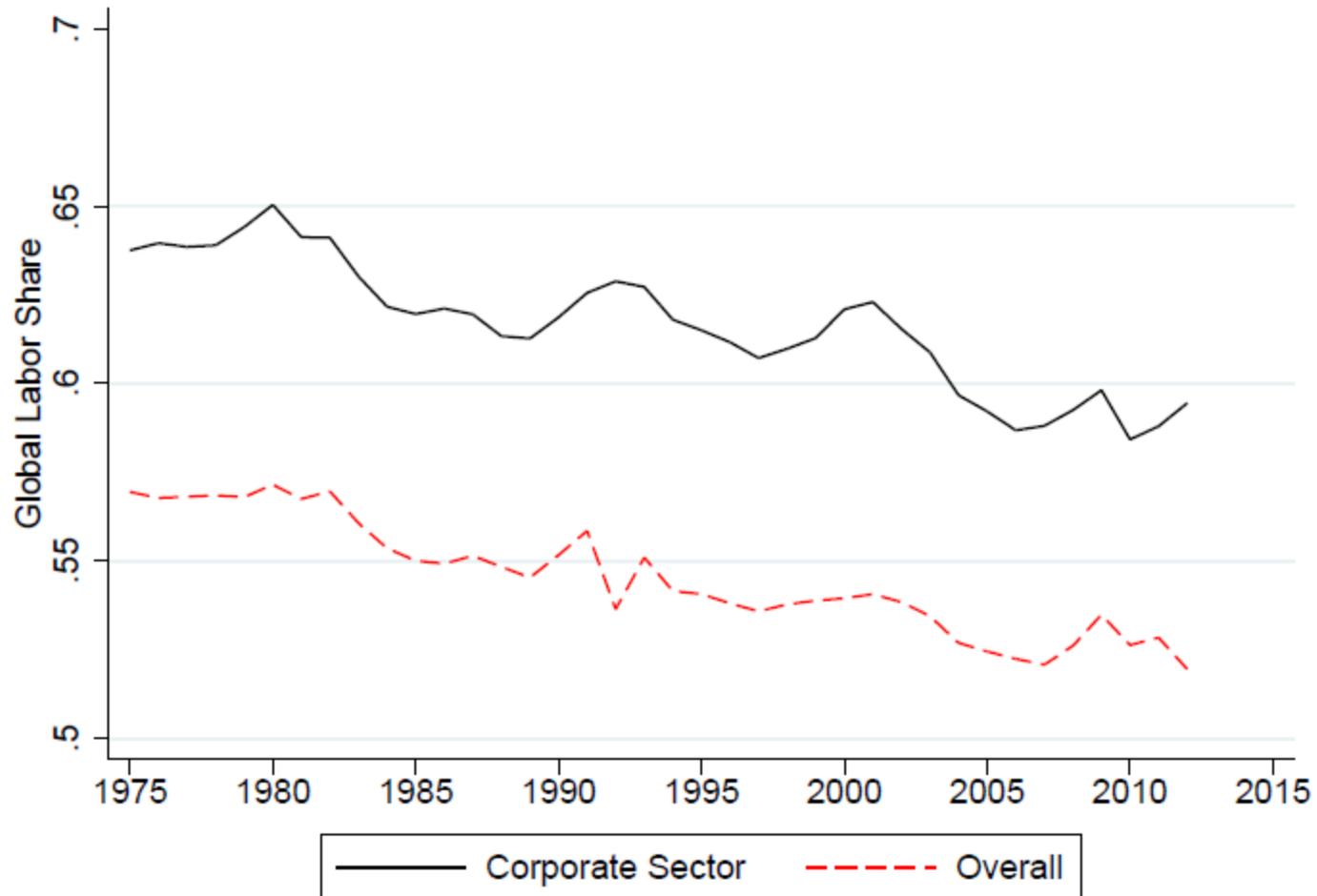
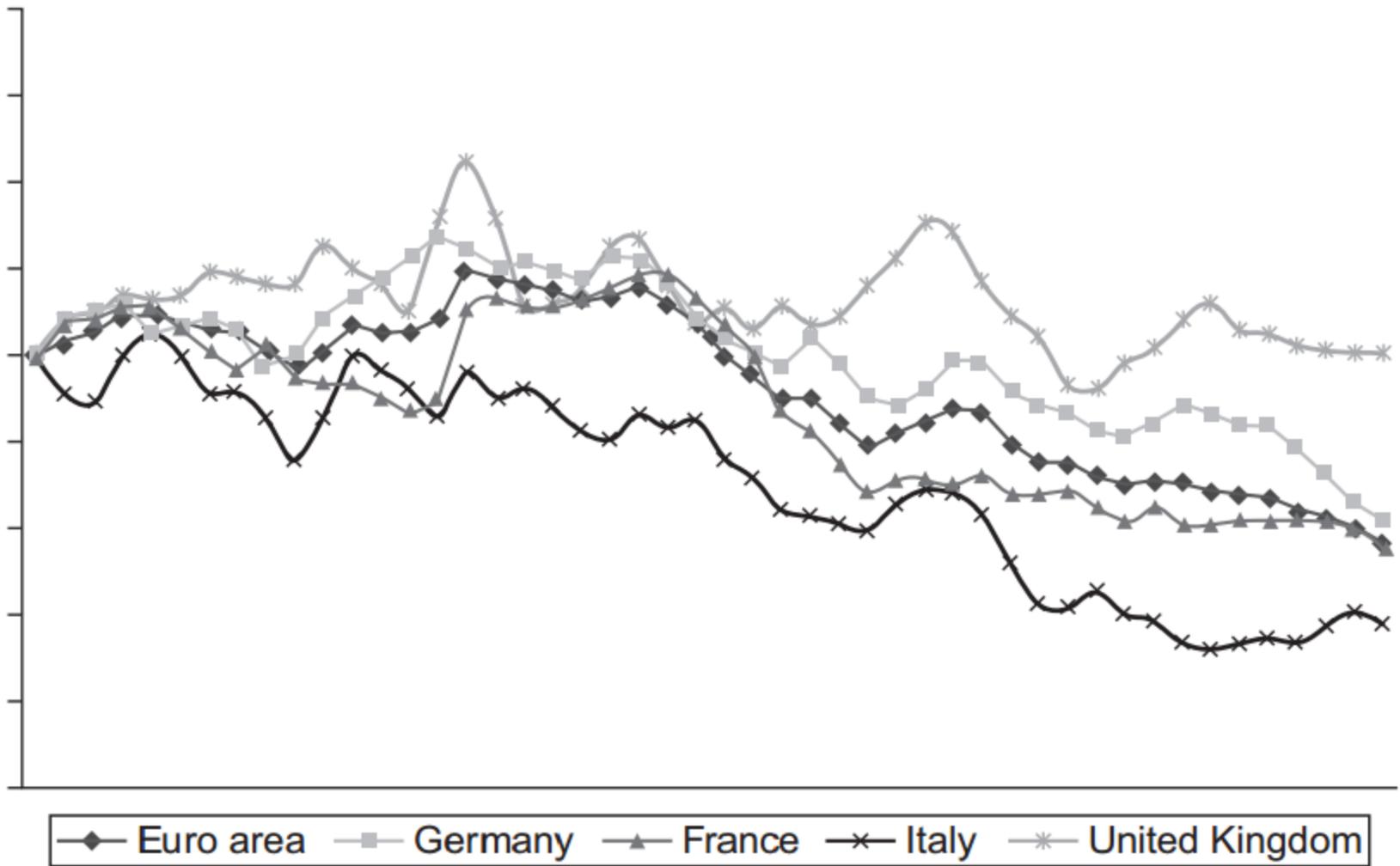
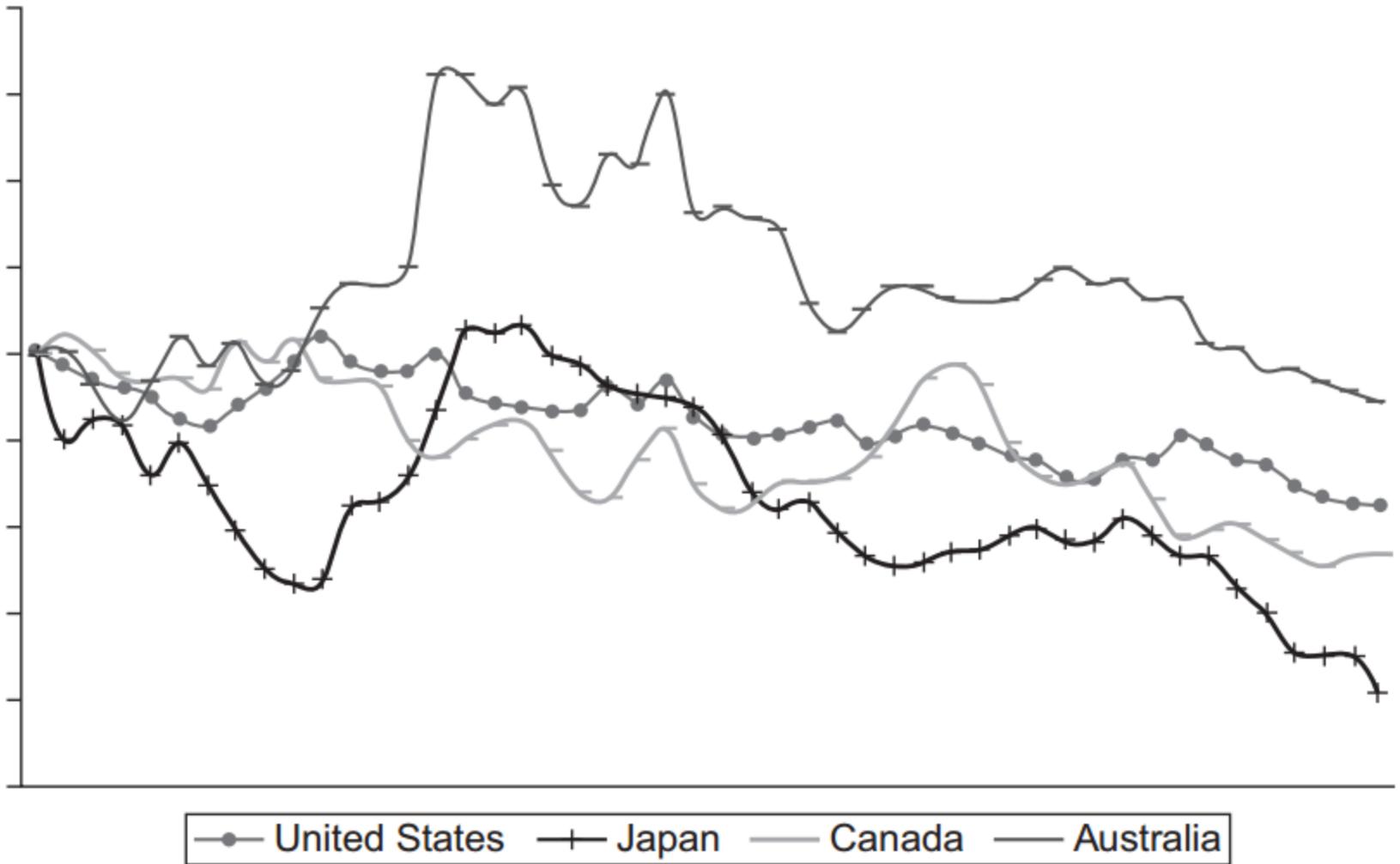


Figure 1: Declining Global Labor Share

Notes: The figure shows year fixed effects from a regression of corporate and overall labor shares that also include country fixed effects to account for entry and exit during the sample. The regressions are weighted by corporate gross value added and GDP measured in U.S. dollars at market exchange rates. We normalize the fixed effects to equal the level of the global labor share in our dataset in 1975.



