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Working poor in Europe

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The case of Germany

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Abstract

The expansion of low wages has sparked a debate about the working poor in Germany. However, unemployment remains the most significant reason for becoming or remaining poor. (Re)integration of unemployed people into the labour market has therefore been the policy priority. Since reforms in 2005, more employed people have received supplementary welfare benefits and some people starting work may still receive the lower level of unemployment benefit.

1 Scale and nature of in-work poverty

1.1 Scale

In general, the EU-SILC data on at risk of poverty rates according to the most frequent economic activity in the past year (Table A1 in Annex 1 of the comparative analytical report) reveal that employment status is the key determinant of the level of those at risk of poverty. Being unemployed and not being employed for other reasons raise the incidence of poverty risk from 7% to 51% and 24% respectively. An analysis of income mobility by Schäfer and Schmidt (2009) for Germany shows that the likelihood of moving up the income ladder is significantly increased if a person starts a job. The chances of advancing on the income scale are 2.6 times higher for a person entering into employment than for one remaining unemployed. On the other hand, downward mobility becomes significantly more likely if a person is laid off or voluntarily leaves the labour market.

According to the EU-SILC data, younger persons appear to be more affected by in-work poverty (Table A2 in Annex 1 of the comparative analytical report). The interpretation of this feature, however, should take into consideration that the group of employees aged 18 to 24 years includes apprentices, whose wages are generally well below the earnings thresholds. In addition, seniority wages, which automatically rise with tenure and/or age, are a common incentive in German companies. Therefore, the likelihood of falling below the 60% median threshold is higher for younger workers even if they have already finished their initial training and are performing a regular job. Moreover, young women tend to choose training programmes/apprenticeships in relatively low-wage occupations in the services sector. For that reason, their likelihood of falling below the thresholds is higher than that of their male counterparts. Men more often choose apprenticeships and occupations in the manufacturing or construction sectors, which are characterised by higher than average apprenticeship and entry wages.

The EU-SILC figures presented in Tables A5 and A6 of Annex 1 of the comparative analytical report should also be interpreted with care. The median earnings of full-time employees are naturally higher than the combined median earnings of part-time and full-time employees. Therefore, full-time employees are more likely to fall below a relative earnings threshold that applies only to this group than one applying to all employees. For example, if the earnings of low-skilled employees just exceed the general income threshold for all persons used in Table 1, their earnings can be expected to fall below the threshold used in Table 5. Unfortunately, neither of the tables reveals the distribution of earnings within the group of employees falling below the threshold or the average distance of their earnings from the threshold. In addition, the total proportion of full-time employees falling below the threshold is substantially determined by age. As stated above, apprentices account for the majority of employees aged 18–24 years and yet they are counted here as full-time employees. Finally, it should be noted that full-time employment substantially decreases the likelihood of being at risk of poverty.

According to Table A3 in Annex 1 of the comparative analytical report, household characteristics also determine the risk of poverty, a feature confirmed by analyses based on the Socioeconomic Panel (*Sozio-oekonomisches* Panel, SOEP), a longitudinal panel dataset of the population of Germany conducted by the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung, DIW). The fact that single parents with dependent children are more affected by in-work poverty indicates that the existing childcare infrastructure may not allow single parents to work full time. Working single parents are more likely to be employed part time than other household groups, thus raising their risk of in-work poverty. According to Anger and Schmidt (2008), 54.5% of employed single mothers worked part time in 2006 whereas this was the case for 14.6% of female workers without children.

1.2 Development

According to a joint report of the DIW, the Centre for European Economic Research (Zentrum für Europäische Wirtschaftsforschung, ZEW), Hauser and Becker based on SOEP data, the general at risk of poverty rate on the new scale of the Organisation for Economic Co-operation and Development (OECD) – with a threshold of 60% of the median net weighted household income – increased considerably between 2000 and 2006, from 11.8% to 18.3%. These figures refer to the reporting years and present information about the income obtained in the previous years.

