
In-work poverty, precarious work and indebtedness. The steady state European equilibrium?

Abstract

Since the establishment of a European strategy to create more and better jobs at the end of '90s Member States faced many efforts pursuing the target of high percentage of employed persons, target renewed with Europe 2020 strategy. In the same years many citizenship rights, universally recognized, started to be conditioned to the employment status: the "welfarism" was rapidly substituted with "workfare", with the twin aims of encouraging activation of labour force and - less claimed - of cutting public expenses, especially in social services. In this paper we analyse trends and relations of certain dimension of employment to better understand the sustainability of this approach. The "new" employment is more and more characterized by undermining factors: insecurity, precariousness, poverty. States pursuing active labour market policies, under a Flexicurity approach, besides a good labour market performance, are still facing with poverty and job insecurity of many workers. This is accompanied by growth of household indebtedness, the other dangerous drawback of welfare "commodification" processes. Beyond enforce Employment Protection Legislations, Basic income or Minimum wages, we should change the targets of European strategy with more social or qualitative components (e.g. quality of employment) and get over the Flexicurity approach.

Foreword

The European Employment Strategy (EES)¹ started in 1997 and was inspired by the White Paper of Jacques Delors titled *Growth, Competitiveness and Employment* (1993). The EES aims to create more and better jobs throughout the single market of EU. This strategy, strongly pursued², never reached, was replied also as a driver for Europe 2020. In the 2020 strategy the EU wide-priority has shifted from combating unemployment to increasing overall employment levels with specific rates for women and older workers. The basic idea of the new strategy seems to be in a growing obligation “to be employable” rather than to have “rights to work”, associated with a shift from a welfare State to a “workfare” State (Tromp and Beukema, 2001). In other words, the ideology of full employment threatens to move towards a notion of employment-based citizenship, marked by a stress on supply-side labour market policies rather than social protection. Access to social security becomes thus conditioned by the individual development of capacities and competencies useful to the market³. The overall target of Europe 2020 strategy is to have 75% of employment rate - age group 20-64. Each Member State has a different target around that value and they are constantly monitored by a scoreboard of Eurostat - Headline indicators⁴.

Unemployment rates are now at very different levels in the various EU-15 Countries (and very far apart across the EU-28), ranging from less than 3 percent in Czech Republic to 21 percent or more in Greece. Actually we can define at least three blocks of Europe: the “virtuous” performance carried out by a group of continental Countries⁵ who preserved low levels of unemployment before and after the crisis of 2008 and 2011; the “resilient” Countries⁶, who managed in a good way the loss of the labour demand after the second crisis (2011); the “shocked” Countries, corresponding with the peripheral Europe⁷, that suffered the main shifts with high level of unemployment during 2008-2011 and then slowly tried to fill the gap (Figure 1).

¹ See for further consideration on this huge debate: Foden and Magnusson, 2003; De la Porte and Pochet, 2003, 2004; Watt, 2004.

² The “Lisbon strategy”, established in 2000, makes full employment one of its three overarching objectives, and specifies quantitative targets: an average EU employment rate of 67 percent by 2005 and 70 percent by 2010. The revised EES presented in 2003 after five years of the “Luxembourg process” emphasized ‘*good governance and partnership in the implementation of the employment guidelines*’: there was a double necessity to implement employment guidelines effectively and to involve in the process parliamentary bodies, relevant actors at national, regional and local levels, and the social partners (European Council, 2003; EC, 2004a)

³ Léonard, E. (2005). *Governance and Concerted Regulation of Employment in Europe*. European Journal of Industrial Relations, 11(3), 307-326.
<https://doi.org/10.1177/0959680105057213>