Source: Onaran and Galanis (2013)



Source: Onaran and Galanis (2013)

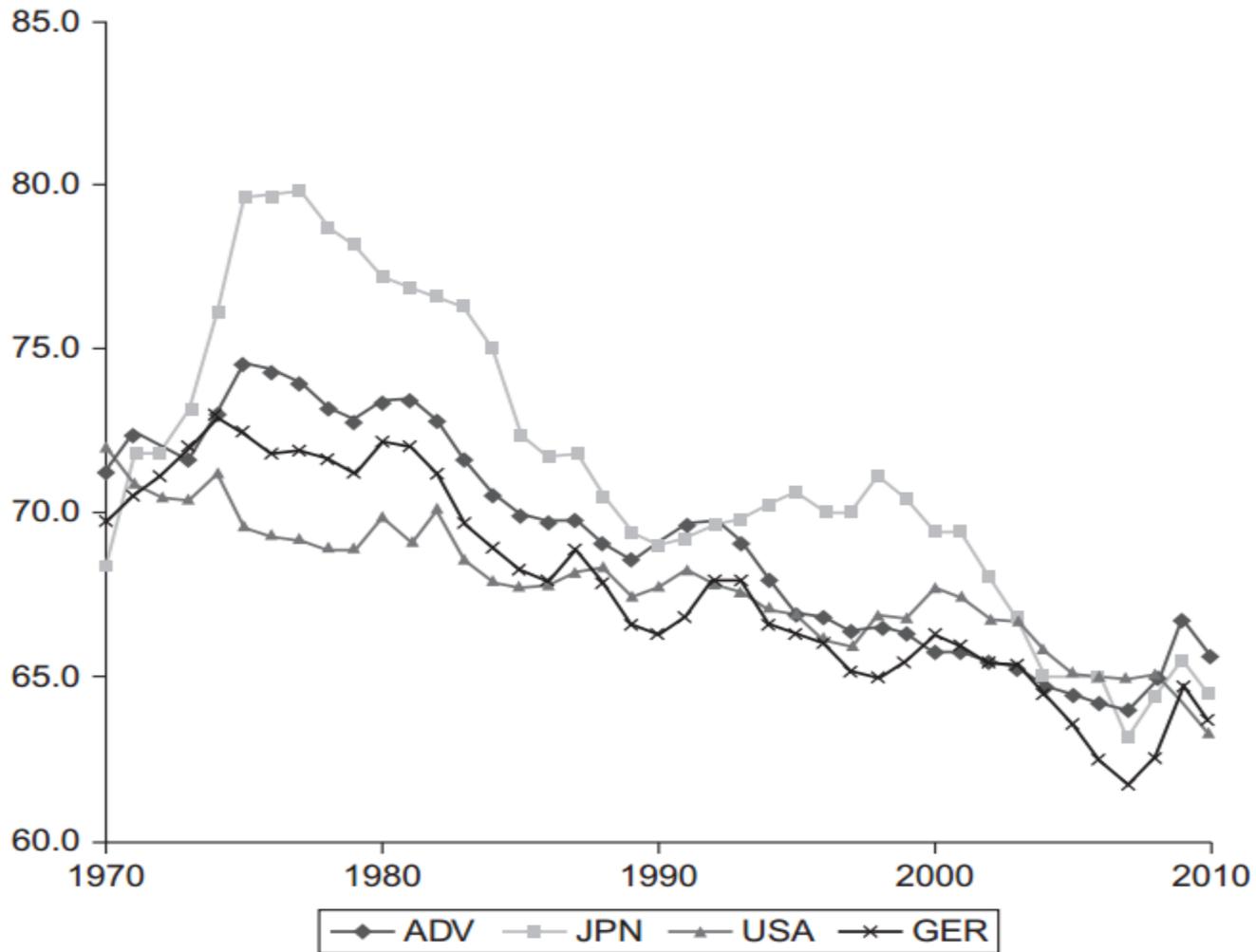


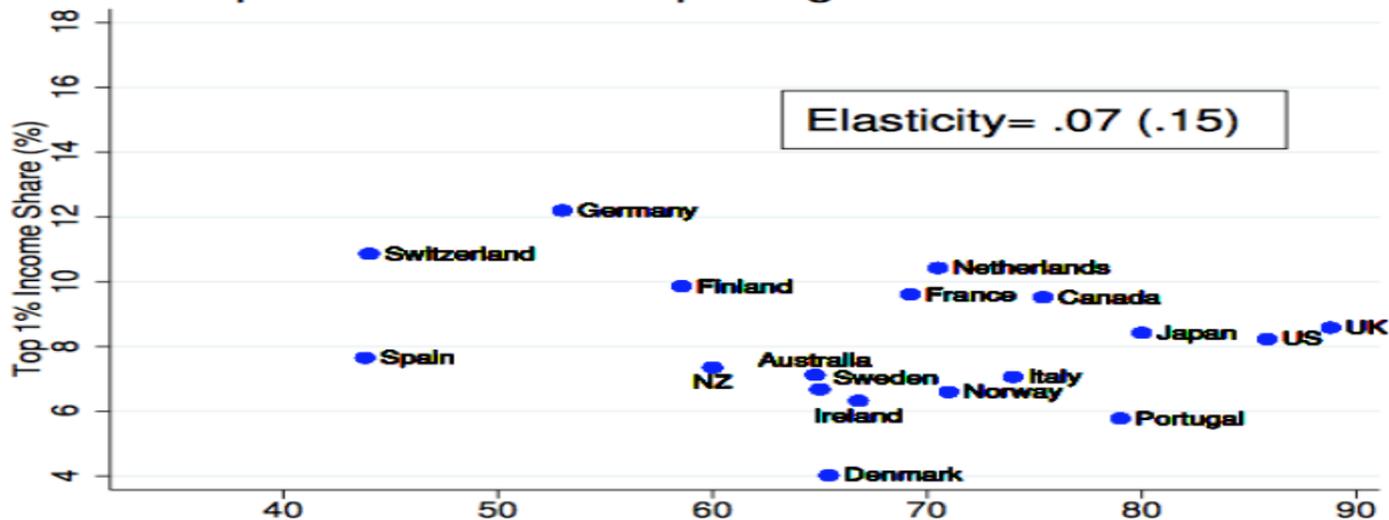
Figure 2.1 Adjusted wage shares in advanced countries, Germany, Japan and the United States, 1970–2010

Note: ADV stands for unweighted average of high income OECD countries (without the Republic of Korea).

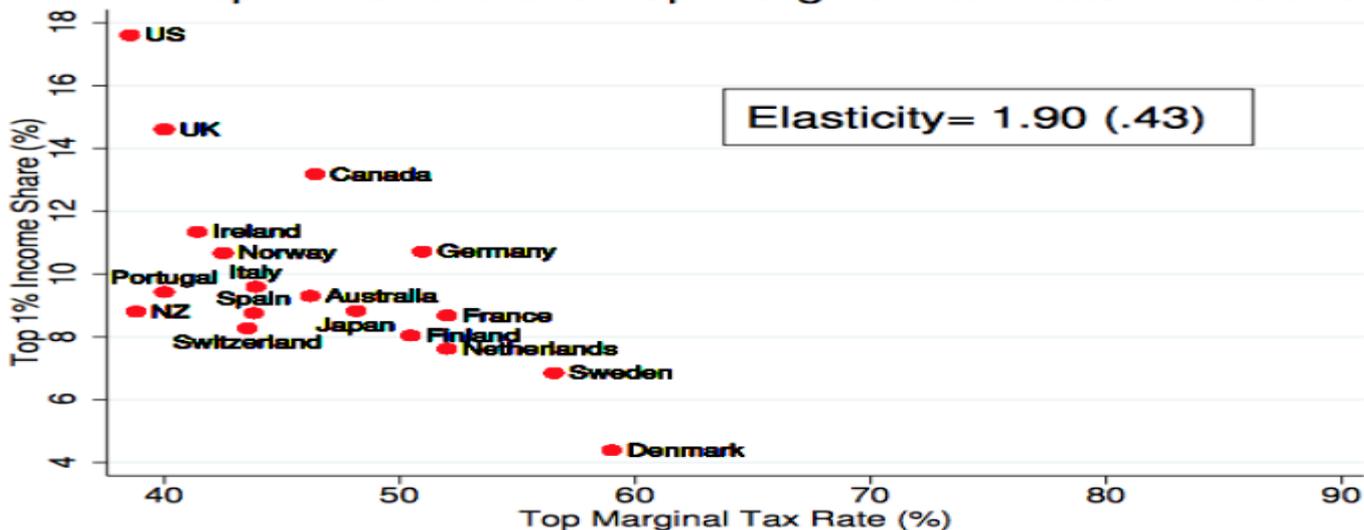
Source: AMECO.

