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## **Employment and the "Working Poor" Phenomenon in the EU**

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**Abstract:**

*The topics of poverty and social inclusion are most often addressed within the labour market integration issue. Since 2013, the employment in the EU has increased. In 2015, the total employment rate is 65.6% (population aged 15-64). In the same time 9.4% of all employed (21 million people) are at risk of poverty.*

*The conclusion is that almost a quarter of all poor people in Europe are working and the employment did not protect them from the poverty.*

*Therefore, this report is focused the labour market factors that provoke different levels of poverty spreading among the employed and the possibilities of the policies to limit the problem.*

**Keywords:** *employment, at risk of poverty, in-work poverty, working poor.*

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## **1. Introduction**

The issues of poverty and social inclusion are most often addressed within the framework of integration on the labor market. Poverty is traditionally associated with the unemployed, the homeless, and the disabled. Hence, in the very first studies on employment, the latter was regarded as the best way out of this situation (Rowntree, 1918). Even in some contemporary debates (Barbier, 2005), employment is perceived as the most effective mechanism for preventing poverty and, at the same time, as a panacea against poverty. However, in parallel with the development of the economy, employment patterns also change. Labor market segmentation is deepening - at one extreme, there are professions requiring high qualifications and significant remuneration, and at the other - atypical low-pay employment. These changes create new risks of poverty, even for people at work. As early as the end of the twentieth century, some economists disputed the view that poverty is the result of a lack of employment. The working poor remains America's glaring contradiction. Concurrence of work and poverty is contrary to the American ethos that a willingness to work leads to material advancement, and it negates the prevailing view that the cause of chaos among adults capable of working is deviant behavior, especially lack of commitment to work (Levitan *et al.*, 1993; Thalassinos *et al.*, 2011; Pociovalisteanu and Thalassinos, 2009).

Nowadays, data show that poverty among people at work is emerging as a very serious problem for the EU. In 2015, 23.7% of the entire EU population was at risk of poverty and social exclusion<sup>2</sup>. This makes 117,864 million people in the EU 27 (119,080 million people in the EU 28). For the same year, Eurostat data shows that 9.4% of all employed at the age of 18 to 64 are at risk of poverty - almost 21 million people. The conclusion is that almost a quarter of all poor people in Europe are actually working, ie. employment has not protected them from the unfavorable situation.

The "working poor" are a share of the population that is difficult to identify, not only because of the lack of specific data, but also because the concept combines two levels of analysis: the employment status of individuals (individual level) and the income status of the households in which they live that are below a certain poverty threshold (collective level). In this regard, we can use two more angles from which to view the situation: on the one hand, the poor who are working, and on the other – people at work who are poor. Each perspective has its own specific features and raises questions seeking answers. Research on the "poor but working" perspective focuses primarily on household-related factors and emphasizes the importance of increasing work intensity. On the other hand, studies based on the second perspective, "working but poor" emphasize the link with labor market factors. They highlight the importance of measures aimed at improving labour quality and

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<sup>2</sup> Source: EUROSTAT, Last update: 10.08.2017.

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remuneration (Thalassinos and Dafnos, 2015; Thalassinos and Pociovalisteanu, 2009).

It is necessary to conclude that in order to arrive at an overall definition we have to take into consideration several parameters: labor status (permanent or temporary labor contract), intensity of work (full-time or part-time), personal characteristics (skills, educational status and health), individual income, and total household income.

Examining all the inferred parameters will require a large volume of work, so the present study is focused only on the factors related to the labor market that provoke different levels of poverty distribution among the employed and the possibilities of policies to limit the problem.

## **2. The challenges of employment**

In-work poverty is a serious socio-economic challenge not only for the European society (Peña-Casas and Latta, 2004; Herman, 2014). It is a complex concept that combines two levels of analysis (individually and collectively): the employability of individuals and the income status of their household (Eurofound, 2010; Lohmann, 2009). Therefore, by combining labor market factors with poverty data, in-work poverty assessments give a clearer picture of the link between poverty and employment.