According to the DIW, the at risk of poverty rate declined, however, between 2006 and 2007, to 16.5%. The number of persons at risk of poverty decreased by about one million, due in particular to declining unemployment. With respect to 2008, which refers to the income situation in 2007, the risk of poverty is in general expected to have continued to diminish. The growth in the proportion of those at risk of poverty until 2006 would have been slightly attenuated if the income threshold had been fixed at the level of 2000 (an increase of 4.5 percentage points instead of the 6.5 percentage point increase which occurred between 2000 and 2006). Irrespective of the income threshold actually applied, the at risk of poverty rate in eastern Germany was, in 2006, notably higher than that in western Germany (17.2% and 22.3% respectively).

The in-work at risk of poverty rate for employees – that is, excluding self-employed people – almost doubled, from 6.4% in 2000 to 12% in 2006. In 2006, it was 16% for women in comparison to 8.1% for men. The increase may be attributed to the sharp rise in the number of marginal or fringe workers without any other regular job (*ausschließlich geringfügig Beschäftigte*), by 24% between June 2003 and December 2005 according to the Federal Employment Agency (Bundesagentur für Arbeit, BA). It also may be attributed to the growth in part-time work, by 15% between March 2000 and December 2005. Fringe workers perform jobs with a maximum wage of €400 a month. In line with the EU-SILC data, the at risk of poverty rate for unemployed people increased from 31.1% in 2000 to 53.3% in 2006.

1.3 Cautionary note

The EU-SILC 2007 data referring to 2006 differ significantly from the EU-SILC 2006 data referring to 2005. In 2005, only 13% of the total population fell below the poverty threshold in Germany, compared with 15% in 2006. The rise in the proportion of people at risk of poverty may be due to a statistical artefact, as data from the SOEP did not show any increase in poverty between 2005 and 2006. It should also be noted that the income threshold used for the EU-SILC data for 2006 is 13% higher than that used for the EU-SILC data for 2005. The increase in the threshold income, however, does not correspond to the general income development in Germany. Since, moreover, the sample design has changed, it remains unclear which data are more reliable (Schröder, 2009).

This should also be borne in mind when interpreting the figures for the in-work risk of poverty in Tables A2, A3 and A4 in Annex 1 of the comparative analytical report. According to the EU-SILC 2006 data referring to 2005, the rates of in-work risk of poverty in Germany were as follows:

- full-time employees: 4%;
- individuals aged 18–24 years: 9%, and individuals aged 55–64 years: 5%;
- women: 6%;
- low-educated workers: 10%, and medium-educated workers: 5%. Low education is defined as ISCED 0–2, according to the International Standard Classification of Education (ISCED), meaning no education beyond compulsory schooling. Medium education is defined as ISCED 3–4, meaning at least three years of education or training successfully completed after compulsory schooling.

Moreover, the composition of the EU-SILC sample differs notably from that of the SOEP sample, which is a real random sample (German Institute for Economic Research (DIW) et al, 2007). For example, migrants are thought to be underrepresented in the EU-SILC sample. Therefore, poverty rates for Germany based on EU-SILC data can generally be expected to be lower than those based on SOEP data.

2 Policies towards working poor

2.1 In-work poverty and policy debate

Combating poverty has always been deemed an important political aim. However, the specific issue of in-work poverty attracted little public attention until 2005. The primary political focus had been reducing the persistently high unemployment rate. This objective is highlighted by the *Second report on poverty and wealth of the federal government* (2. Armuts- und Reichtumsbericht der Bundesregierung), for example, which referred to developments up until 2003 and was published in 2005 by the then coalition government consisting of the Social Democratic Party (Sozialdemokratische Partei Deutschlands, SPD) and its junior partner, the Green Party (Bündnis 90/Die Grünen). In this report, the high unemployment rate was identified as the most serious problem and the real challenge for policies aimed at combating poverty. Furthermore, unemployment had concentrated in specific groups, such as low-skilled

workers and older workers, and a large proportion of unemployed people experienced long spells of unemployment. Therefore, the former red-green government pursued a proactive approach intended to improve the (re)integration of non-active or unemployed persons into the labour market. The core piece of this approach was the reform of the unemployment benefit system (*Viertes Gesetz für moderne Dienstleistungen am Arbeitsmarkt*), which was approved in 2003 and came into force on 1 January 2005. Formulating its aims in the *Second report on poverty and wealth*, the government announced that this reform would, in particular, help to avoid so-called ‘careers in poverty’ (*Armutskarrieren*) – referring to people trapped in long-term poverty.

