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SPECIAL ISSUE

IN-WORK POVERTY IN THE EU

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Weekend

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Editorial

In-Work Poverty in the EU¹

Luca Rattiⁱ and Antonio García-Muñoz Alhambraⁱⁱ

The European debate on in-work poverty

In-work poverty is currently a topical issue at EU level, featuring high in the EU agenda. This is the result, firstly, of the increased visibility of the problem in European statistics since the adoption, in 2003, of Regulation (EC) No.1177/2003 on Community Statistics on Income and Living Conditions (EU-SILC) (2), and, secondly, of the relatively high and increasing number of people working but yet falling below the poverty line.

Statistical data show that, in 2019, 9% of all employed persons aged 18-64 in the EU-27 were in-work at risk-of-poverty (3). This means that almost one in ten European workers lived that year in a household with an equivalent disposable income below 60% of the median of the national equivalised household income. Since the *in-work at risk-of-poverty* indicator is a relative measure, the differences across Europe are not based on direct comparisons of salaries between countries. Similarly, in some Member States, certain level of in-work poverty is compatible with very low material deprivation (which is an indicator of absolute poverty) whereas material deprivation may be relatively high in countries with lower in-work poverty rates.

Some problems that a high level of in-work poverty may cause to European societies are almost self-evident: in-work poverty affects negatively social justice, may fuel political instability (in times of increasing populism), causes social distress and, no less importantly, it affects the content and concept of EU citizenship and the trust of EU citizens in the Union. Some other consequences are less obvious. In-work poverty is a threat to the narrative of the social pact that insists on the idea that work is the best shield against poverty, thus challenging any policy aimed at work creation as the main formula against poverty.

High expectations are placed on regulation at EU level to tackle in-work poverty in a coordinated way in Europe, but a number of questions remain unresolved: what is the role of regulation in the social domain in relation to in-work poverty? What can the EU legislator do?



1. This Special Issue reflects only the authors' views. The Research Executive Agency is not responsible for any use that may be made of the information it contains. The WorkYP project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 870619.

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2. [Regulation \(EC\) No 1177/2003](#) of the European Parliament and of the Council of 16 June 2003 OJL 165, 3.7.2003, p. 1.

3. Eurostat. [In-work at-risk-of-poverty rate by age and sex - EU-SILC survey](#).

A debate on in-work poverty is, therefore, very timely. EU Law live will contribute with two Special Issues on the topic. In both Special Issues, the editors propose to explore some key topics from the perspective of labour law and social security.

In this first Special Issue, the reader finds two contributions: Ane Aranguiz, Eleni De Becker and Paul Schoukens explore the possibilities of an EU instrument on minimum income and its role to fight in-work poverty. In the second contribution, Luca Ratti deals with the proposal for a Directive on Adequate Minimum Wages in the EU and the many legal questions it poses. The second Special Issue on in-work poverty, to be published in spring 2022, will address, on the one hand, the much-debated regulation of platform work at EU level and, on the other hand, the thorny issue of collective bargaining for the self-employed in the EU.

‘Working, Yet Poor’, a Horizon 2020 Project focused on in-work poverty

All contributors in both Special Issues are part of the Project Working, Yet Poor (WorkYP) (4), coordinated by the University of Luxembourg. The contributions build on the work already done in the Project, which is entering its third and final year.

The WorkYP Project gathers together twelve partners, including 9 European Universities (University of Luxembourg; University of Bologna; Goethe University Frankfurt; KU Leuven; Tilburg University; Erasmus University Rotterdam, University of Lund; University of Gdansk and Utrecht University) and three Institutions working in the field of social rights and poverty (Observatoire Social Européen; Fondazione Giacomo Brodolini and European Anti-Poverty Network).

The WorkYP Project’s aim is to gain a better understanding of the role of regulation in setting the conditions that produce (and reproduce) in-work poverty, in order to propose regulatory strategies that may help to tackle it. In this sense, the Project will contribute to achieve the goals proclaimed in the European Pillar of Social Rights (EPSR), namely to grant all workers ‘fair and adequate wages’ and to have an ‘adequate protection for all kinds of employment’.