But how is employment evaluated? There is still no uniform definition in economic literature. There are different approaches that can generally be grouped into three dominant concepts (Spannagel, 2013), all of which require active work of the individual for at least six months in the past year (Peña-Casas and Latta, 2004; Ponthieux, 2010). The first concept is that of the US Bureau of Labor Statistics. It is the most widespread, since it defines the employee as a person who has spent at least 27 weeks on the labor market (ie, besides actual work, job search is also included). The French employment concept requires labor market participation of at least 6 months, of which at least one in actual employment. The third concept is officially accepted by the EU, which accepts a person to be employed only if s/he has actually been employed for at least 6 months during the year and is still working at the time of the inspection.

In contrast to the strict EU definition, outside these three classifications, the International Labor Office regards as employed all those who have worked at least one hour a week before the interview (ILO, 2004).

Combating poverty and social exclusion is an important subject of the Lisbon Strategy, which represents the vision of a socially cohesive, economically prosperous and competitive European Union. This is reaffirmed in the Europe 2020 strategy where employment is again considered the best protection against poverty.

Therefore, in recent decades, measures in the European Union have been aimed at ensuring full employment for all those willing and able to work. One of the Europe 2020 headline targets is to achieve employment for 75% of the population aged 20-64 (EC, 2010a). Recent statistics show that this goal is feasible. In the years of recovery after the economic crisis, in parallel with economic growth, labor market expansion has also been observed. Since 2013, 10 million net jobs have been created in the EU, and 234.2 million people have been employed in the EU alone in the first quarter of 2017 alone. In 2016, the total employment rate reached 71.1% of the population aged 20-64 (EC, 2017). At the same time, although they appear good, these figures do not in themselves give a full picture of the real situation<sup>3</sup>, as the pursuit of employment is not accompanied by adequate standards for the quality of the jobs offered.

The economic crisis, globalization and digitization have caused enormous job losses, especially in sectors where low-skilled employment is predominant. Many of the permanent employment contracts have been transformed into temporary, part-time or other forms of employment. During the crisis, governments relied on the market to take the appropriate decisions once the economy recovered and did not sufficiently make public social investment to create jobs. The end result is deep segmentation - many new jobs were created as insecure, low paid, poor working conditions and insufficient social protection.

Some experts even link low-quality employment with the effects of economic globalization and its role in forming a segmented labor market (EC, 2010b). Highly segmented labor markets can create a "trap" of low paid jobs and result in low mobility to higher-paid positions. This, combined with the widespread low income and precarious employment, explains the concern of European governments and their cooperative activities through the Open Method of Coordination and the need to speed up measures to tackle the problem. Current European Commission surveys on spending on active and passive employment-related measures show that labor market segmentation increases the risk of social exclusion and lowers the level of employment protection (especially for young people) (EC, 2012a).

The pursuit of employment and more stringent eligibility to social protection can lead to informal pressure on jobseekers to find themselves in an economically disadvantaged and socially unfair situation. Several studies point to the fact that active policy measures can force people to take up any job, however unfavorable working conditions are to them (Lohmann, 2008; Spannagel, 2013). While a jobseeker is expected to be highly skilled and mobile, ready and willing to accept

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<sup>3</sup> For example, despite increasing educational achievements, the younger generations have been hit harder by unemployment over the past decade. For the same period, their employment (aged 25-39) stagnated, while that of older workers (40-54) and elderly workers (55-64 years) increased (EU, 2017). The reason could be attributed to the legal increase of the pensionable age.

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any job in any circumstances, too little emphasis has been placed on the demand side - on business and government - to ensure that labor markets offer quality and sustainable jobs that are inclusive and accommodating to workers with differing personal circumstances (EAPN, 2017). Experience shows that employment growth does not always influence poverty reduction (Cantillon, 2011; Herman, 2014; Vandembroucke and Vleminckx, 2011). Often, the proposed employment is of such quality that the persons simply switch from the group of the unemployed to the working poor category.

Flexible temporary employment contracts sometimes have bilateral economic and social impacts. For some workers, they can be a positive option (and a stepping stone to finding a better job), but for many others they amount to lack of security, vulnerability and loss of multiple rights. More and more workers are faced with the alternatives of shorter and unprotected employment contracts, inadequate working hours, unpaid traineeships, easier dismissal, often accompanied by low benefits. Because of insecurity and inadequate pay, some people have to work in additional places to secure the necessary funds. This has adverse consequences for their health and well-being as well as for their households as a whole.