In its National Action Plan paper (Nationaler Strategiebericht: Sozialschutz und Soziale Eingliederung 2006–2008) published in the autumn of 2006, the succeeding grand coalition government set up by the SPD and the two conservative parties – the Christian Democratic Union (Christlich Demokratische Union, CDU) and Christian Social Union (Christlich Soziale Union, CSU) – reiterated this goal and also emphasised that reducing unemployment ranked top of their political agenda. Among the policies mentioned was one to bundle and expand the various existing benefits available to people taking up employment in order to improve the employment prospects of low-skilled and older workers in particular. In their coalition agreement negotiated in 2005, the three parties had already stated that the expansion of low wages was to be monitored and that the introduction of minimum wages might be considered. This could be effected by extending the Posted Workers Act (*Entsendegesetz*).

According to estimates by the Institute for Work, Skills and Training (Institut für Arbeit und Qualifikation, IAQ), the payment of low wages expanded significantly between 2000 and 2006 (Kalina and Weinkopf, 2008). While in 2000 the proportion of employees earning less than two thirds of the median wage per hour was 17.5%, by 2006 it had reached 22.2%. Another report published by the Federal Employment Office (Bundesagentur für Arbeit, BA) in March 2006 revealed that in September 2005, after the reform of the unemployment benefit system had come into force, 906,000 persons were registered as receiving ‘unemployment benefit II’ (*Arbeitslosengeld II*) – the lower level of unemployment benefit – while in employment, in other words, as an income supplement (*Aufstocker*). This number was almost as twice as high as the estimated total in December 2004 (469,000) of people receiving either unemployment assistance (*Arbeitslosenhilfe*) – the lower level of benefit at that time – while employed in a fringe job or social

welfare benefits (*Sozialhilfe*) while in work. The total number of beneficiaries of 'unemployment benefit II' simultaneously performing a job subsequently steadily increased to its all time high in September 2008 (1,359,101 persons). Since then, it has declined slightly, to 1,288,003 beneficiaries in February 2009, the most recent reference period (BA, 2009).

Since 2005, the growing number of people receiving transfers while in work and the expansion of low wages have sparked a heated debate both between the political parties and between the social partner organisations on the issue of working poor. In its 2008 National strategy report: Social protection and social inclusion 2008–2010 (*Nationaler Strategie Bericht: Sozialschutz und Soziale Eingliederung 2008–2010*), for example, the grand coalition addressed the issues of low wages and minimum wages. In recent years, the debate has been characterised by opposing positions on whether increasing the total number of employees receiving benefits is an appropriate approach to combating poverty. In this respect, the controversy also reveals different understandings of the definition of poverty, such as a lack of market income due to low earnings or a lack of opportunities as a result of not being employed at all.

2.2 Policies addressing working poor

Please see answer to 2.3.

2.3 Main measures taken for improving the income situation of the working poor

Policies addressing the working poor issue have been devised in fields as varied as the labour market, education, family, the tax system and social welfare benefits. A selection of these policies, aimed at employed or unemployed people, families or households, and companies, is presented below.

- Labour market policy

With respect to the unemployment insurance scheme (*Arbeitslosenversicherung*) and the higher level of unemployment benefit, 'unemployment benefit I' (*Arbeitslosengeld I*), the reporting duties of those affected or even only threatened by unemployment have been tightened since 2003. So too have the criteria which allow the beneficiaries of unemployment benefit I to reject job offers made by the BA. Beneficiaries must now accept job offers with a wage level

substantially below that earned in their previous jobs. Moreover, the maximum acceptable commuting time has been increased. Refusing such a job offer may result in a reduction of the benefit. Finally, the period of entitlement to 'unemployment benefit I' has been reduced to 12 months in general and a maximum of 24 months for those aged 57 years and older. Previously, the period of entitlement depended on the age of the recipient and ranged between 12 and 32 months.