In-work poverty is a complex societal issue, which cannot be easily explained using clear cause-effect patterns. While regulation certainly plays a role, other determinants must be considered. Even if we restrict the analysis to the role of regulation, several branches of law may have an impact on in-work poverty, from tax law and social security law, to labour law and competition law. More in general, the existence of adequate and affordable social services, social conditions and gender are also relevant factors. A challenging aspect of the WorkYP Project relates to the fact that existing statistics about in-work poverty do not focus on individuals, but are rather based on the household dimension. The situation of a particular individual concerned, in terms of in-work poverty impact, depends not only on her individual position in the labour market, but also on the composition of the household where she lives and on the position in the labour market of the other household’s members. Labour law (and to a lesser extent social security law), on the contrary, is built largely on the premise of the individual worker.

4. The website of the Project can be consulted [here](#).

The WorkYP project applies an innovative and interdisciplinary methodology which includes a comparative analysis of the regulation at national level in seven European countries (Belgium, Germany, Italy, Luxembourg, Netherlands, Poland and Sweden) and a vertical focus on particular groups of workers who, because of their position in the labour market, are more at risk of experiencing in-work poverty. The project has labelled these groups as VUPs (Vulnerable and Underrepresented Persons). The four VUP groups identified by the project include: full-time workers working in low-wage sectors (VUP 1); solo self-employed (VUP 2); atypical workers (fixed-term, part-time and agency workers) (VUP 3); and casual workers, including those persons working under casual contractual arrangements, platform workers and workers in the gig economy (VUP 4).

The focus on these VUP groups allows for a targeted approach, more sensible to the particular needs of such groups in the labour market. Therefore, tailor-made proposals to tackle their problems are possible. Given the differences among different groups of workers in their exposure to in-work poverty, focusing on VUP groups is a more effective strategy in fighting the loopholes of the existing regulatory framework at both EU and national level than addressing the whole working population to find general solutions.

The topics addressed in the Special Issue

In this Special Issue, the current debates at EU level concerning two of the most widely known instruments to tackle in-work poverty – the minimum income and the minimum wage – are presented. Both instruments aim at securing minimum income levels, which, while may not be the only factor to take into account, plays nevertheless an important role regarding in-work poverty.

A guaranteed minimum income exists, in different forms, in most EU Member States, yet not always in an adequate form. There is an ongoing debate on the convenience and opportunity to regulate minimum income at EU level, with an active involvement of the Parliament (5) and the Council (6). Although it has yet not produced regulative proposals, such debate demonstrates how important is the current reflection about the goals and future of social Europe. While minimum income policies are directed mostly to people who are not at work, they have an indirect impact on people at work, functioning as a minimum that prevents the existence of (very) low salaries. Minimum income schemes may also support households where work intensity is particularly low. Ane Aranguiz, Eleni De Becker and Paul Schoukens provide an insightful contribution on this topic by presenting the current state of the debate, the main issues that an EU instrument on minimum income raises, and potential alternatives and complementary pathways to provide adequate minimum income protection for EU citizens.

When it comes to minimum wages and their role in combating in-work poverty, many questions remain open. Minimum wages exist in most European Member States, although in different forms. While a majority of EU Members States has statutory minimum wages, some legal systems have minimum wages set through collective agreements, typically at sector level. Another issue concerns the adequacy of minimum wages, whatever form

5. [European Parliament Briefing](#) 'Strengthening minimum income protection in the EU' March 2021.

6. Council of the European Union. 'Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond' [Council Conclusions 11721/2/20](#), 9th October 2020.

they have, to protect effectively workers against in-work poverty. There are no simple answers to the question of what is the role of minimum wages in the fight against in-work poverty, although studies demonstrate that minimum wages contribute to protect workers' income, particularly in low-wage sectors.

These debates became even more relevant since October 2020, when the European Commission presented a proposal for a Directive on Adequate Minimum Wages in the European Union (7). This interesting document raises, nevertheless, numerous legal questions. Luca Ratti describes in its contribution the main contents of the proposal against a background of the on-going developments of the EPSR and the EU's fight against in-work poverty.

Luxembourg, 19.11.2021,
The editors



7. European Commission, [Proposal for a Directive on Adequate Minimum Wages](#). COM(2020) 682 final, 28 October 2020.