Source: Stockhammer (2013)

A. Top 1% Share and Top Marginal Tax Rate in 1960–4



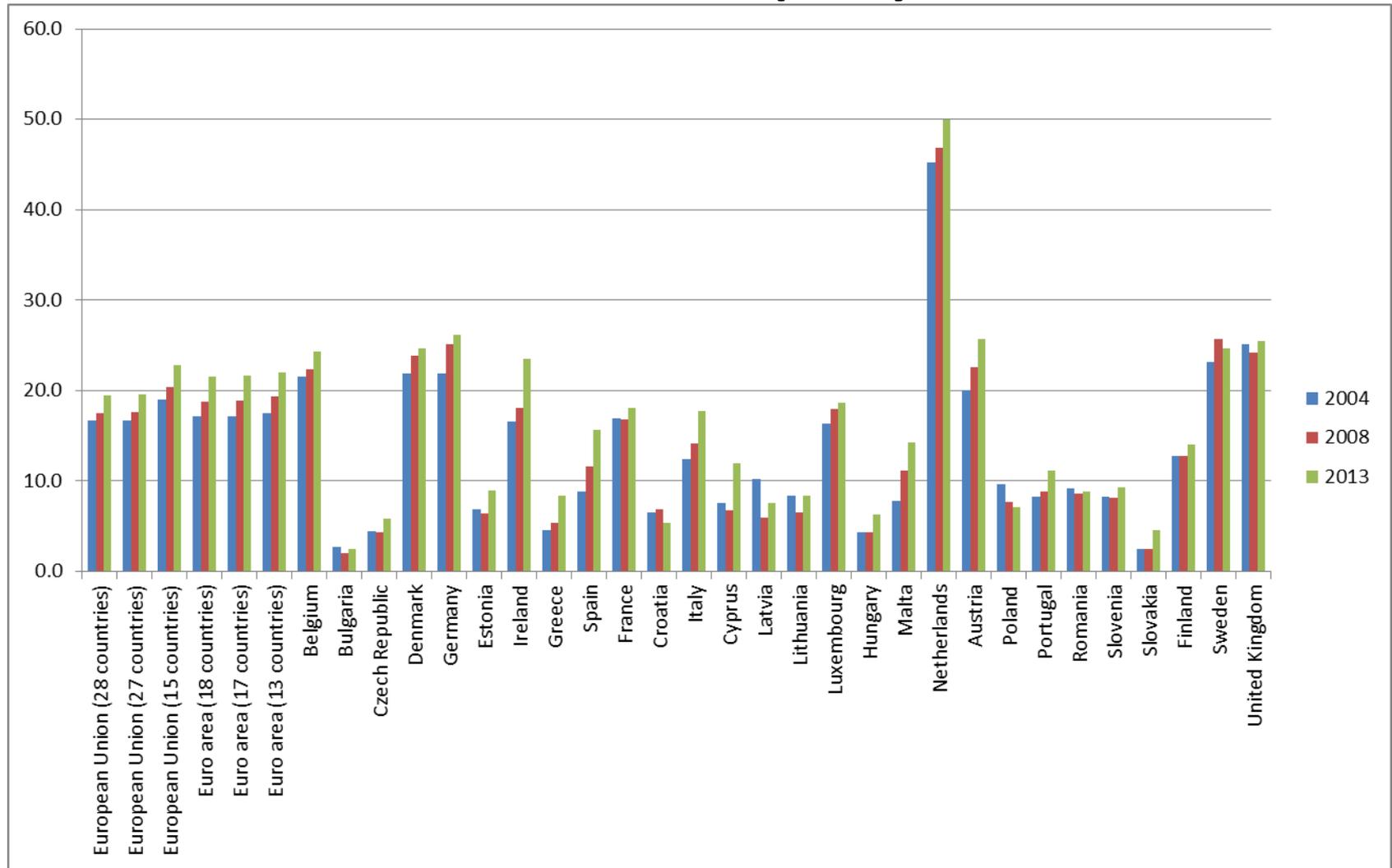
B. Top 1% Share and Top Marginal Tax Rate in 2005–9



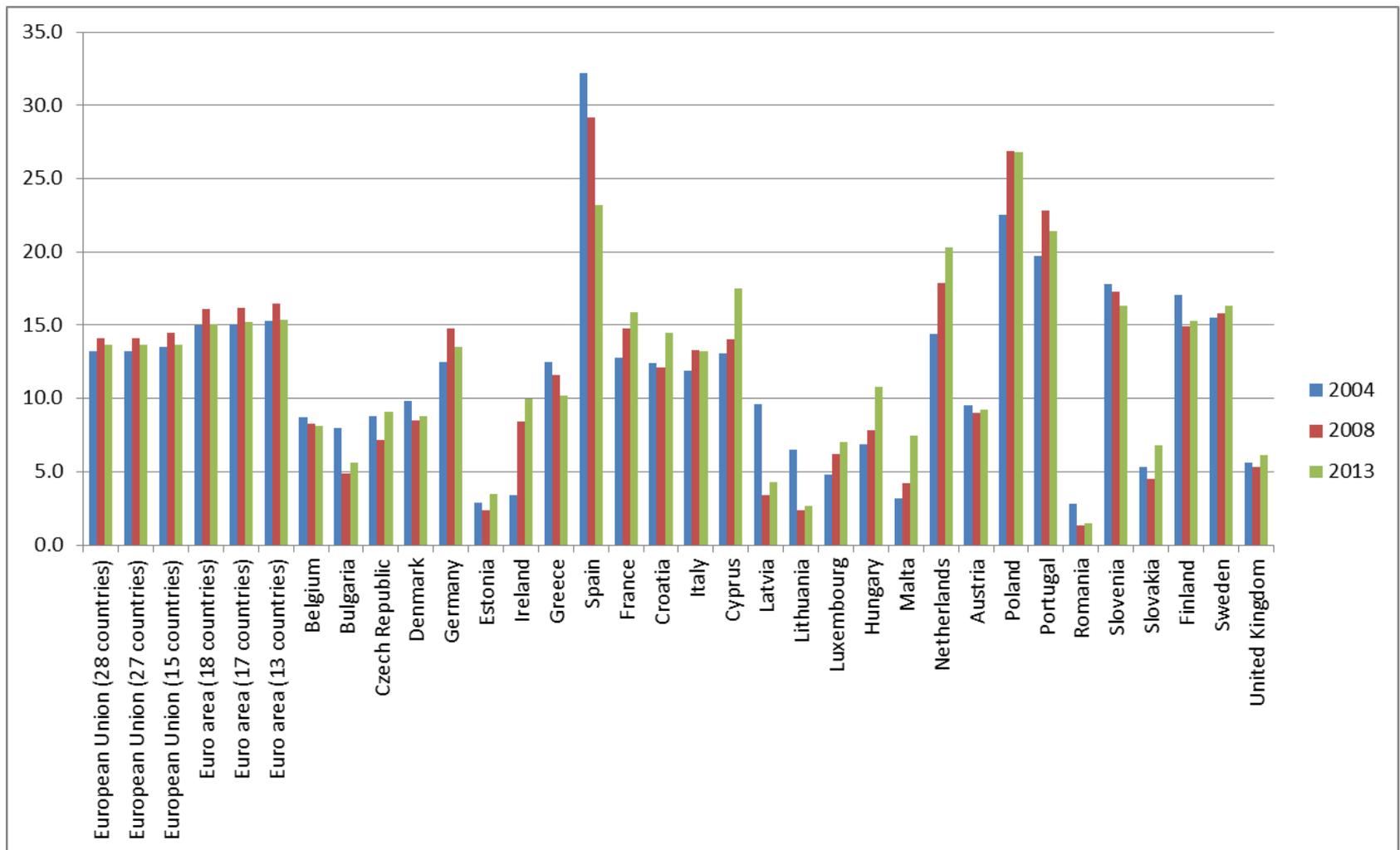
Top tax rates include central+local income taxes (Piketty-Saez-Stancheva '14)