Consequently, the EU report (EU, 2012) stresses that, despite the increase in employment in the EU, there is some concern about the quality of many of those jobs, not least in terms of pay and job security, and the need to strengthen the links between job creation policies and those aimed at reducing poverty. Economists note (Fraser et al., 2011) that increased employment in Europe over the past fifteen years has not led to a significant reduction in poverty due to the relative expansion of low-quality jobs.

In 2016, a report by the International Labor Organization (ILO, 2016) distinguished between standard and non-standard employment. If, by standard employment relationship, we understand full-time employment subject to a bilateral employment relationship, then (though there is no formal definition), non-standard employment will be any employment that is not included in the standard employment. On this basis, the ILO distinguishes four types of non-standard employment (ILO, 2016, p. 3): (1) temporary employment; (2) part-time work; (3) temporary agency work and other forms of employment involving multiple parties; and (4) disguised employment relationships and dependent self-employment. Within these four categories, there are different forms of employment arrangements, some of which are country-specific.

Temporary employment is usually associated with contracts for a certain period of time in connection with the execution of projects or tasks, as well as seasonal or occasional work, including day work. It also applies to some unusual work in very short terms - days, weeks, or even hours - against a fixed remuneration. Unusual work is often associated with paying an informal salary.

For part-time work, many countries apply specific legal thresholds, but for statistical purposes, work activity is typically less than 35 or 30 hours a week. In some cases it can take place within very short hours or without pre-established hours, and thus be identified as "work on call". The main features of this type of arrangement are the high volatility of the work schedule and the job insecurity. In addition, workers, apart from insecure pay, usually have limited control over their work schedule. They can hardly keep a balance between work and personal life, and the varying schedule hampers the possibility of starting a second job.

The use of temporary employment agencies relieves the company from signing a contract of employment and assuming social commitments to the contractor (with the exception of certain partial responsibilities with regard to health and safety). It only concludes a contract with the agency, which, in turn, concludes an employment contract with the worker. The existence of more affected parties can create restrictions on or confusion of workers' rights. According to the ILO, this type of employment represents "an appearance that is different from the underlying reality, with the intention of nullifying or attenuating the protection afforded by law" (ILO, 2003).

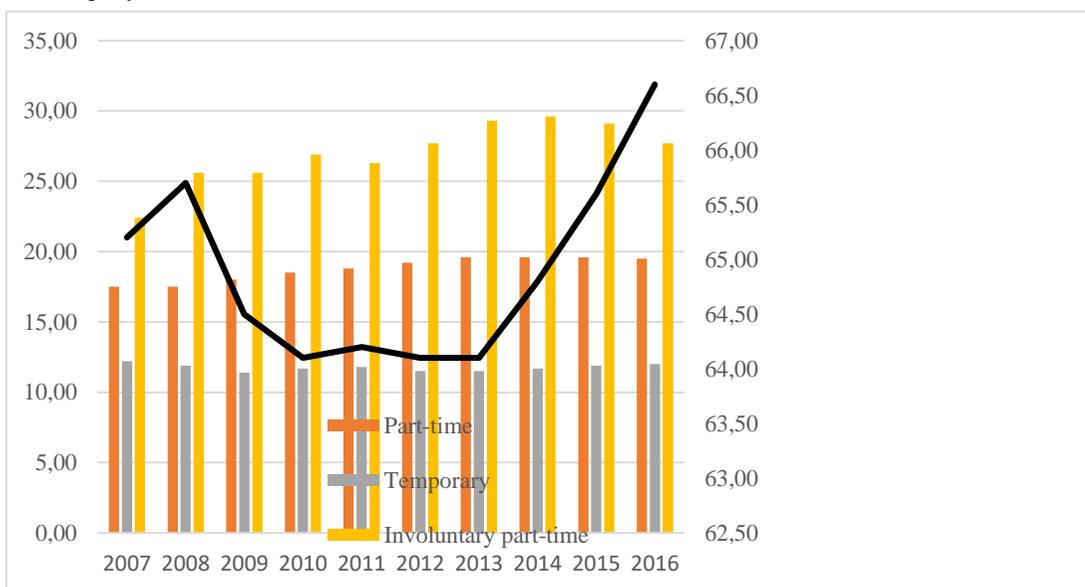
Another area in which legal omissions and avoidance of company liability can occur is dependent self-employment. Employees carry out business services under a civil contract and are dependent on several clients, from whom they receive instructions and form their income. These are so-called dependent self-employed individuals. They usually do not fall under the provisions of labor law and remain on the margins of social security legislation.