In relation to 'unemployment benefit II', recipients must accept any job offer unless the wage level offered is 'immorally' low or unless they have small children or other relatives in need of care. Beneficiaries who take employment are entitled to continue receiving the benefit, their wages being deducted according to a sliding scale. At present, earnings of up to €100 are completely exempt. Up to monthly earnings of €800, 20% of the additional earnings above €100 are exempted from deduction, while for additional earnings above €800 up to €1,200 for beneficiaries without children and up to €1,500 for those with children, 10% does not count against the benefit. Beyond these thresholds, the additional income is completely deducted from the 'unemployment benefit II' payment.

Unemployed people who intend to start their own business can apply for a start-up benefit (*Gründungszuschuss*), which is granted for nine months. The level of this start-up benefit is determined by the level of the previous unemployment benefit. In addition, the newly self-employed persons receive a lump-sum payment of €300 for social insurance expenditure incurred. This start-up benefit replaced two separate benefit systems for self-employed people.

Since 2007, companies have been eligible for temporary wage subsidies (*Eingliederungszuschüsse*) if they recruit workers older than 50 years or people with long periods of unemployment who are categorised as difficult to place by the BA. In addition, wage subsidies are also paid if companies recruit unemployed persons younger than 25 years under certain circumstances, such as if they lack skills, have a long record of failing to start an apprenticeship or have been unemployed for more than six months.

In regions with unemployment rates above 15%, municipalities or non-profit organisations can create temporarily subsidised jobs for persons with long unemployment records if these jobs are newly created – that is, do not replace regular jobs – or are deemed in the interest of the municipality.

- Family policy

Since 2005, municipalities have been obliged to provide childcare infrastructure to match demand. By 2013, 35% of children aged under three years are to have access to childcare. Beneficiaries of 'unemployment benefit II' have the right to claim public childcare when they start a new job.

Since 2007, parents have been eligible for a parental benefit (*Elterngeld*) amounting to 67% of their previous net earnings if they interrupt their working career after the birth of a child. The minimum monthly amount is €300 and the maximum is €1,800. The benefit is granted for a maximum period of 12 plus two months. The extension of two months only applies if both parents interrupt their working career to take care of the child.

- Fiscal policy

In 2005, the starting income tax rate was reduced from 16% to 15%, and further reduced to 14% on 1 January 2009. Legislation that came into effect in 2006 made it easier to deduct expenditure for childcare and household services from taxable income. The annual tax allowance for every child is €6,024 for 2009, an increase of about 3.7% compared with 2008. The monthly family allowance was raised on 1 January 2009. Children of beneficiaries of 'unemployment benefit II' are entitled to an annual lump-sum payment of €100 for school materials. The governmental policy package for stimulating the German economy in response to the current economic crisis includes a lump-sum payment of €100 for every child.

- Social policy

Parents whose household income is relatively low but who are not entitled to unemployment benefit II receive an additional monthly family allowance of up to €140. The allowance is granted for a maximum period of three years.

Households with low incomes are entitled to a public housing allowance.

2.4 Minimum wage legislation and working poor

Minimum wages and their impact on employment and the risk of poverty are hotly debated in Germany. At present, a general statutory minimum wage does not apply. The existing minimum wages apply only to selected industries and vary substantially. These minimum wages are collectively agreed by both sides of industry and have been declared generally binding under the provisions of the Posted Workers Act

(*Entsendegesetz*). According to the Federal Ministry for Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS), they currently involve a total of three million employees.

2.5 Effectivity of policies in place for reducing the number of working poor

- General remarks

The target group of most policies for combating poverty is the household or family, whereas policies fostering (re)integration into the labour market are targeted at the individual. Moreover, household income and the risk of poverty are determined not only by the number of household members in work but also by the hours that they work. Therefore, assessing the effectiveness and efficiency of policies in place for reducing the number of working poor is difficult. Tentative conclusions should be drawn, if at all, only for those working full time because part-time work and fringe jobs alone often do not suffice for the minimum standard of living to which the ‘unemployment benefit II’ system refers. Household composition should also be taken into account.