Flexibility

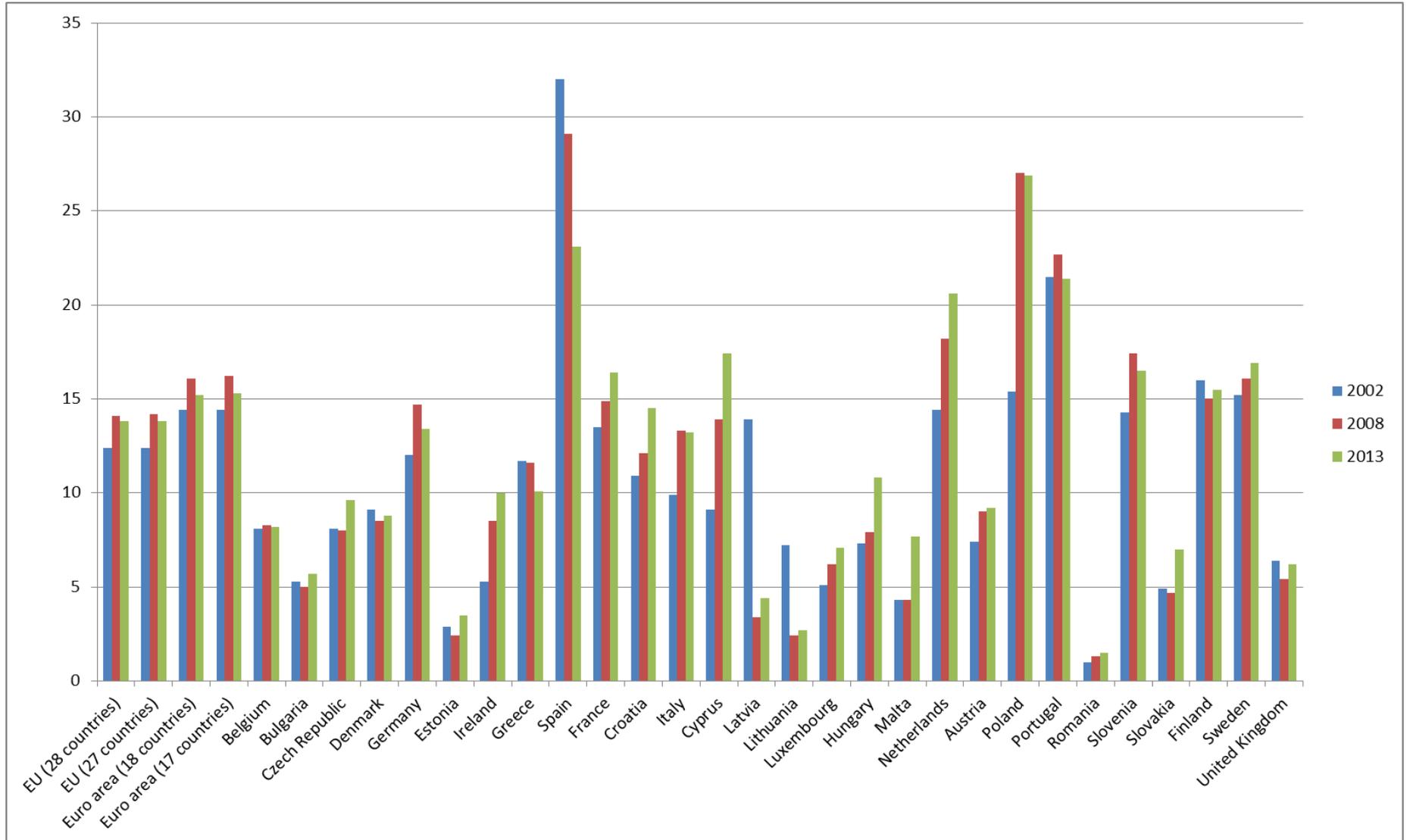
Part-time employment



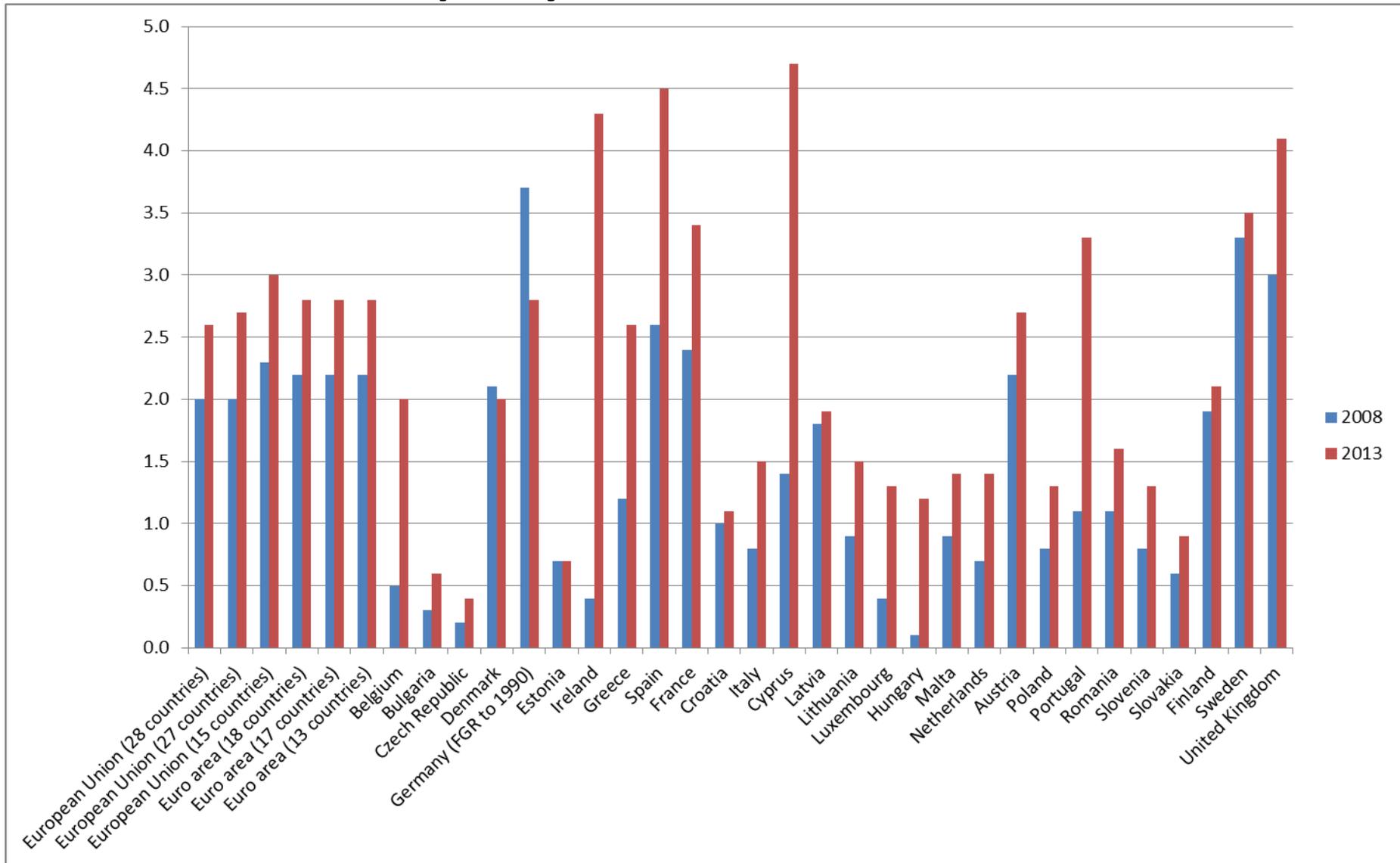
Temporary employment



Limited duration contracts



Underemployment (involuntary part-time)



Source: Eurostat, own elaborations

What do the data tell us?

❑ Incidence of low-pay

- Differences across countries

❑ Is in-work poverty on the rise?

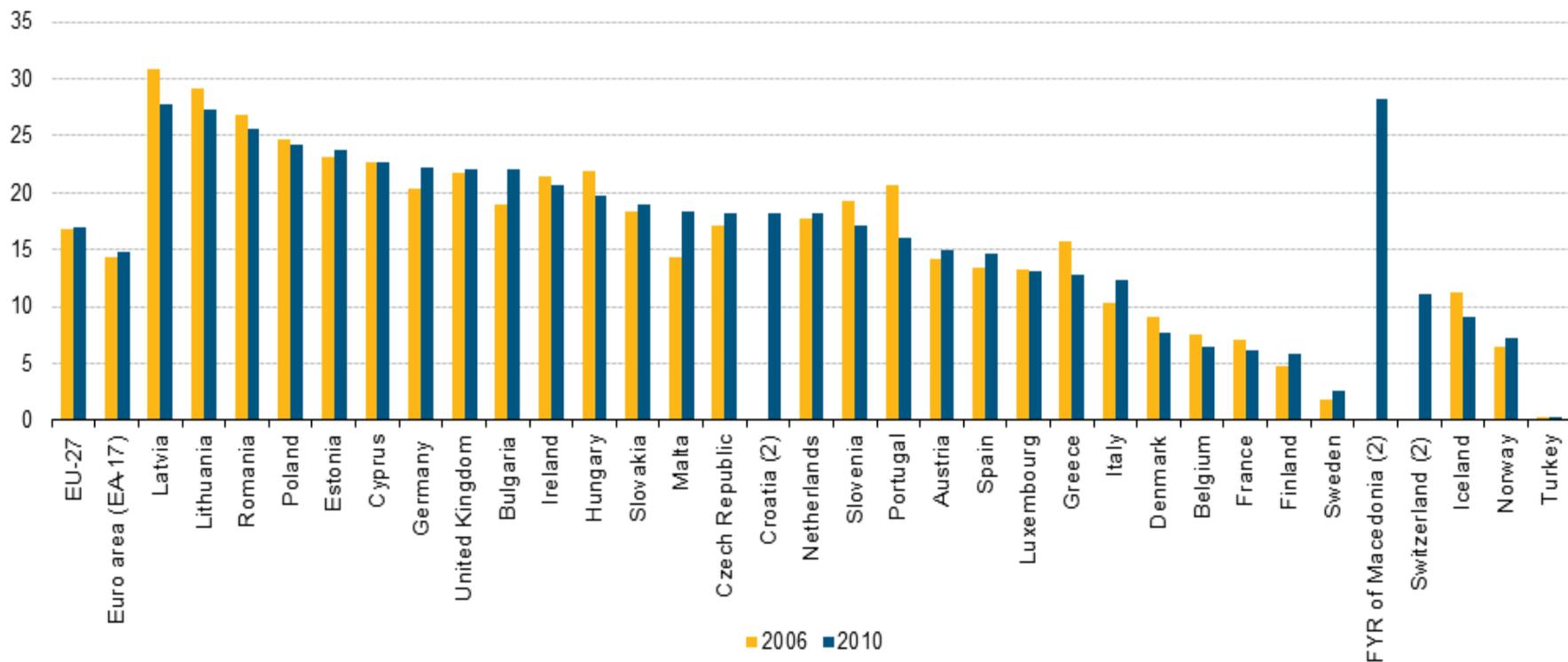
- In search of a trend
- Differences across countries

❑ Poverty risk and material deprivation

- Risk of poverty and working poor
 - Material deprivation
-

Incidence of low pay

Low-wage earners as a proportion of all employees (excluding apprentices – earning less than two thirds of the median gross hourly earnings, 2006 and 2010)



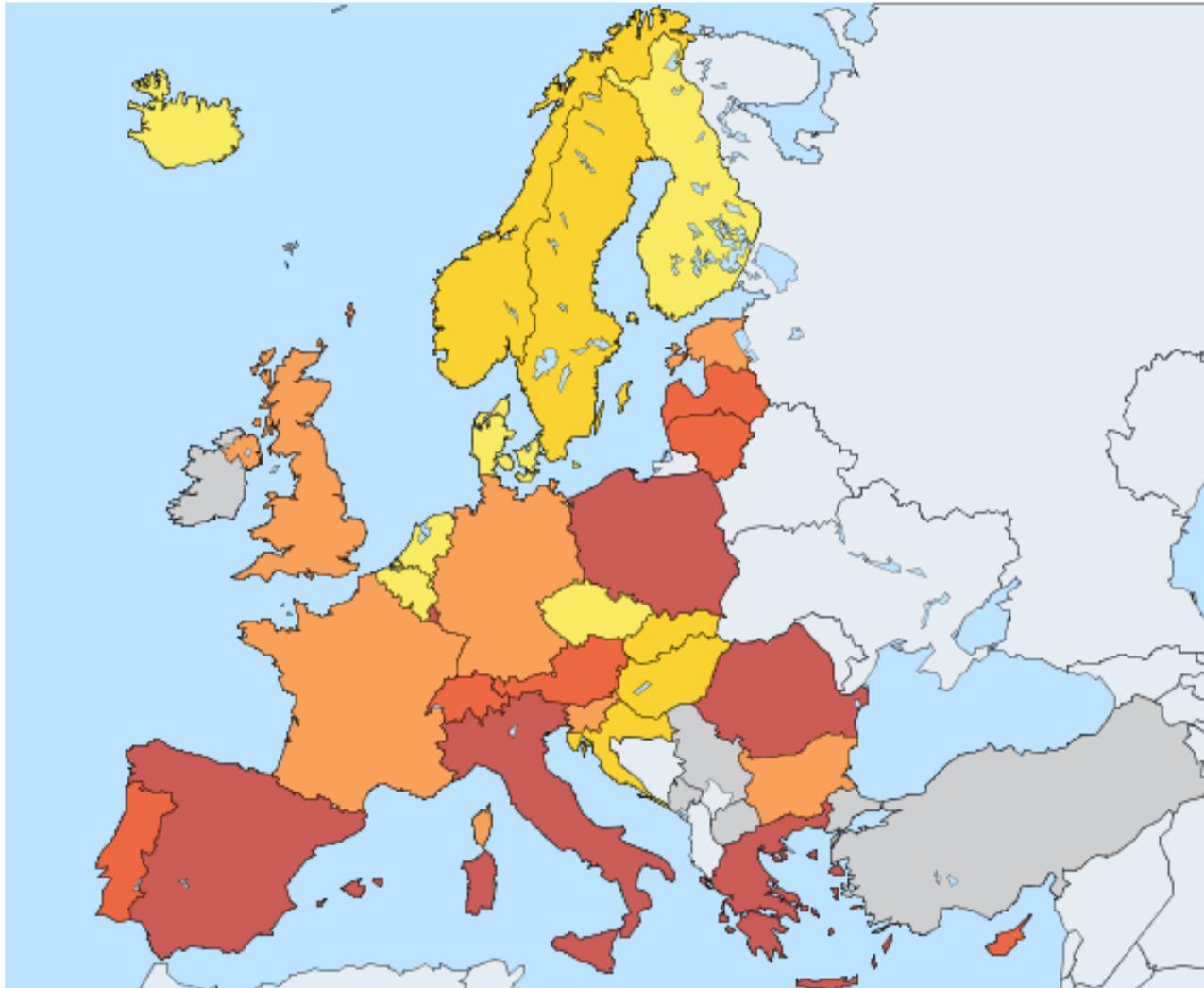
(¹) Enterprises with 10 or more employees. Whole economy excluding agriculture, fishing, public administration, private households and extra-territorial organisations.

