

In-work poverty in times of pandemic

by [Luca Ratti](#) on 27th April 2020 [@LucaRatti15](#)

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The coronavirus crisis is exacerbating in-work poverty in the EU—and a powerful raft of labour-market and welfare measures is needed for an adequate response.



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According to Eurofound, in 2018 there were more than 20 million workers in the European Union living in households at risk of poverty—an **increase of in-work poverty** from 8 to 10 per cent since 2006.

Because of Covid-19, virtually all EU countries are in lockdown, in an effort to 'flatten the curve' of new infections. These lockdowns have enormous implications for society at large.

Understanding the economic shock **is crucial** to responding to it. In 2019, 11 academic and research partners launched a research project on in-work poverty, focusing on four clusters of workers **most severely affected**: low-skilled full-time permanent employees, atypical workers, self-employed persons and casual or 'zero-hours' workers. (The project, 'Working, Yet Poor', **is funded** under the Horizon 2020 scheme.)

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Any reflection on how the pandemic will affect in-work poverty and inequalities in Europe would need to consider the **multi-layered nature** of those phenomena and the role of EU institutions in **combating them**.

Heavy economic cost

Globally, the coronavirus has run indiscriminately across countries and interim confinement measures have affected horizontally all workers, **widening social divides**. The International Labour Organization **suggests** that the 'active population'—workers and the self-employed aged 15-64—will bear a heavy economic cost for years, due to job loss, income reduction, underemployment, career uncertainty and insecure labour conditions. Poor and working-class people will **bear the brunt**, as most 'essential' workers are low-paid or precarious and frequently work in unsafe environments.

Governments have intervened to subsidise depressed industries and sustain aggregate demand. To date, measures can be roughly grouped into three types:

- subsidies to business (flat-rate loans, special reimbursements, tax reliefs) to compensate for forced interruptions;
- compensatory measures for workers whose activities have been **suspended**, aimed at reducing (even to zero) working hours by public supports **modelled on** the German short-time scheme (Kurzarbeit), and
- cash compensation for **the self-employed**.

Governments (and some employers) are offering bonuses to essential workers who assure continuity of services. They are also supporting enterprise restructuring, including **industrial reversion** and **forced nationalisation**, and making significant efforts to avoid mass redundancies through **job-retention schemes**. **Italy** and **Spain** were the first countries temporarily to ban dismissals.

Ever more uncertain

All such measures, conceived as temporarily tackling the closure of most economic activities, will influence the regulation of labour markets and employment relationships. Scarcity of social protection outside the ever-more-uncertain confines of the employment relationship will probably aggravate in-work poverty and labour-market inequalities in the years to come.

During the pandemic and its aftermath, unresolved issues may come to a head. The need for well-considered policy recommendations has only become more pressing.

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The crisis demonstrates the urgency of a coherent, pan-European response to critical aspects of labour regulation and in-work poverty. Existing social safety nets **cannot be relied upon to provide adequate protection**. Whatever measures the EU and its member states are going to introduce, it is crucial to keep as many people **in employment** as possible.

Quality of employment

The EU should however refrain from relaunching a European employment strategy simply based on numbers, as too many households paid the price of the '**Jobs, jobs, jobs**' imperative of the 2003 Kok taskforce report. **Precarious working conditions** are among the factors that so far have mainly influenced the spread of in-work poverty in Europe. Quality of employment should therefore be at the core of future policy actions.

Furthermore, it may not be sufficient to speed up the process for the establishment of a harmonised framework on **fair minimum wages** as proposed by the European Commission. Granting a wider coverage of collective agreements **may also be pivotal** to transforming a quasi-private phenomenon into an instrument of public socio-economic policy. Studies show that, to combat in-work poverty, targeted measures such as **increased child benefits, enlarged safety nets** and **sectoral collective bargaining** should

additionally be put in place.

A strong European instrument to respond to temporary unemployment should operate as soon as possible. The latest move by the commission to introduce a €100 billion **unemployment scheme** (SURE) should be welcomed as a useful shield to prevent household poverty, and should therefore find extensive and rapid support from member states.

In the assessment of the effects of the crisis, thresholds to measure in-work poverty should **better reflect** actual needs and consequently identify how the most vulnerable and under-represented categories in the labour market can be protected. This is particularly true once we look at household composition and overall income, not easily captured by existing social-security nets.

Emerging from the crisis, there could even be a reconsideration of the very distribution of competences between the union and its member states, promoting a revision of the treaties. This is not currently on the table—**but might it be?**

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