Non-standard employment is beneficial to businesses by providing them with more creative ways of avoiding taxes, insurances, investments, and benefits. How the non-standard employment will affect workers depends to a large extent on the length of the period of employment and on whether these jobs are voluntary or not. The possibilities and dynamics of transitions from non-standard to standard workplaces are also crucial. The high frequency of non-standard employment is often a prerequisite for limiting the worker's ability to move towards more secure employment and wider social benefits. Working conditions are the basis of paid employment and employment relationships and cover issues such as working time, wages and other remuneration, health and safety at work, access to social security and training opportunities (ILO, 2016).

Figure 1 presents an illustration of the dynamics of different forms of non-standard employment in the EU over the period 2007-2016 as a share of total employment. The figure clearly shows that forms of non-standard employment do not follow the dynamics of total employment. In the years of the economic downturn and the recovery period after it, part-time employment (and especially the involuntary one) greatly displaced standard employment. Switching to non-standard work has affected the younger generation to a greater extent. The share of young people (25-

39 years old) in temporary employment is more than twice as high as that of people from older generations (40-65 years). Much of the observed increase in part-time work is not according to their wish, as more than one in three of the younger part-time workers has taken the job because they have been unable to find a full-time job (EC, 2017). After all, employment really remains the best guarantee against poverty and social exclusion. But for many people in poverty, the solution is not just more work, but better work.

**Figure 1.** Dynamics in the forms of non-standard employment in the EU (as % of the total employment)



Source: Eurostat.

### 3. The Working Poor in the European Context

Obviously, the concept of working poor in the developing world adds a new dimension to the labor market research, putting productive employment at the forefront of the poverty debate. However, in defining working poor, several points of reference should also be considered. The differences are manifested in the individual characteristics: not only who is employed and what should be the length of time spent at work to account for employment but also what is the nationally accepted level of income below which a person will be considered poor, who should the earnings be referred to - the worker himself or proportionally to the members of the household to which s/he belongs.

The ILO identifies as working poor people who are working and belonging to poor households (ILO, 2005). Under this definition, a worker will only be poor if he fails

to raise himself and his family above the poverty line. Obviously, the basis of the definition is formed by two statistical units - the individual and the household.

It is therefore necessary to combine two basic approaches (Peña-Casas and Latta, 2004): 1) the working poor situation can be considered mainly as a product generated by the economic environment of low wage employment, low productivity and increasingly skilled jobs demands; 2) the working poor category can be approached as a social issue entangled in the complex universe of the relationship of households to social and economic contexts such as labor market exclusion, low quality employment, social protection, poverty and social exclusion.

The common denominator is the household. It is the basis for establishing the classification of "poor" and "not poor" (Majid, 2001; Herman, 2014). A worker can receive a satisfactory income but be a member of a household whose total income is below the poverty line or vice versa.

There are many definitions of working poor (Pena Casas and Latta, 2004; Crettaz and Bonoli, 2010), varying depending on national circumstances. Within the European Union, people who have been in work for more than half a year are defined as "employed", while "risk of poverty" means income below 60% of the national median income<sup>4</sup> (Eurofound, 2013).

The European focus on employment quality and the objective of combating poverty and social exclusion contribute to the central position of working poor in the interplay between the European Employment Strategy and the Open Method of Coordination. The existence of working poor is a signal that although employment is still the best way to overcome poverty, it is not always sufficient. Therefore, already in 2003, the Subgroup Indicators of the Social Protection Committee define a European indicator for working poor to be used within the Open Method of Coordination on Social Inclusion. In the portfolio of European poverty indicators, the indicator "In-work at-risk-of-poverty" is presented as follows: "Individuals who are classified as "employed" and who are at risk of poverty." (EC, 2009), i.e. these are employed, but whose disposable income puts them below a certain income limit, which characterizes them as poor. An overview of the dynamics of the indicator gives an interesting picture (Table 1).