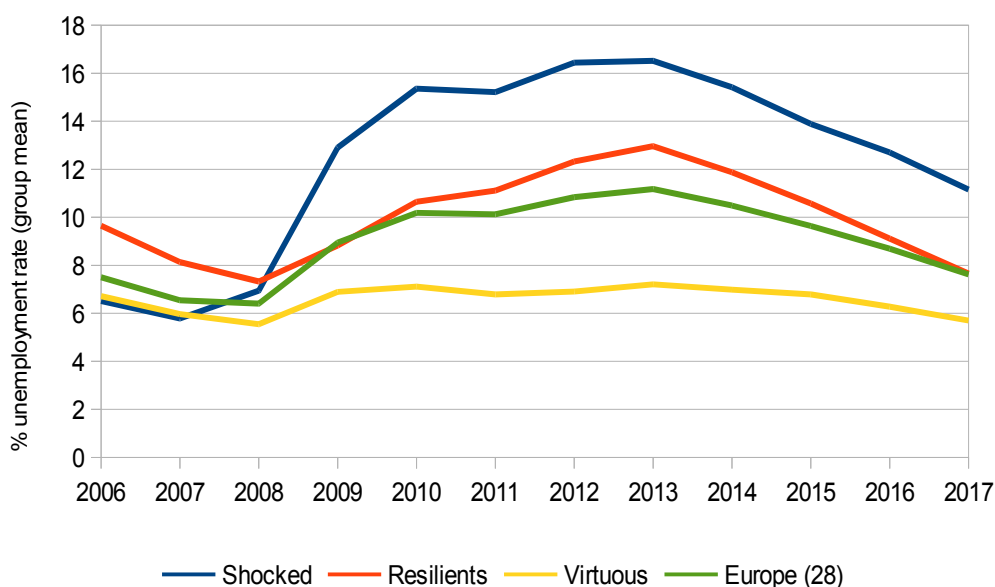
⁴ <http://ec.europa.eu/eurostat/web/europe-2020-indicators/europe-2020-strategy/headline-indicators-scoreboard>

⁵ Germany, Czech Republic, Denmark, United Kingdom, Netherlands, France, Finland, Sweden, Malta, Luxemburg, Romania, Belgium, Austria.

⁶ Croatia, Bulgaria, Portugal, Hungary, Italy, Slovakia, Slovenia, Poland.

⁷ Greece, Spain, Cyprus, Latvia, Lithuania, Estonia, Ireland.

Figure 1. Unemployment rate - annual data 2005-2017 (groups of Countries)



Shocked group:
Greece, Spain, Cyprus, Latvia, Lithuania, Estonia, Ireland.
Resilient group:
Croatia, Bulgaria, Portugal, Hungary, Italy, Slovakia, Slovenia, Poland.
Virtuous group:
Germany, Czech Republic, Denmark, United Kingdom, Netherlands, France, Finland, Sweden, Malta, Luxemburg, Romania, Belgium, Austria.

Notes: The groups were divided following the value of variance of unemployment rate between 2008-2017 for each Country: Virtuous < 3; Resilient < 11; Shocked >= 11

Source: Our elaborations on Eurostat data 2017

The actual effects in increasing the number of jobs is uncertain, but changes in terms of flexibility, training, employability, and activation policies are effective. References to employment generally encompass both a numerical dimension (the number of jobs or employment rates) and a qualitative dimension (involving worker mobility, the flexibility or adaptability of workers and companies and integration of specific categories of workers). The qualitative dimension has more and more gained a negative perception among European workers, as it was declined in contract flexibility (part-time, fixed term, atypical workers) rather than working flexibility (smart working, flexible schedules, self-determination). The precarious workers, as defined by Eurostat (employees with a work contract not exceeding three months duration) are not increased during 2008-2018, with

a stable percentage of 2,3% on the total workers. But if we consider the job security in a wide range⁸ (linked to the spreading of temporary agency workers, self-employment, atypical workers, marginal part-time⁹, fixed term or zero-hour contracts) there is evidence that during the years following the crisis there was a fall in the quality of employment and on increasing of atypical contracting forms¹⁰ in the same while¹¹ (Eurofound, 2013; Ponthieux, 2010). If we go deeper and we consider other effects of this trend (out of the risk of poverty) we could easily find out a bad impact on personal wellbeing due to the increasing of insecurity for the future and the spreading of social exclusion, strongly affecting the personal and psychological dimension too.

In order to analyse how this effect can be represented, we could consider the “job insecurity” dimension, from Eurofound surveys, calculated as a percentage of employed persons expecting a possible loss of their job in the next 6 months (Figure 2). Maintaining the same classification of “shocked”, “resilient” and “virtuous” countries we can argue that the economies with the worst unemployment shock have also the highest rate of job insecurity growth during 2007-2011: to be employed is not a safe boat if people expect to lose their job so easily. Nevertheless, we should consider that “to be employed” not always correspond to be “social included” as other aspects regarding a wide concept of wellbeing should be considered¹².