When ‘unemployment benefit II’ payments are translated into equivalent hourly wages for households of varying composition, single people would have to earn €4.41 an hour at a regular job of 40 hours a week to reach the corresponding level of ‘unemployment benefit II’ (Dietz and Walwei, 2007). The equivalent hourly wage would be €5.86 for single parents, €7.41 for couples without children and €7.17 for families with two children (if one household member has a regular job of 40 hours a week). According to a study by the Institute for Employment Research (Institut für Arbeitsmarkt- und Berufsforschung, IAB), in 2007 70% of employed single people had hourly wages exceeding the €4.41 threshold (Dietz, Müller and Trappmann, 2009). In addition, in 2007 only a small minority of 36,000 single people received ‘unemployment benefit II’ while working full time. This amounts to 12.2% of all employed single people covered by the scheme (295,000 individuals). Therefore, extending their working hours would help the vast majority of single beneficiaries to pass the income threshold applying to ‘unemployment benefit II’. Further analyses show that the same applies to 40% of childless couples if only one partner works full time and to as many as 80% of childless couples if both work full time. Only one quarter of the employed beneficiaries in such a household had a full-time job in 2007. Within couples with children, the proportion was almost one third.

An analysis of the retention rate with respect to 'unemployment benefit II' shows that, in 2005, only 69,000 full-time employees received this benefit during the whole year (Bruckmeier, Graf and Rudolph, 2007). Moreover, the likelihood of remaining in the group of beneficiaries for a period longer than 10 months is lower for full-time employees than for part-time employees or fringe workers.

According to a DIW study, in 2006 the total number of full-time employees working for €4.50 an hour or less was 210,000 or about 1% of all full-time employees (Brenke and Ziemendorff, 2008). When only full-time employees whose earnings, in addition to social welfare benefits, represent the household's sole income are considered, the total number of people earning less than €4.50 decreases from 210,000 to 100,000. Therefore, the extent of the low-wage employment that can be blamed for causing an in-work risk of poverty due exclusively to low wages is rather small.

- Selected specific policies

According to the responses in an establishment survey conducted by the IAB in 2005 and 2006, the reform of the unemployment benefit system that took effect on 1 January 2005 had a significant impact on the behaviour of job applicants and unemployed persons (Kettner and Rebien, 2007). Firstly, every fifth company reported that the total number of job applications voluntarily made by unemployed persons between 2004 and 2005 increased. Only 11% of the responding managers reported a decline. In 2006, the balance between enterprises reporting an increase and those reporting a decline in applications was more even. Secondly, the companies reported that the willingness of applicants to accept jobs for which they were overqualified, to make wage concessions or to accept less favourable working conditions notably increased. This change in the attitude of applicants towards low-wage jobs facilitated the filling of vacancies. In addition, the increased likelihood of finding applicants also encouraged the companies to offer more low-wage jobs.

A mobility analysis based on the BA employees panel reveals that one third of the low-wage earners working full time in 1998/1999 were still in this position in 2005. A further 13% had managed to climb the wage ladder and escaped low wages. The proportion of full-time employees who had successfully left low wages behind them was notably higher for men than for women, and was higher for younger workers (aged 15–24 years) than for older ones.

According to a study by Bernhard et al (2008), wage subsidies granted temporarily for the recruitment of 'unemployment benefit II' recipients significantly improved the employment prospects of those hired between February and April 2005. The impact was largest for the group of long-term unemployed men aged 30 years and older. The study authors emphasise, however, that due to potentially fraudulent claims, wage subsidies are an instrument to be used with care.

An evaluation of two programmes to subsidise start-ups by previously unemployed people that preceded the current start-up benefit (see under question 2.3) reveals that the survival rate of the start-ups was remarkably high, even though the subsidy had expired two years before the year to which the evaluation referred. Moreover, depending on gender, region and programme, a proportion of between 16.5% and 23.5% of former self-employed people changed their work status and became employees.

3 Attitudes of the social partners towards the working poor

3.1 Attitude of the social partners towards the issue of in-work poverty

The trade unions, in particular those affiliated to the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, DGB), have always been opposed to any expansion of low wages. This attitude is well illustrated by a speech given by the Vice chair of DGB, Angela Buntensch, on 1 May 2008. She stated that by using temporary agency workers, paying 'social dumping' wages and offering work experience placements for a symbolic €1 an hour, politicians and employers had established an 'underworld of labour'. Moreover, she declared that the trade unions would never accept in-work poverty, as they demanded a minimum wage. Ms Buntensch criticised the reform of the unemployment benefit system for paving the way for an expansion of low wages.