Despite the increase in employment, the poverty rate of employed people in the EU-27 in the period 2007-2015 increased by 1.4 percentage points to 9.5% (for the EU-28 the share was 9.4%). At the same time, there are significant variations in this value between Member States. The most effective European country is Finland (3.4%). In-work-poverty rate is highest in Romania (18.3%) – almost 2 times higher

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<sup>4</sup> *It should be made clear that the subject of the present study is only the general monetary poverty and the monetary poverty among the employed. Material deprivation and the risk of social exclusion will not be considered.*

than the average for Europe and almost 6 times higher than that in Finland. The indicator is over 10% in nine of the member states. The risk of poverty is under 5% among employed people in Finland (3.4%), Ireland (4.0%), the Czech Republic

**Table 1. Dynamics of the share of working poor in EU countries**

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EU 28	:	:	:	8,2	8,7	8,8	8,7	9,3	9,4	:
EU 27	8,1	8,4	8,2	8,2	8,7	8,8	8,8	9,4	9,5	:
Belgium	4,1	4,5	4,4	4,4	4,1	4,3	4,1	4,7	4,3	4,5
Bulgaria	5,6	7,5	7,4	7,5	7,8	7,4	6,8	9,3	7,5	11,5
Czech Republic	3,4	3,8	3,3	3,8	4,2	4,7	4,2	3,7	4,1	3,9
Denmark	4,1	5,1	5,7	6,3	6,1	4,9	5,1	4,8	5,0	5,0
Germany	7,2	6,9	6,7	6,9	7,4	7,5	8,4	9,5	9,4	:
Estonia	8,0	7,6	8,5	6,9	8,5	8,5	7,7	11,7	10,4	:
Ireland	5,0	6,0	4,5	5,0	4,7	4,9	4,3	4,8	4,0	:
Greece	13,7	13,6	13,4	13,5	11,6	14,4	12,3	12,7	12,6	13,2
Spain	10,0	11,3	11,5	10,7	10,8	10,6	10,2	12,2	13,2	12,9
France	6,2	6,4	6,5	6,3	7,4	7,9	7,5	7,8	7,4	:
Croatia	:	:	:	6,2	6,4	6,0	6,1	5,8	5,8	5,3
Italy	9,4	9,1	10,2	9,6	11,1	11,1	11,0	11,1	11,6	:
Cyprus	6,2	6,2	6,8	7,3	7,2	8,1	9,0	7,6	9,0	:
Latvia	9,5	10,7	11,2	9,7	9,5	9,0	9,2	8,4	9,6	8,5
Lithuania	8,3	9,7	10,6	13,1	9,9	7,8	9,5	8,8	10,5	:
Luxembourg	9,5	9,5	10,1	10,7	9,8	10,3	11,1	11,1	11,6	:
Hungary	5,7	5,7	6,1	5,4	6,1	5,5	7,0	6,7	9,4	9,7
Malta	4,4	5,2	5,4	5,8	6,2	5,2	5,9	5,5	5,4	:
Netherlands	4,3	4,5	4,8	4,9	5,4	4,5	4,3	5,3	5,2	5,7
Austria	6,1	8,5	8,0	7,3	7,5	8,1	7,8	7,0	7,7	8,2
Poland	11,7	11,4	11,0	11,5	11,1	10,4	10,7	10,5	11,3	:
Portugal	8,6	10,7	9,8	9,2	9,9	9,5	9,9	10,3	10,6	:
Romania	16,3	16,6	16,8	17,3	18,6	18,6	17,9	19,4	18,3	18,3
Slovenia	4,6	5,0	4,8	5,3	5,9	6,5	7,0	6,3	6,6	5,9
Slovakia	4,9	5,8	5,2	5,6	6,3	6,2	5,8	5,8	6,0	6,5
Finland	4,7	5,0	3,8	3,5	3,8	3,6	3,7	3,6	3,4	3,0
Sweden	6,6	7,1	7,1	6,7	7,0	7,0	7,1	7,8	7,3	7,0
United Kingdom	7,7	7,8	6,0	6,6	7,5	8,3	7,9	8,6	8,3	:
Iceland	6,9	6,5	7,4	6,8	6,6	4,9	6,0	4,5	6,5	:
Norway	5,5	5,4	5,5	5,1	5,6	5,1	5,9	5,1	5,5	5,9
Switzerland	7,6	9,3	7,9	7,3	7,4	8,4	7,3	6,0	7,9	:

*Source: Eurostat.*

(4.1%) and Belgium (4.3%). The majority of countries where the rate is below the EU average mark a percentage increase over the years - by one to two percent. The most significant increase was recorded in Hungary (3.7%) and Spain (3.2%). The exceptions are Ireland, Greece. Poland, Finland, Iceland and Norway, who have been able to achieve a reduction in the poverty rate among workers. On the other

hand, among the countries where in 2007 the indicator has a value above the EU average, only Greece shows a decrease of around 1% and Poland by 0.4%.