Figure 2. Job insecurity: Employed persons expecting a possible loss of their job in the next 6 months by sex and age - percentage change in country average, 2007-2011

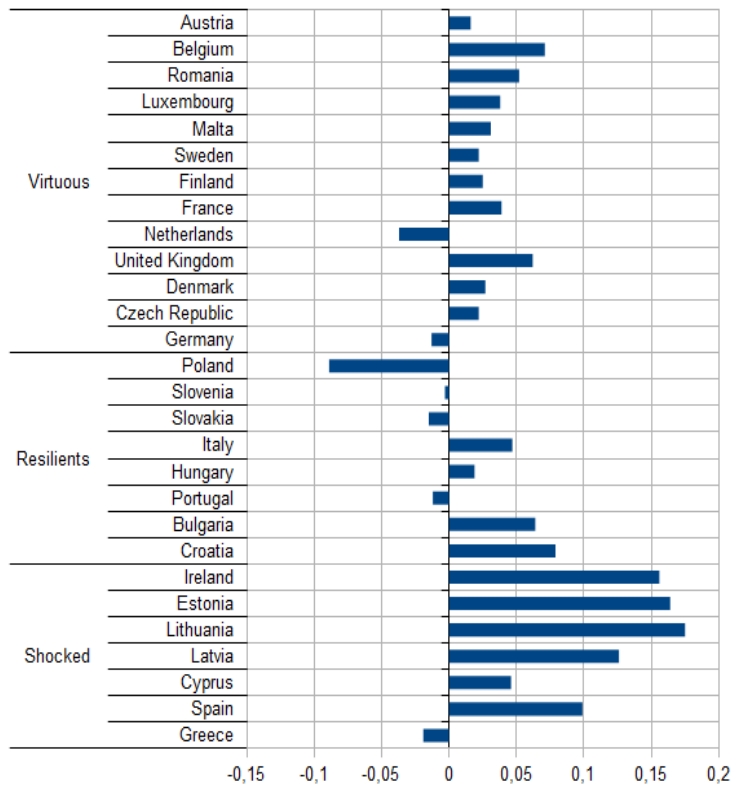
⁸ See for references: UNECE, *Handbook on Measuring Quality of Employment. A Statistical Framework*, United Nations, Genève, 2015.
https://www.unece.org/fileadmin/DAM/stats/publications/2015/ECE_CES_40.pdf (last visited on June 2018)

⁹ Part-time work with less than 20 hours per week.

¹⁰ «*The economic crisis is a factor in job stress and insecurity. Concerns rise about having or keeping a job and about establishing or maintaining income. Job insecurity has increased across Europe. The negative consequences of this insecurity on well-being and health are recognised scientific fact*». (Eurofound, 2013,p.59)

¹¹ European Parliament, DG for Internal Policies, *Precarious Employment in Europe: Patterns, Trends and Policy Strategies*, July 2016.

¹² For questions of ‘social exclusion’ or ‘social inclusion’ see among others Dubet and Lapeyronnie, 1994; Engbersen et al., 1993; Katz, 1993; Kronauer, 1997; Marshall, 1992; Morris, 1994. From a strong moral and literary point of view see Forrester, 1996.



Source: Our elaborations on Eurofound data¹³

Another aspect undermining the solidity of employed person is that the expected trade-off between flexible contracts (really widespread in the recent time) and higher wages never occurred. Short-term contracts, freelancer, marginal part-time was supposed to be compensated with high salaries, due to the “convenience” that employer gains with the higher productivity of this kind of job/tasks. This trade-off never happened in all European Countries. In the last annual review of European Commission on “Labour Market Wage Developments in Europe 2017”¹⁴ there is a first comparison of unadjusted wage¹⁵ between permanent and temporary employees¹⁶. Despite the authors underline that *«analysis provides an explorative examination of the wage gap, which, however, cannot be interpreted as due to implicit discrimination against temporary contract workers»*, despite we suppose that other dependant variables must be considered (age of the employees, educational attainment,

¹³ <http://ec.europa.eu/eurostat/web/labour-market/quality-of-employment/database>

¹⁴ European Commission, DG for Employment, Social Affairs and Inclusion, *Labour Market and Wage Developments in Europe 2017. Annual Review*, Publications Office of the European Union, 2017 (p.106).