In general, the employer organisations have taken an opposite position to that of the trade unions. According to a position paper from June 2009, the Confederation of the German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA) declared, in particular, that the reduction of long-term unemployment between 2007 and 2008 could be ascribed to the expansion of low wages. In this respect, the (re)integration into the labour market of low-skilled people and those whose skills had depreciated during long spells of unemployment was crucial for combating or reducing the risk of poverty. BDA therefore rejects all calls for a statutory minimum wage,

which is seen as a barrier preventing low-skilled and long-term unemployed people from being (re)integrated into the labour market. Furthermore, the employer organisation considers the reform of the unemployment benefit system in 2005 as, in principle, an appropriate approach to the prevention of poverty. Finally, BDA emphasises that many households can raise their income level by working in low-wage jobs.

The opposing positions of trade unions and employers have not changed in response to the current economic recession.

3.2 Trade unions proposals for reducing the number of people on low wages

In June 2009, DGB published a position paper including the trade unions' political demand for the expansion of 'better or decent' jobs and for a reduction in the number of low-wage jobs. The position paper defines better or decent jobs as those liable to social security contributions, full time and covered by regular employment protection regulations. In order to increase the number of better or decent jobs, DGB has drawn up a list of demands:

- the introduction of statutory minimum wages. DGB has for some years proposed an initial level of €7.50 a hour. In addition, it demands legislation to provide a legal basis for the declaration of collectively agreed sectoral wage standards as legally binding;
- strict implementation of the equal pay clause for temporary agency work which stipulates that temporary agency workers and regular employees should be treated equally with respect to working conditions and wages. An exemption clause in the temporary agency work act (*Arbeitnehmerüberlassungsgesetz*) allows for deviations from the equal treatment principle if this is provided for in a collective agreement; however, this should be limited to a short period at the beginning of the posting order. Moreover, this should only apply if a collective agreement covering the user company allows for the temporary deviation. In addition, the Posted Workers Act should be extended to temporary agency work in order to introduce minimum wages. Finally, the rights of the works councils in the user company to ensure compliance with statutory or collectively agreed standards for temporary agency work should be strengthened;

- relaxation of the criteria determining when an unemployed person receiving either ‘unemployment benefit I’ or ‘unemployment benefit II’ must accept job offers made by the employment agency. In addition, the period during which ‘unemployment benefit I’ is granted should be extended beyond the general 12-month limit;
- termination of the current subsidies for employment that fails to provide a subsistence level income. Work experience placements at a symbolic wage (*Ein-Euro-Jobs*) should be replaced by publicly subsidised employment;
- introduction of a federal law on continuous training;
- improvement of work–life balance through the nationwide provision of adequate childcare facilities.

DGB and its affiliated unions have launched several additional campaigns, such as a minimum wage campaign and a campaign on decent work.

With respect to temporary agency work, some trade unions, such as the German Metalworkers Union (IG Metall), have managed to conclude agreements with both temporary work agencies or their corresponding employer organisations and user companies. These agreements stipulate the equal treatment of temporary agency workers at the user company or, at least, the application of the standards stipulated in the ruling sectoral collective agreement by which the user company is bound.

3.3 Employers’ support for measures for reducing the extent of in-work poverty

As stated above, the employer organisations strongly endorse the idea that the risk of poverty should be lessened primarily by reducing unemployment and, in particular, by improving the employment prospects of low-skilled and older workers and those with long periods of unemployment. In this respect, BDA considers flexible working contracts, such as part-time work or temporary agency work, particularly appropriate for facilitating the (re)integration of long-term unemployed and low-skilled people into the labour market. The employer body therefore opposes any regulations that may restrict the extended use of these types of employment contracts.

4 Effect of current economic recession on in-work poverty

4.1 Development of the number of working poor during the present recession

There is no evidence in this regard. According to the most recent data, the total number of beneficiaries of 'unemployment benefit II' actually decreased between September 2008 and February 2009.

4.2 Surveys or studies on the impact of the crisis

No surveys or studies have been carried out to assess the effect of the present economic crisis on the working poor.