The economic crisis and the recovery packages in recent years have led to additional pressures to reduce labor productivity by increasing in-work-poverty rates in 21 EU countries, as outlined in Table 1. A partial explanation of the dynamics of the risk of poverty is that it is a relative value that changes in parallel with the dynamics of the average income. However, the fact that the working poor represent almost one tenth of adults of working age again proves that the availability of jobs is not necessarily a guarantee against the risk of poverty. In practice, it is clear that in-work poverty is associated with specific circumstances - low pay, precarious employment, low labor intensity and part-time work, which often result in low annual earnings.

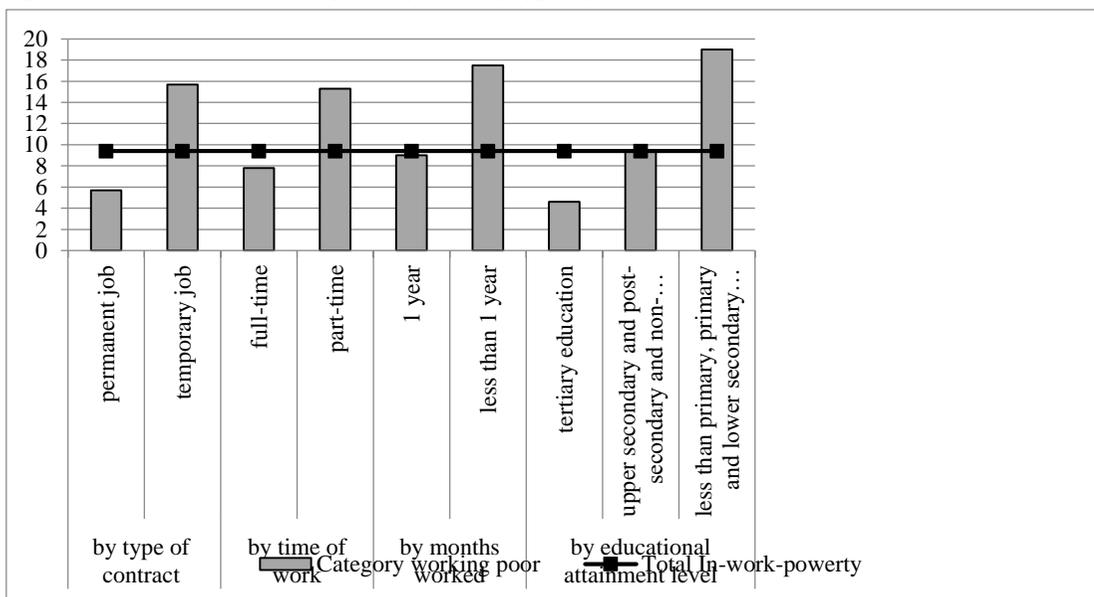
One practical feature that needs to be noted, although not considered by European indicators or in the debate on the political cause, is the link between poverty among employed people and the low pay. The two issues are sometimes mixed, but although they are related, they are different. Two relatively independent concepts can be highlighted – low-paid workers and "working poor".

The differences between them are mainly related to the earned income. The first concept relates to the distribution, i.e. the remuneration received for the work done, and the second – to the consumption, i.e. the distribution of income in the household. There may be a working poor with a relatively high salary (if his income is distributed among non-working members in the household) and vice versa - a low-wage worker is not necessarily poor (if the total household income is relatively high). The situation is strongly dependent on the income distributed among household members. Nevertheless, research has shown that the employment rate is usually the highest among low-income people (Marlier, Ponthieux, 2000).