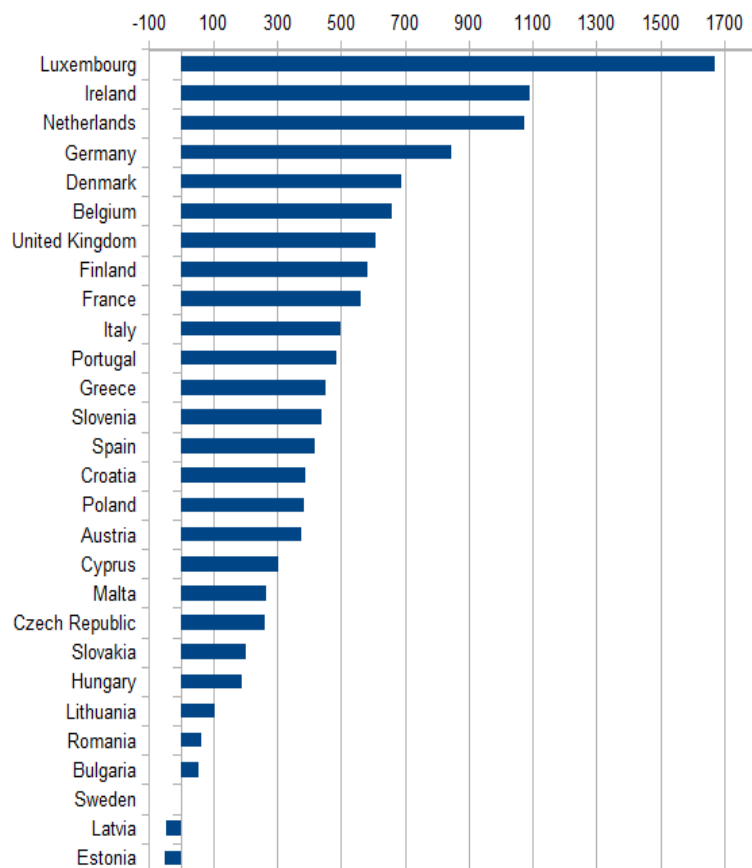
¹⁵ The unadjusted wage gap between permanent and temporary contracts is calculated as the difference of the average hourly wage of permanent employees and temporary employees and is expressed as fraction of the average wage in temporary contracts.

¹⁶ Beside the first utilization of these data, there are several studies stressing the “wage penalty” of the temporary contracts at country level: Blanchard and Landier (2002) for France, De la Rica (2004) for Spain and Hagen (2002) for Germany, Bosio (2009) and Comi and Grasseni (2012) for Italy. These studies find an average wage gap between permanent and temporary workers which ranges between 13% and 21%, depending on the Member States.

sector of employment, country specific arrangements), despite all, the bad earning conditions of employees with fixed term contract is a harsh reality and still demonstrate the low bargaining power of flexible workers and one of the cause of labour market polarization between right-based workers and unprotected workers. Furthermore, if we consider monthly wages instead of hourly wages - like in the EC Review - we find out a wider differential (Figure 3).

The focus we will investigate in this paper will turn around on these research questions: has the European Employment Strategy led to a labour market structure in which “to be employed” is not more a guarantee of good life quality and social inclusion? Was this phenomenon caused by the dangerous mix of flexible/short-term contracts & low wages? What is the relationship between in-work poverty (caused by short-term/low paid work), precariousness and private indebtedness? What solution could be planned to avoid that the future of labour market in Europe will not lay on a low-wages/precariousness equilibrium? To develop our analysis, we will use latest disposable data on this issue but our attention will be projected on the trend of these dimensions and future assets.

Figure 3. Unadjusted wage gap between permanent and temporary employees - 2014 (permanent minus temporary; monthly earning differences; euro)



* Sweden: 2014 data missing;

** Earnings: *In cash* paid before any tax deductions and social security contributions payable by wage earners and retained by the employer.