(²) 2006: not available.

Source: Eurostat (online data code: earn_ses_pub1s)

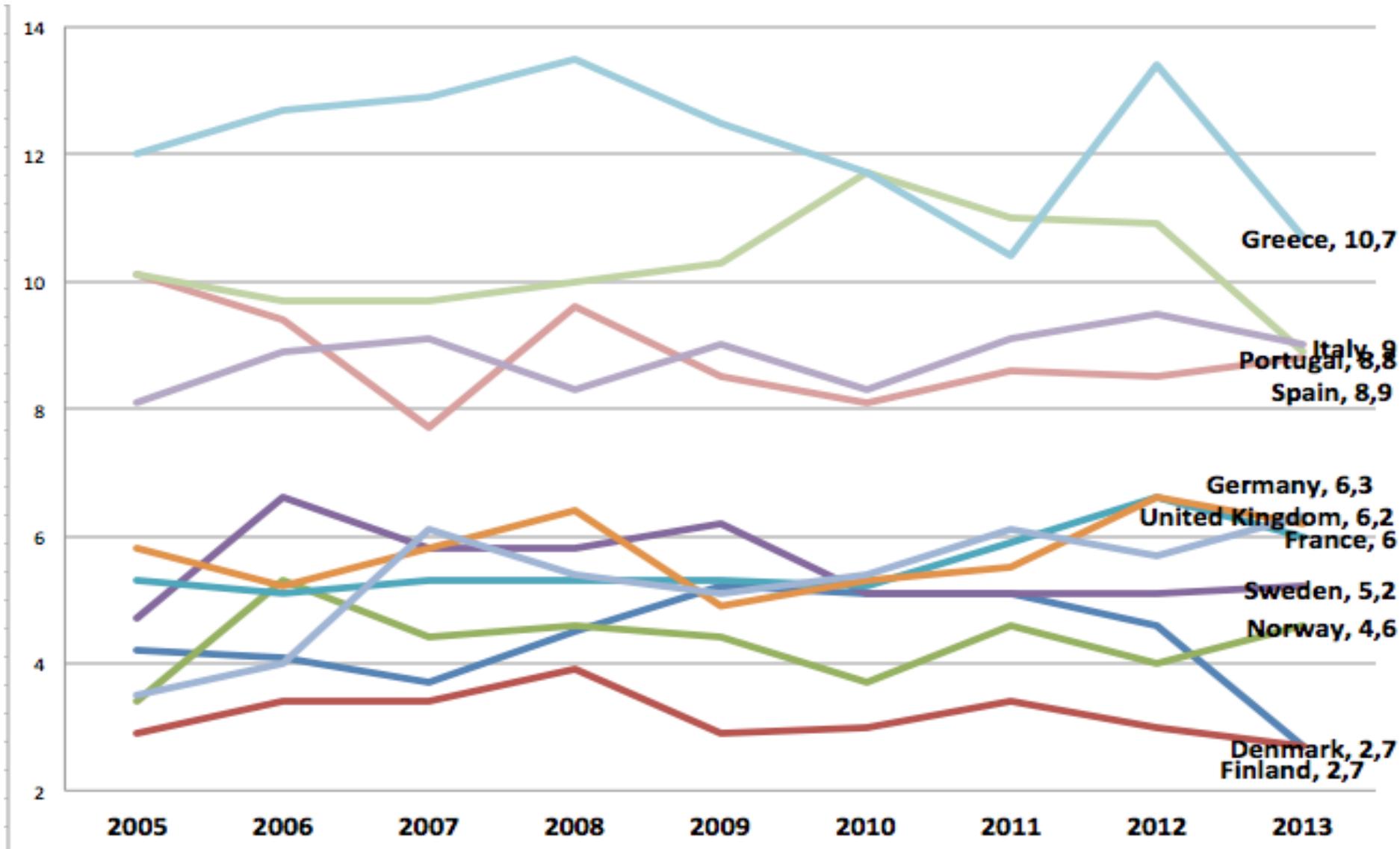
In-work poverty??

In-work at-risk-of-poverty (Full-time, 2013) - %



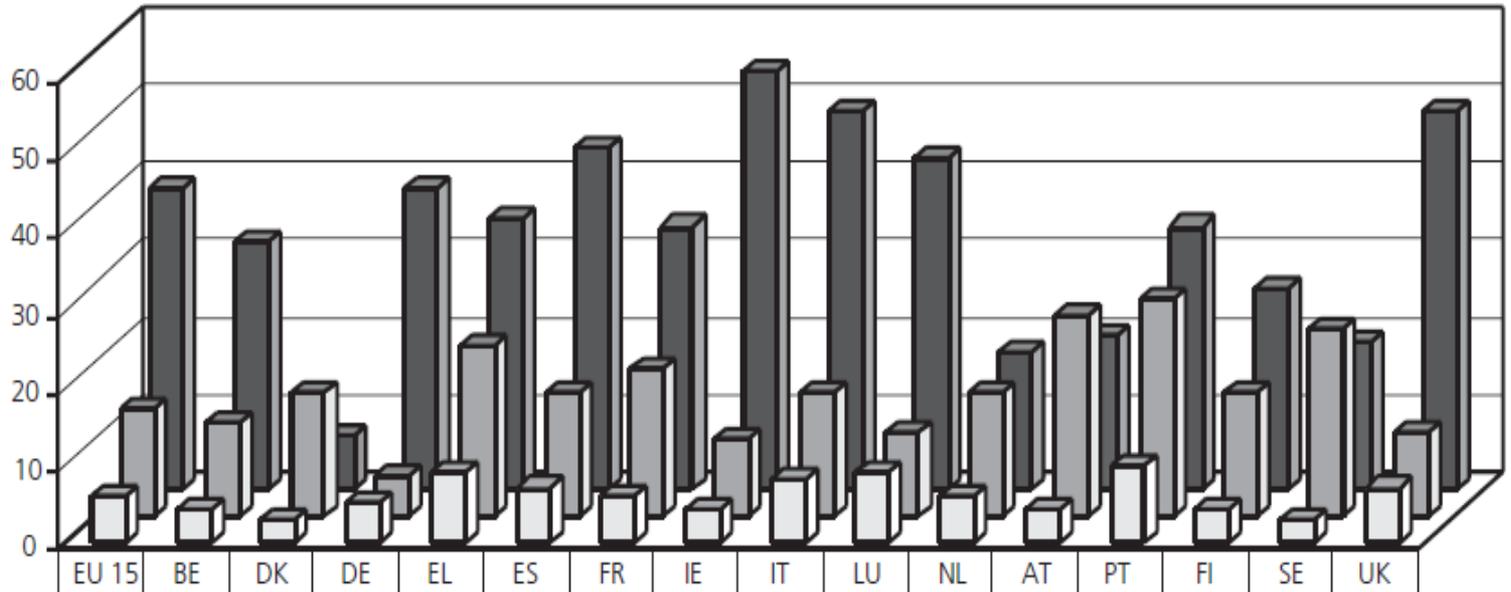
Source: EU-SILC

In-work at-risk-of-poverty (Full-time, 2005-2013) - %



Poverty risk

Figure 2 At-risk-of-poverty rate by most frequent activity status, 1999 (%)



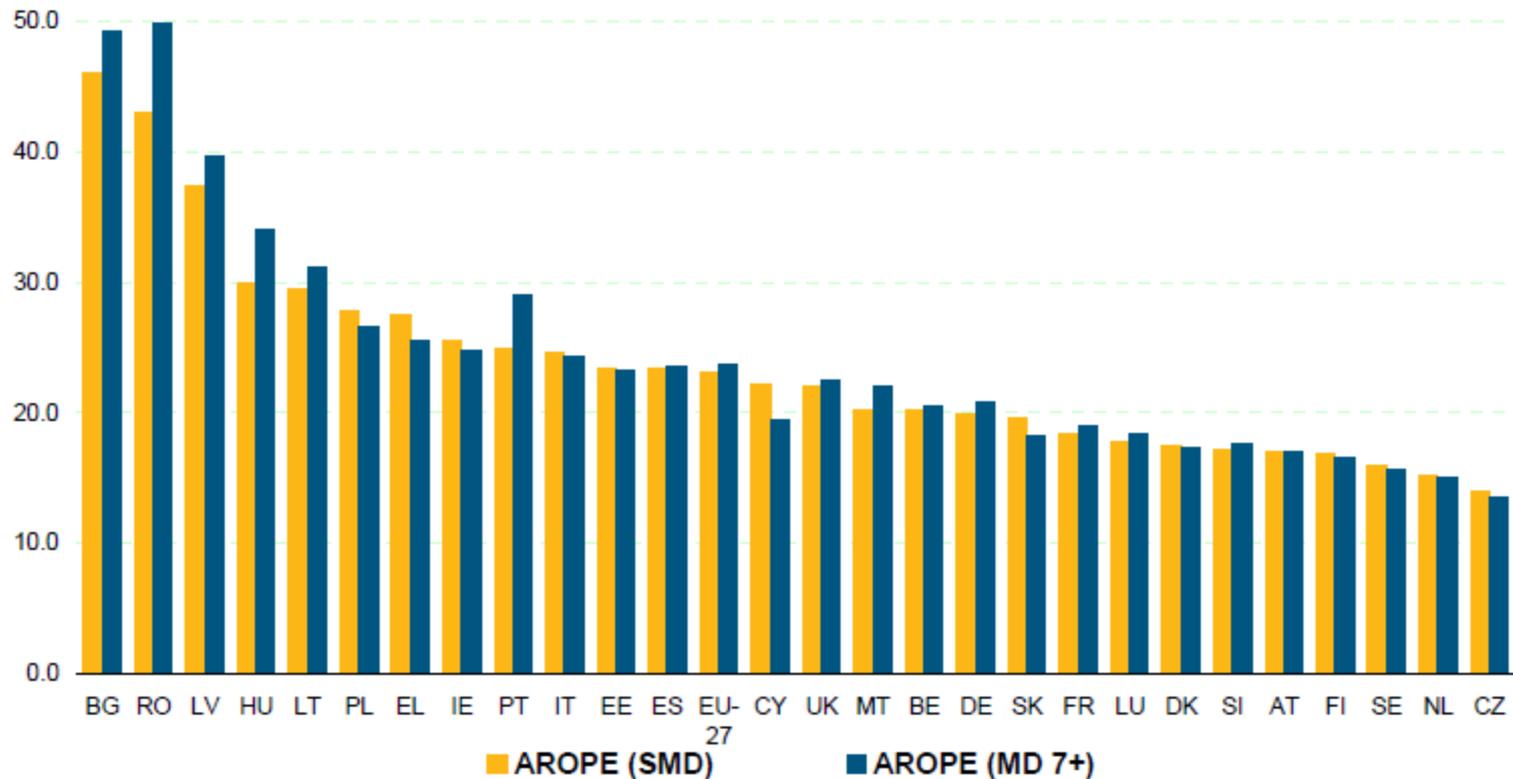
□ employed poor	6	4	3	5	9	7	6	4	8	9	6	4	10	4	3	7
■ self-employed poor	14	12	16	5	22	16	19	10	16	11	16	26	28	16	24	11
■ unemployed poor	39	32	7	39	35	44	34	54	49	43	18	20	34	26	19	49

Poverty threshold: 60% of household median equivalised income.