4.3 Policies and the impact of the recession on the working poor

No policies were devised to reduce the possible effect of the recession on the working poor.

5 Commentary

The expansion of low-wage jobs in recent years has been accompanied by a significant decline in unemployment and a corresponding increase in employment. The employment prospects of older workers, low-skilled workers and those with long unemployment records have improved notably. In this respect, the reform of the unemployment benefit system in 2005 has proved to be a success, although it has not gone unchallenged by the trade unions.

However, it should be borne in mind that employment is a crucial, if not essential, requirement for moving up the income scale and surpassing the usual income thresholds by which poverty is defined. Realistic chances of (re)entering the labour market depend on wages corresponding to productivity, which is initially relatively low among unskilled and long-term unemployed people. Overall, therefore, the change in policy from subsidising non-employment to supplementing low earnings by granting additional social welfare benefits can be regarded as positive.

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Annex - Definitions and aims of study

The 'working poor' are a section of the population that is difficult to define not only due to a lack of specific data but also because the concept combines two levels of analysis: the working status of individuals and the wages that they earn from employment (individual level), and the extent to which they have a poverty-level of income within the household context (collective level).

The aim of the comparative analytical report is fourfold:

- to obtain an insight into the extent of in-work poverty in different European countries and the characteristics of those affected;
- to examine policies in place to tackle the problem of people in work on low levels of income and any assessments which have been carried out into the effectiveness of such policies;
- to consider the views of social partners towards the working poor;
- to investigate the effect of the current economic recession on the scale of in-work poverty.

For the purpose of the study, the working poor are defined in the same way as the indicator used by the European Commission to assess and monitor in-work poverty. Therefore, the working poor are those who are employed and whose disposable income puts them at risk of poverty. The expressions 'working poor' and 'in-work poverty' are thus used interchangeably.

'Employed' is defined here as being in work for over half of the year and 'risk of poverty' is defined as having an income below 60% of the national median. Income is measured in relation to the household in which a person lives and covers the income of all household members, which is shared equally among them after being adjusted for household size and composition. Accordingly, if persons are at risk of poverty, this may not be simply because they have low wages but because their wages are insufficient to maintain the income of the household in which they live at a certain level. Equally, a person can earn a very low wage but not be at risk of poverty because the income of other household members is sufficient to raise the overall household income above the poverty threshold. The study covers people on low wages, or low earnings in the case of self-employed persons. Low wages, defined in an analogous way as low income – that is, below 60% of the median earnings of those in full-time employment – potentially put individuals at risk of poverty. The risk is likely to increase in the current economic crisis as companies introduce various measures to try to cut wage costs while keeping people in employment by reducing their working hours, giving them extended leave or simply cutting wages.

The characteristics of the people concerned are also important, particularly their age, with young people and, in some cases, older workers being more likely to be employed in low-paid jobs. Women are more likely than men to be employed in low-paid jobs, even allowing for the relatively large number of women working part time. However, the statistics show that, if they are in work, women are on average across the European Union less likely than men to live in households with a poverty-level of income. Nonetheless, they are more likely than men to live in circumstances which

put them at particular risk of poverty, such as being a lone parent in many countries. In addition, migrants are particularly vulnerable to being among the working poor, since they tend to combine various adverse characteristics, such as working in low-skilled jobs with low rates of pay and living in single-earner households.

A set of tables containing the data available at EU level on the working poor and on people with low wages was included in an annex to the questionnaire (see Annex 1 of the overview comparative analytical report). The data concerned derive from the EU Statistics on Income and Living Conditions ([EU-SILC](#)) for 2007, which are the latest available data and relate to the position in 2006. The national correspondents are asked to comment on the table findings for their country and to supplement the data included with data from national sources where possible and where these help to interpret the situation or add to the information included in the tables. The EU-SILC tables, for example, do not cover the position of migrant workers. The correspondents are also asked to specify the source of any additional data and the definitions used where these differ from those on which the table is based.