It can be assumed that the risk of poverty among working people is strongly dependent on the type of employment the person exercises (Figure 2). The figure confirms the initial presumptions. The highest risk is the risk of poverty for low-skilled workers and those who have not worked for a whole year (these may be seasonal workers or people who, for one reason or another, have left the labor market prematurely). They are followed by persons employed part-time on temporary contracts. The lowest risk of poverty is encountered by those with tertiary education and permanent jobs (5.7%) and those employed full-time (7.8%). In practice, the risk of poverty among people employed part-time or on temporary contracts is about twice as high as that for people employed full-time with permanent employment contracts. This clearly highlights the strong link that can be made between the issue of poverty among the employed people and the global issue of employment quality.

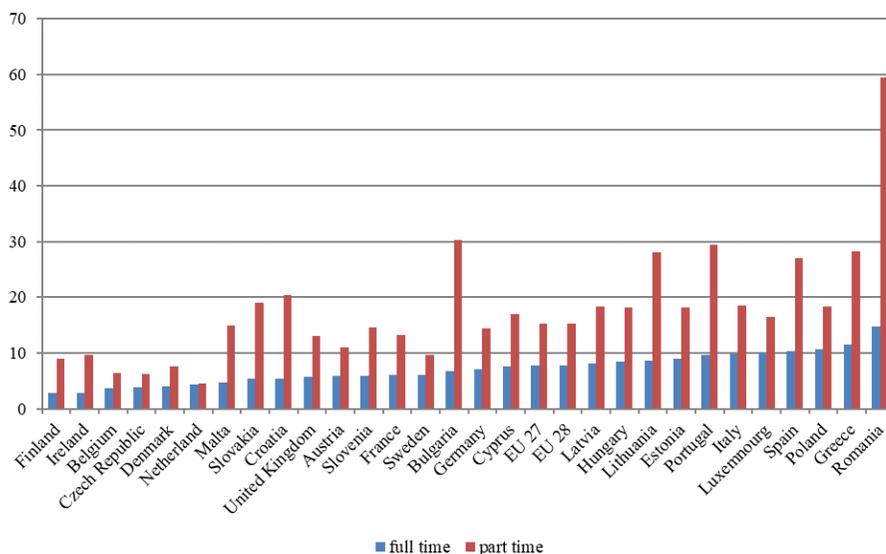
Figure 3 presents a more detailed picture in the same direction. The subject of consideration is the significant differences in the poverty risk rate of workers in permanent and temporary employment in individual European countries in 2015.

**Figure 2.** In-work at-risk-of-poverty rate by type of contract in EU 27 (2015)



Source: Eurostat

**Figure 3.** In-work at-risk-of-poverty rate by full-/part-time work in EU (2015)



Source: Eurostat

Temporary contracts are usually prevalent among certain groups on the labor market - young people, immigrants and those with low skills. Sometimes, but not necessarily (especially for young people at the beginning of their careers), temporary contracts are only a step towards moving to permanent ones. In all cases, poverty among temporary workers is several times higher than among those under permanent contracts. Especially in Romania and Bulgaria the difference is more than four-fold. Only in Netherland the risk of poverty among temporary workers is almost the same to workers with permanent contracts.

The widespread distribution of low-quality and precarious employment combined with low incomes in almost all Member States significantly increases the risk of poverty among the working population. This is particularly evident (but not only) in those European countries with the highest levels of working poor (Romania, Spain, Greece, Poland, Italy, Portugal and Lithuania) - over 10%. Therefore, the legal increase of minimum wages is often seen as an important policy tool to tackle the in-work poverty. It can help prevent in-work poverty and reduce income inequality, especially in countries with the lowest minimum wages in the EU (Bulgaria, Romania, Lithuania and Latvia). However, the most important issue is to determine the appropriate level of minimum wages. Indeed, minimum wages can be a valuable tool for reducing poverty among households in which all persons of working age are employed full-time but are low-paid. However, account must also be taken of improving labor productivity, as it is well known that wages reflect productivity. Otherwise, a situation of layoffs of low-skilled personnel may occur. Moreover, the design of minimum wages is not tied to specific household situations or to specific employment conditions, such as part-time work. In this case, they provide little support for the working poor who cannot find a full-time job.