Source: Eurostat New Chronos (ECHIP 1999).

Material deprivation (absolute measures of poverty)

Figure 25: People at risk of poverty and social exclusion, using either the current EU severe MD indicator (4+ items out of 9) or our proposed MD indicator (7+ items out of 13), whole population, 2009, (%)



Source: Eurostat (2012), Measuring Material Deprivation in the EU

What are the issues with in-work poverty?

□ Definitions

- In search of a problem...

□ Drivers

- Globalisation
- Activation

□ Key variables / risk factors

- Individual – Household – Policy
-

Definitions of the working poor in the literature

Country	Source	Work definition	Poverty threshold
EU	Eurostat	<ul style="list-style-type: none"> - employed at least 15 hours (Marlier, 2000) - most frequent activity status in the last year 	Low-income threshold: less than 60% of the median equivalised household income <i>(Relative monetary poverty)</i>
France	<ul style="list-style-type: none"> - Institut National de la Statistique et de l'Économie (INSEE) - Academics - National Action Plan for Social Inclusion 2001-2003/2003-2005 	<ul style="list-style-type: none"> - individuals who have spent at least six months of the year on the labour market (working or searching a job) - working at least six months - have had a job for at least one month during a year 	Low-income threshold: less than 50% (60%-70% occasionally) of the median equivalised household income <i>(Relative monetary poverty)</i>
Belgium	National Action Plan for Social Inclusion 2001-2003/2003-2005	<ul style="list-style-type: none"> - individuals who have spent at least six months of the year on the labour market (working or searching for a job) - working at least six months 	Low-income threshold: less than 60% of the median equivalised household income <i>(Relative monetary poverty)</i>
Switzerland	<ul style="list-style-type: none"> - Swiss Federal Statistical Office - Academics 	<ul style="list-style-type: none"> - all 'active' individuals, regardless of the number of hours they work; or - all individuals working full-time (i.e. 36 hours or more weekly); or - at least one individual having a lucrative activity for at least 40 hours a week (one full-time job). 	Administrative flat rates of social security modified. ¹ <i>(Monetary administrative poverty)</i>
US	US Census Bureau	Total hours worked by family members greater than or equal to 1,750 hours (44 weeks)	Federal poverty line (FPL) <i>(Absolute monetary poverty)</i>
	US Bureau of Labour Statistics	<ul style="list-style-type: none"> - individuals who have spent at least six months (27 weeks) of the year on the labour market (working or searching for a job) 	
	US researchers in general	<ul style="list-style-type: none"> - adults working, on average, at least half time (approximately 1,000 hours) - or definition of USCB and USBS 	Less than 125%-150%-200% of FPL ² <i>(Absolute monetary poverty)</i>

In-work poverty

- Believed to be driven by two concurrent forces
 - Deindustrialisation, financialisation, globalisation (trade, SBTC), polarisation
 - Pressures for low-wage and precarious/insecure employment
 - Economic adjustment via labour, ‘protection’ of profitability
 - Activation policies / rising participation (hence, **less skilled into employment**) and rising median incomes (as/if unemployment / inactivity declines)
 - Hence, a *‘statistical’ rise in in-work poverty*
- *NOTE: with unemployment, (a) those remaining at work have higher skills and pay (possible decline in in-work poverty); (b) many households lose their second earners (possible increase in in-work poverty)*

In-work poverty

- Not so much linked to low-pay (in hourly / wage-rate terms), but to
 - Single-earner households, especially with many dependants
 - *hence role of family policies*
 - Low work intensities (part-time or part-year)
 - *hence role of activation policies*
 - *'Product' of low-pay and poverty is only at 5-10% of population (Marx & Verbist, 1998; OECD, 2009 – most low-paid workers (c.70-80%) in multiple-earner hhlds)*

- Working poor ... better than non-working poor?
 - Underpay – underemployment – low in-work benefits
 - Stepping-stone v stumbling-block debate; socialisation & happiness
 - *Low-pay may in fact be **preventing** poverty (allowing the low-skilled to avoid unemployment) – **contrast low-paid workers with low-paid jobs***

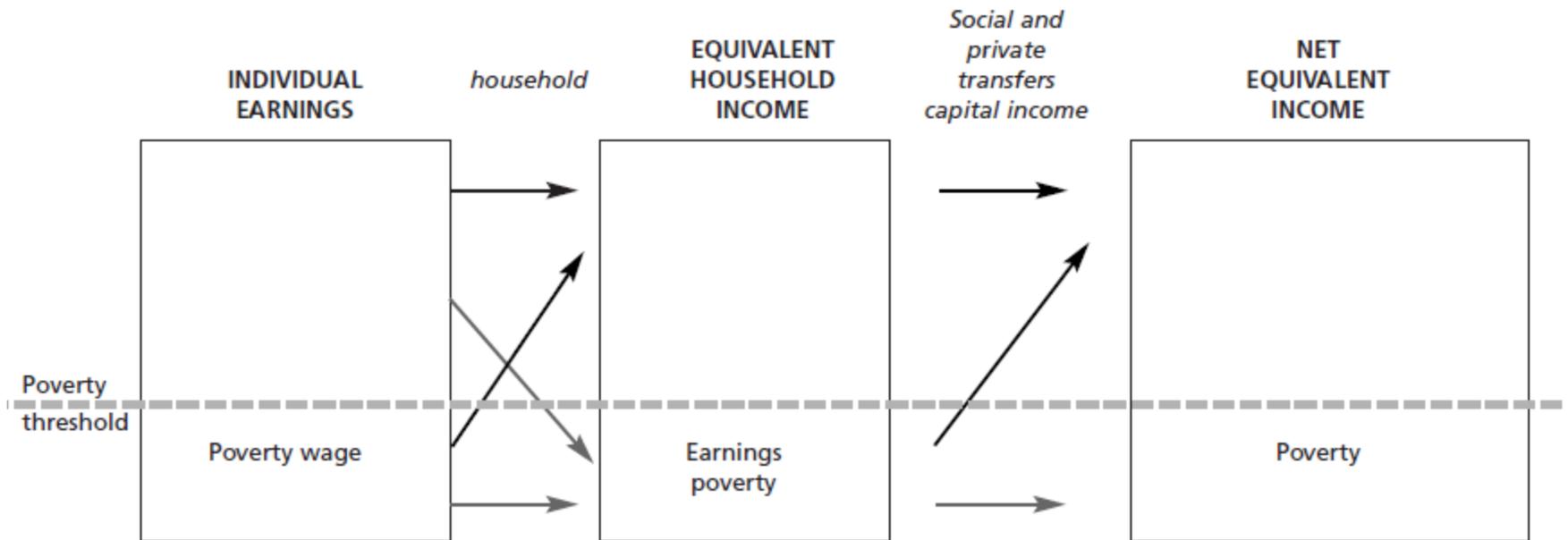
In-work poverty

- What are the complications?
 - **Measurement:** defining poverty and work
 - **Level of analysis:** individual (LM status/work) and household (income/poverty)
 - **Temporal dimension:** Real-time? Over reference period (year)? Prospectively (risk)?

- What are the key variables?
 - Work intensity and level of earnings
 - In-work and out-of-work benefits
 - Size of household and number of earners

In-work poverty

Figure 1 Income distribution process in working poor households



Source: Strengmann-Kuhn, 2002.

Source: Eurofound (2004), Working Poor in the EU

In-work poverty

Level	Welfare agency		
	Employment	Family	Public welfare
Individual characteristics	<ul style="list-style-type: none"> - Low wages - Atypical employment - Low qualifications 		<ul style="list-style-type: none"> - No or insufficient in-work benefits
Household related factors	<ul style="list-style-type: none"> - Low employment intensity 	<ul style="list-style-type: none"> - Single earner - High number of children, elderly and otherwise inactive or unemployed persons 	<ul style="list-style-type: none"> - Low levels of benefits and transfers
Country-level influences	<ul style="list-style-type: none"> - Low skilled in labour force - Trade unions - Wage dispersion 	<ul style="list-style-type: none"> - Degree of defamilisation - Dual earner policies 	<ul style="list-style-type: none"> - Unemployment replacement rates - Social assistance Schemes - Family transfers

Considering the issues – evidence in the literature

❑ Low pay at work

- Low pay and work intensity

❑ In-work poverty by household/earner type

- Multiple-earners
- Household characteristics

❑ Policy options

- Policies to address low-pay / in-work poverty risk
-

Low pay and work
intensity

Table 2: Low Pay for Full-year Employees, Annual Income, EU 2007.