Annex - Questionnaire

1 Scale and nature of in-work poverty

- 1.1 Please comment on the figures for the 'working poor' for your country shown in the attached tables and what they indicate about the scale and nature of this. Please refer to any additional data available from national sources or any studies which have been undertaken if these provide additional information in this regard and help to give an insight into the issue.
- 1.2 Please comment on recent trends, giving any data or other evidence available to indicate whether the number of 'working poor' has tended to increase or decline, between 2000 and 2007, especially considering women, young and older workers, self employed, migrants.
- 1.3 Please outline the main findings of any research studies which have been undertaken in your country on the working poor or on low pay, more generally, and what they reveal about the characteristics of the people concerned and the jobs that they do and how these might be changing over time.

2 Policies towards working poor

- 2.1 Is the issue of in-work poverty seen as an important problem in your country for the government to address? Has the issue become more or less important in the policy debate over recent years? To what extent is there seen to be a conflict between reducing the number of working poor in your country and increasing the number of people in work?
- 2.2 What kinds of policy have been devised to address the Working poor issue in your country? On which particular area have national policies tended to focus on: Labour market, social protection, fiscal policy or some combination of these policy areas? Which particular groups are policies targeted on: workers, employers, families?
- 2.3 Please describe the main measures taken for improving the income situation of the working poor. Are there any fiscal measures in place, in the form of tax credits, or in-work benefits more generally, for maintaining/raising the income of those in employment with low earnings? Are there any social transfer schemes in place to ensure that income of households exceeds a minimum level, even if the people in the household are in work? If so, please outline their main features, including whether or not they apply to the self-employed as well as employees.
- 2.4 Please assess the role minimum wage legislation plays in limiting the number of working poor. Please indicate the nature of the regulation (statu-

tory/legislative/collectively agreed/sectoral) in your country and how the minimum wage varies between different groups of worker.

- 2.5 How effective are the policies in place for reducing the number of working poor? Please refer to any survey, research studies or policy evaluations which have been undertaken to assess the measures in places.

3 Attitudes of the social partners to the working poor

- 3.1 What is the attitude of the social partners in your country to the issue of in-work poverty? Is there any debate on the relative priority to be given to the quality of jobs and working conditions as against the quantity of jobs? What has been the impact of the present recession on their positions and on the actions taken towards reducing in-work poverty?
- 3.2 Do trade unions have explicit policy proposals for reducing the number of people on low wages? If so, please outline the main features of these. Do such proposals include complementary schemes on healthcare, pensions and family support to help increase the effective income of workers? Do trade unions see a specific role for themselves in implementing and managing such schemes? What level of importance is attached to reducing the number of working poor in relation to creating more jobs or keeping more people in employment?
- 3.3 Do employers generally support measures for reducing the extent of in-work poverty? If so, indicate the principal measures they support and implement themselves such as respecting minimum wage levels, ensuring adequate basic rates of pay, paying suitable amounts for working overtime or in bonuses.

4 The effect of the present recession on in-work poverty

- 4.1 Is there any evidence that the number of working poor has tended to increase during the present recession (as a result of reduction in wages and/or working time)?
- 4.2 Have any surveys or studies been launched since the crisis started to assess the effect on the working poor and to monitor the numbers involved? Please give details of such surveys or studies (their objectives, the approach adopted, the institution in charge, the main findings and so on).
- 4.3 Have any policy measures been taken to reduce the possible effect of the recession on the working poor?

5 Commentary by the NC

Please provide your own comments on the extent of in-work poverty in your country and the situation of the present situation of the working poor in your country.

Annex: List of tables

Table 1 – At risk of poverty rates by most frequent activity in the previous year (population 18 and over), 2007

Broken down by:

- Sex (total, women, men)
- Work status (total, employed, unemployed, retired, other inactive)

Table 2 – In-work poverty risk by main characteristics of the employed population (aged 18 and over), 2007

Broken down by:

2.1 Personal characteristics

- Sex (total, women, men)
- Age (18-24, 25-54, 55-64)
- Education attainment level (low, medium, high)

2.2 Household characteristics

2.3 Job characteristics

- Months worked in year (<>full year)
- Professional status (employee, self-employed, family worker)
- Full-time/part-time
- Type of contract (permanent/temporary)

Table 3 – Proportion of full-time employees and self-employed with earnings <60% of median earnings, subdivided by sex

Table 4 – Proportion of those with earnings <60% of median earnings who also have income <60% of the median