#### **4. Possibilities for overcoming the “working poor” syndrome**

Already the Council Recommendation (1992) explicitly stated that "Persons residing in the European Union (EU) should have access to sufficient resources and assistance to live in a manner compatible with human dignity". This view was clearly expressed in the 2000 Charter of Fundamental Rights, Title IV, Article 34 "Social Security and Social Assistance".

The processes that have been going on in recent years have confirmed a situation where the "working poor" are not only a high-risk contingent but also form a lasting lifestyle model. Overcoming this phenomenon must be done through the prism of a fundamental principle - preserving the dignity of the person who is directly and inseparably linked to labor. When determining pay, considerations should not only be in terms of individual economic performance and social progress, but also in terms of the nature of labor and working conditions, as well as the objectively existing consumer, living and social standards in the country. A positive outlook on the scope and adequacy of income support is noted in the Annual Growth Survey 2017 (European Semester, 2017a), but parallel comments on "incentives to work"

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may undermine positive intentions. The Joint Employment Report (European Semester, 2017b) clearly identifies the need for integrated active inclusion strategies (including income support). However, no specific parameters have been formulated to establish a clear link between income support, access to quality services and the provision of active labor market policies. Thus, active inclusion can still be interpreted as a pressure on individuals to accept any (even a low-quality) job. As a result, poverty reduction and the Europe 2020 employment targets seem contradictory.

In order to avoid such a situation, it would be a good idea to build up criteria at European level on what would be a sensible proposal for quality work, guaranteeing decent pay, a certain social standard, flexibility of working time and workplace security. The approach must be flexible enough to take into account both the specificities of the economic activity concerned and the individual needs of workers (personal or family status, health, disability, etc.).

As part of the Europe 2020 strategy, alongside the 75% employment target, it is necessary to develop an inclusive vision for employment that requires commitment to invest in quality and sustainable jobs.

In this respect, the political will, supported by the European Semester with different documents (eg through country reports) and specific recommendations, as well as adequate financial resources (eg by prioritizing the Structural Funds), can play a significant role in this direction.

Different levels of poverty among people on permanent and temporary contracts and the inconsistencies in the rights they have are identified as a key source of segmentation (EC, 2012c). Therefore, in times of crisis, many Member States are starting to review their labor laws to create different incentives for employment. Emphasis is placed on the flexibility of labor markets as a means of achieving greater efficiency of the economy in the new conditions of dynamic global processes. There is a question of combining flexibility in the labor market and security (*flexicurity*)<sup>5</sup> (Eurofound, 2008). *Flexicurity* is seen as a combination of three factors - employment, job security and adequate income. It requires effective labor market functioning coupled with increased employment and poverty reduction with cost-effective, more flexible organization and duration of working hours and pay under employment contracts. This calls for a new, balanced approach to the flexibility of business decisions on the security of hired personnel.

The European Commission Employment Package (EC, 2012b) provides for the following actions to include measures and balanced reforms in employment protection legislation to correct the segmentation and limit the excessive use of non-standard contracts. Moreover, all types of contractual agreements will give regular

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<sup>5</sup> The term results from merging the words flexibility and security.

workers access to a range of rights including access to training, social protection and monetary protection in the event of termination of contracts not through their fault.

An additional solution is investing in human capital through inclusive education and training education and training policies and adapting education and training systems in line with the new requirements for competencies and digital skills. Legal requirements can be developed to regulate different systems related to raising the level of education and qualification of low-wage earners (which will also help to increase the productivity of their work), as well as introducing incentives in this area (for example, different tax reliefs).

At the same time, since the "working poor" are defined as such within a particular household, levers can be sought to influence the total household income through the social assistance system. Typically, poverty rates are higher for families with children. Social transfers play a key role precisely because they can be targeted at the most vulnerable households and play a compensatory role in terms of income distribution between bread earners and dependents.

In most OECD countries, employment aid, representing transfer payments that complement the earnings of low-income workers (OECD, 2009), is a solution to the problem. These schemes have significant advantages over traditional social transfers. They not only redistribute resources to low-income households, but also make employment more attractive for low-income workers. At the same time, they increase incentives to look for employment as they are conditional - the person must be employed.

The complex implementation of all these measures would significantly improve the protection of workers against poverty. The drive for European society is to build a dynamic market where people can apply their skills, help the functioning of a competitive economy, and receive income protection that provides them with a decent way of living. Reducing worker poverty is one of the most significant steps on this path.

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