	% BELOW 2/3 MEDIAN EARNINGS	
	ALL FULL-YEAR EMPLOYEES	FULL-TIME FULL-YEAR EMPLOYEES
AUSTRIA	21.1	16.3
BELGIUM	15.0	10.1
CYPRUS	23.8	22.1
CZECH REPUBLIC	19.0	17.7
GERMANY	31.1	22.4
DENMARK	13.9	11.4
ESTONIA	23.2	22.8
SPAIN	20.0	17.2
FINLAND	14.4	11.1
FRANCE	16.3	11.1
HUNGARY	23.9	22.7
IRELAND	27.7	22.3
LITHUANIA	27.5	26.7
LUXEMBOURG	27.9	28.4
THE NETHERLANDS	24.8	13.9
POLAND	24.3	23.1
SWEDEN	20.7	15.6
SLOVENIA	19.4	19.0
SLOVAKIA	17.4	16.0
UK	25.8	19.4

- Work intensity a significant factor – **but not in all countries**
- Sizeable differences across countries (10% in BEL, 22% in GER)
- No clear VoC / Welfare Regimes patterns

Source: Marx and Nolan (2012)

LEVELS OF INCOME POVERTY BY LOW PAY STATUS, FULL-TIME EMPLOYEES

	<i>% income poor</i>		
	<i>Not low paid</i>	<i>Low paid</i>	<i>All full-time full-year employees</i>
Austria	1.9	19.5	4.8
Belgium	0.8	7.0	1.4
Cyprus	3.4	15.4	6.0
Czech Republic	1.6	9.0	2.9
Germany	1.3	11.6	3.6
Denmark	0.3	10.5	1.5
Estonia	1.3	17.2	4.9
Spain	3.7	15.7	5.8
Finland	0.5	10.0	1.5
France	1.9	12.9	3.2
Hungary	1.9	15.0	4.8
Ireland	0.8	8.4	2.5
Iceland	1.1	15.8	4.1
Lithuania	1.6	18.6	6.1
Luxembourg	2.2	24.6	8.6
The Netherlands	0.9	4.0	1.3
Norway	1.0	11.5	2.5
Poland	2.8	16.6	6.0
Sweden	1.1	15.0	3.3
Slovenia	1.1	8.5	2.5
Slovakia	2.4	12.4	4.0
UK	1.2	9.6	2.8

• Low pay a key factor

• But shares of low-paid workers lower than for population at large

c.28% for single-earner households;
c.2% for multiple-earner households

Source: Maitre, Nolan and Whelan (2012)

Table 1: Percentage of Those in Work At Risk of Poverty, EU 2000–2010.

	% WITH ANNUAL EQUIVALISED INCOMES BELOW 60% MEDIAN			
	2000	2006	2008	2010
AUSTRIA	6	6.4	6.4	4.9
BELGIUM	5	4.2	4.8	4.5
BULGARIA	7*	5.4	7.5	7.6
CYPRUS		7.2	6.4	7.0**
CZECH REPUBLIC	3*	3.5	3.6	3.7
DENMARK	3*	4.5	5.1	6.6
GERMANY	4	5.5	7.1	7.2
ESTONIA	10	7.5	7.3	6.4
SPAIN	8	9.9	10.7	12.7
FINLAND	5	4.5	5.1	3.6
FRANCE	8	6.1	6.8	6.6
GREECE	13	13.9	14.3	13.8
HUNGARY	6	6.8	5.8	5.3
IRELAND	7	6.2	6.5	5.4**
ITALY	10	9.6	8.9	9.4
LATVIA	13	11.2	11.0	9.7
LITHUANIA	14	9.9	9.4	12.3
LUXEMBOURG	8	10.3	9.4	10.6
MALTA	6	4.1	5.0	5.9
THE NETHERLANDS	6	4.4	4.8	5.1
POLAND	11	12.8	11.5	11.4
PORTUGAL	14	11.3	11.8	9.7
ROMANIA	14	..	17.7	17.3
SLOVENIA	5	4.8	5.1	5.3
SLOVAKIA	5	6.3	5.8	5.6
SWEDEN	5*	7.4	6.8	6.5
UK	6	7.8	8.5	6.8

- No overall temporal pattern: few saw some rise; also some substantial declines
- No clear VoC / Welfare Regimes patterns
- Possible link with activation (Netherlands) and dualisation (Germany) policies?

Source: Marx and Nolan (2012)

LEVELS OF ECONOMIC VULNERABILITY BY LOW PAY STATUS FOR
FULL-TIME EMPLOYEES

	<i>Economically vulnerable (%)</i>			ODDS RATIOS FOR ECONOMIC VULNERABILITY BY LOW PAY, FULL-TIME EMPLOYEES
	<i>Not low paid</i>	<i>Low paid</i>	<i>All employees</i>	<i>Economic vulnerability (odds ratio)</i>
Austria	8.0	22.7	10.4	3.4
Belgium	5.9	17.4	7.1	3.4
Cyprus	22.6	45.1	27.6	2.8
Czech Republic	12.8	32.1	16.2	3.2
Germany	7.3	24.6	11.1	4.1
Denmark	2.5	16.7	4.1	7.7
Estonia	7.5	28.0	12.1	4.8
Spain	9.5	26.0	12.3	3.4
Finland	3.7	13.3	4.8	4.0
France	10.2	25.0	11.8	2.9
Hungary	23.8	44.9	28.6	2.6
Ireland	4.7	20.3	8.2	5.2
Iceland	5.4	19.2	8.2	4.2
Lithuania	26.9	57.1	34.9	3.6
Luxembourg	2.5	25.6	9.0	13.6
The Netherlands	3.6	8.1	4.3	2.3
Norway	3.1	12.4	4.4	4.4
Poland	28.5	56.3	34.9	3.2
Sweden	2.8	9.1	3.8	3.4
Slovenia	9.8	27.9	13.2	3.6
Slovakia	24.6	44.2	27.8	2.4
UK	4.7	16.3	6.9	4.0

• Risks higher with alternative definitions (poverty versus vulnerability)

Source: Maitre, Nolan and Whelan (2012)

Household characteristics and circumstances

Table 3: Income Poverty Risk for Low Paid Earners, by household position, EU 2007.

	SINGLE PERSON	SINGLE PARENT	SINGLE EARNER COUPLE	DUAL EARNER, 1ST EARNER	DUAL EARNER, 2ND EARNER	OTHER FTFY WORKER	TOTAL
AUSTRIA	33	39	47	26	2	9	14
BELGIUM	14	12	28	11	2	6	8
BULGARIA	26	87	46	33	4	14	17
CYPRUS	39	36	38	19	1	16	14
CZECH REPUBLIC	26	46	19	11	1	6	8
GERMANY	33	36	36	22	3	8	16
DENMARK	42	46	24	24	1	12	19
ESTONIA	29	82	26	24	2	9	16
SPAIN	29	63	53	29	3	12	15
FINLAND	28	14	29	9	2	16	14
GREECE	13	29	78	18	3	8	13
HUNGARY	41	57	40	7	2	7	14
IRELAND	17	20	41	9	3	2	5
ICELAND	35	65	44	34	7	8	17
ITALY	38	54	73	39	3	12	22
LITHUANIA	18	76	59	29	5	14	18
LUXEMBOURG	40	67	59	12	0	8	17
LATVIA	29	70	50	18	3	19	21
THE NETHERLANDS	2	59	39	9	2	6	8
NORWAY	30	31	37	15	3	5	14
POLAND	28	27	46	33	3	13	16
PORTUGAL	19	60	71	45	7	12	19
ROMANIA	17	58	64	24	2	11	17
SWEDEN	43	15	43	25	4	10	20
SLOVENIA	39	67	56	33	2	7	12
SLOVAKIA	43	62	51	51	11	8	14
UK	15	30	41	14	0	8	11

Table 3 At-risk-of-poverty rate according to number of earners in household, 1998

	EU 12	BE	DK	DE	EL	ES	FR	IE	IT	AT	PT	FI	UK
No earner	51	50	25	56	41	52	55	63	45	45	49	28	49
One earner	22	9	6	23	23	18	26	9	26	14	23	5	21
Two or more earners	5	2	3	3	12	6	5	3	4	6	13	3	7

Source: European Commission, 2002b.

Source: Marx and Nolan (2012)

Net disposable income of a minimum wage earner as a percentage of equivalent median income, by household type, EU, 2009.

	SINGLE	COUPLE	COUPLE, TWO CHILDREN	LONE PARENT + 2 CHILDREN	LONE PARENT + 1 CHILD
AUSTRIA	66	50	47	57	84
BELGIUM	78	61	51	61	66
BULGARIA	47	31	32	41	35
CZECH REPUBLIC	53	46	48	53	41
ESTONIA	47	35	26	37	45
FRANCE	72	53	44	51	64
HUNGARY	57	42	42	51	52
IRELAND	71	47	42	53	29
ITALY	70	55	50	45	61
LATVIA	77	53	38	48	46
LITHUANIA	49	33	26	33	44
LUXEMBOURG	54	55	51	52	55
NETHERLANDS	73	57	46	61	72
POLAND	66	45	38	46	47
PORTUGAL	57	37	27	39	39
ROMANIA	74	50	45	58	56
SLOVAKIA	54	36	31	40	49
SLOVENIA	50	39	40	51	45
SPAIN	51	34	24	31	42
UNITED KINGDOM	44	36	41	53	54

Policy options

Figure 1: The policy toolbox to address in-work poverty.

	INCREMENTAL OPTIONS	NEW OPTIONS
DIRECT INCOME SUPPORT	<ul style="list-style-type: none"> - raising the minimum wage/ wage floors through regulation - (targeted) tax relief - (targeted) reductions of employee social security contributions - (targeted) child benefits 	<ul style="list-style-type: none"> - negative income taxes - (means-tested) in work benefits
INDIRECT SUPPORT	<ul style="list-style-type: none"> - upskilling/training - demand policies (subsidized employment, wage cost subsidies) - active labour market policies - facilitating labour participation (e.g. child care) 	<ul style="list-style-type: none"> - Innovative demand oriented policies (e.g. service cheques) - Innovative supply focused policies (empowerment)

Reconsidering the 'causes'

□ The key questions

- Permanent (capitalism) or temporary (crisis)?
- Economic (globalisation) or political (austerity)?

□ On the 'impossibility' and 'resilience' of democratic capitalism...

- Streeck and Rodrik
 - Resilience and policy choices
-

Capitalism versus the crisis

➤ Impact of the crisis

- Public de-leveraging: budgetary austerity, welfare state retrenchment
- Private de-leveraging: falling demand, wage compression
- Adjustment / asymmetries: current account imbalance correction

→ *need / policies for internal devaluation*

➤ Impact of globalisation

- SBTC, outsourcing and routinisation
- Unskilled migration, race to bottom
- Fixed e-rates with capital mobility

→ *need / pressures for internal devaluation*

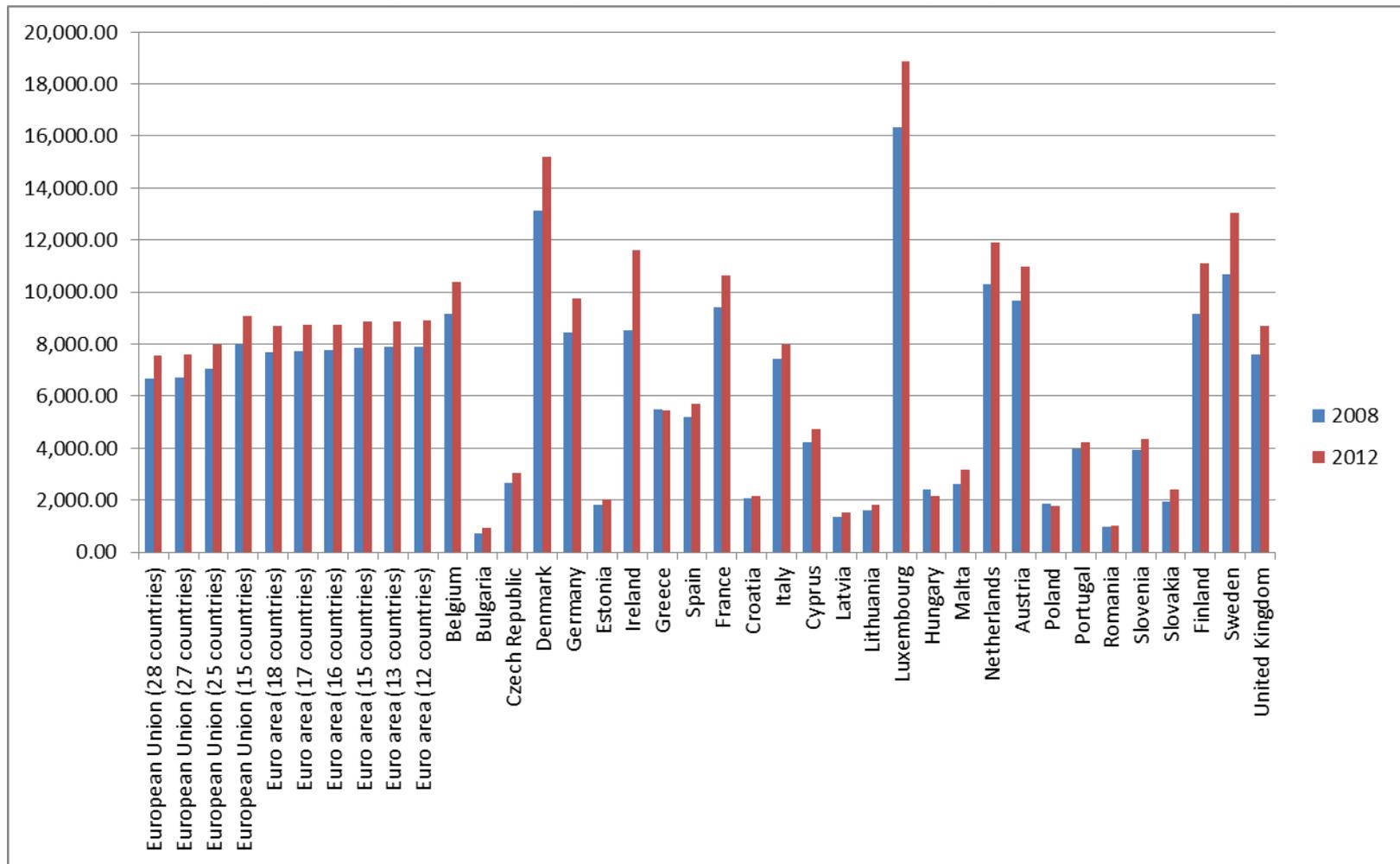
Capitalism versus democracy

- Two views on the impossibility of democratic capitalism
 - **Streeck** – end of resource pooling with the double de-leveraging
 - internal devaluation both an economic necessity and a political choice, given prevalence of / preference for financialisation and globalisation
 - **Rodrik** – end of Bretton Woods compromise
 - golden straightjacket forcing fiscal consolidation and internal devaluation policies, even irrespective of austerity / austerity politics
 - underlying all this is a tension / conflict between nationalism (nation state) and cosmopolitanism (global governance)

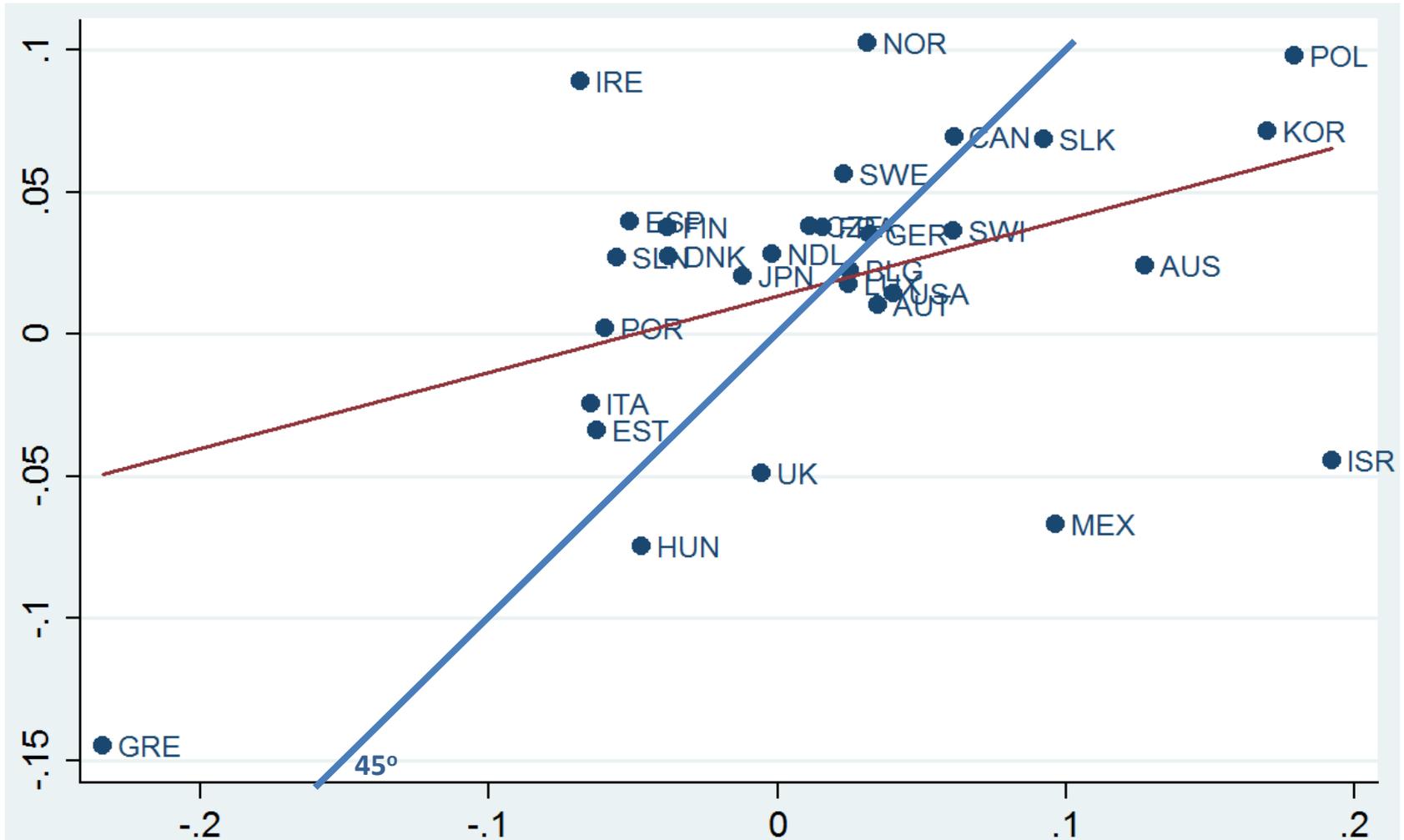
Capitalism versus the people?

- Welfare-state retrenchment not so obvious
 - Levels of spending rather 'resilient'
 - Little evidence for 'race to the bottom'
- Wage growth (still) an important part of economic mobilisation
 - Overall wages not declining – but whose wages??
 - Evidence, in the crisis, that demand / consumption matters
- A problem of policy?
 - In-work poverty: finding new policies to address new problems; but 'new problem' may be NOT in-work poverty (despite the working poor)
 - Austerity politics: discovering the means for forward-pooling in the post-indebtedness era

Total spending on social protection and unemployment benefits (€pc)



Wage growth vs GDP growth, 2007-2012 (national currencies, constant prices)



Source: own elaboration of OECD data

Towards a conclusion

❑ Is there a problem?

- Extent of in-work poverty and location of poverty risk

❑ 'Causes' versus contributing factors

- Globalisation and austerity versus households

❑ Policy issues and policy priorities

- Fixing the labour market; making the WS work
 - Meaningful employment and productive jobs
-

Towards a conclusion

- Is there a problem of in-work poverty?
 - **Direct measures of inequality more relevant:** yardstick effects and market distortions due to (income/wealth) asymmetries (e.g., housing exclusion etc)
 - **Issues of security (prospectively) more important:** more so than RELATIVE poverty, which fails to capture the absolute and dynamic dimensions (future/prospects)
 - **Issue of low pay predominantly a labour-market / economic-structure one:** balance between demand/supply of skills; sectoral mismatches; slide into a low-pay / low-productivity economy (lack of in-work training/investment etc)
 - **But also an issue of social justice/peace and social cohesion:** meaningful/rewarding work; fair/equal pay for fair/equal effort

Towards a conclusion

➤ Whose fault?

➤ **Trends / global developments/'causes'**

- WS retrenchment; flexibility; dualisation; austerity / internal devaluation
- globalisation/trade/SBTC; routinisation/polarisation; flexibility/deregulation

➤ **Conditional/contributing factors**

- at the individual level: employability and skills
- at the household level: family structure (single parents, number of kids), dual earner households, resource pooling (e.g., presence of pensions), concentration of wealth / asset holdings
- at the (welfare) state level: tax progressivity; extent and availability / targeting of benefits; provision of services / semi-public goods (mat depr)

Towards a conclusion

- What does this mean?
 - **Austerity** politics a symptom, really, of a wider destabilising trend concerning the inherent contradictions of democratic capitalism
 - In-work **poverty** only one – and certainly not the most central – of issues
- What is at stake, really?
 - Labour market: meaning of **work** and **productive** employment
 - Welfare state: extent of social solidarity (**safety nets**) and effectiveness of delivery (**targeting**)
- In other words, work AND poverty rather than IN-WORK POVERTY
 - Both require either control/insularity or coordination/governance at supranational scales
 - But, still, much is to / can be done at the local/domestic level (e.g., education and family policies)

Towards a conclusion

- What should we be looking at?
 - Meaningful, productive, skilled and rewarding work
 - Employment/standards security but with less *job* security (flexicurity) and weaker pecuniary disincentives (benefits)
 - Activation-minded / non-distortive redistributive policies combined with strong/generous and effective (targeting) safety nets (esp because poverty is not so singularly "caused" but specific / easily identifiable factors)
 - Conducive macro (e-rates, i-rates, etc) and micro (education, household taxation, housing, etc) policies (policy mix) that will generate less (absolute) poverty (material deprivation), both in and out of work

**Working poor
Symptom of the crisis, or the New
Comparative Advantage?**

Thank you!



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