Source: *Our elaboration on ELF survey [ilc_iw01]*

<http://ec.europa.eu/eurostat/web/labour-market/earnings/database>

In-work poverty and working poor: a conceptualization

There are different approaches to classify similar concepts. The terminology “in-work poverty” and “working poor” are usually adopted as synonyms. But different classification may variate if we consider different national indicators (e.g. USA or Switzerland rather than Europe statistical classification) or different studies (Peña-Casas, Ramon and Dalila Ghailani and Latta 2004; Crettaz and Bonoli, 2011) or if the concept is more oriented to the “poorness” rather than to the “employment” (Antonella Meo, 2012). Another difference may occur in identifying the poverty threshold and in considering an individual or the household. The European Union identify “in-work poverty” through an indicator introduced in 2005 in the European portfolio of social indicators¹⁷ (European Commission 2009). The Indicators' Sub-Group (ISG) of the Social Protection

¹⁷ European Commission. 2009. Portfolio of Indicators for the Monitoring of the European Strategy for Social Protection and Social Exclusion. Employment, Social Affairs and Equal Opportunity DG, Brussels. <http://ec.europa.eu/social/main.jsp?catId=756> (last visited July 2018). Definition: <http://ec.europa.eu/social/main.jsp?catId=756&langId=en&id=52>

Committee (SPC) set up in 2001, identified under Primary Social Inclusion indicators the “in-work at-risk-of-poverty rate” as a percentage of employers that during the previous year were “mainly” at work (at least 6 months) and in the meanwhile in households with an income below the “at-risk-of” poverty threshold (60% of median equivalised disposable income, after social transfer). This is a labourist perspective, “workers” are the population of interest, “household” is the dimension and the “job quality” is the target (Gautié and Ponthieux, S., 2016). The underlying behaviour is that poverty can be tackled with better employment.

In the statistics and analysis published by the U.S. Bureau of Labour Statistics the “working poor” are people who spend 27 weeks (almost 7 months) or more in a year in the labour force either working or looking for work but whose incomes fall below the poverty level¹⁸. So, either employed or unemployed people, but active population (Klein and Rones, 1989). The “poor” are the population of interest, the dimension is the single person, the “job” is the target. Nevertheless, we could use “in-work poverty” to identify the European approach and the labourist dimension and “working poor” to identify the US-BLS poverty-oriented vision, that, as a matter of fact, was the first notion for this phenomenon proposed at the end of 1980s. But literature actually uses both and the different concepts remain an underlying debate for experts and connoisseurs. Even more beside these concepts underlie different political approaches. European Union pursued the “workfare” strategy (Salonen & Johansson, 1999; Standing, 1999) sometimes defined as a “silent revolution” (Goul Andersen, 1999), aimed to substitute the universalism of “welfare State”, giving undiscussed importance on the occupational level and the activation of labour force, also as a condition *sine qua non* the subsidies are allowed¹⁹ (for instance the Conditional Cash Transfers Programs). In the other hand, within the poverty perspective, other effects are taken into account: quality of life conditions, welfare protection system, ethnic discrimination. Even the last decades in USA was characterized by low earnings as predominant explanatory variable, with 67 percent of working poor subject to very low wages²⁰. The US-BLS clearly specify

¹⁸ To have some reference, for 2016: \$12,486 for a single individual under age 65; \$14,507 a household of two people with a householder 65 years or older with no children

¹⁹ An interesting study clarifying the psychological effects concludes that “mandatory work-related activity and ‘supported job searches’ involve tasks experienced as humiliating and pointless by jobseekers”. Refer to Friedli L, Stearn R, *Positive affect as coercive strategy: conditionality, activation and the role of psychology in UK government workfare programmes*, Medical Humanities 2015;

Other contributors: Portes J. *The ‘Help to Work’ pilots: success, failure or somewhere in between?*, NIESR [blog], 29 Dec 2013. <http://niesr.ac.uk/blog/help-work-pilots-success-failure-or-somewhere-between#.VDxY1UulmJ> (accessed July 2018); McSmith A, Cash J. *Jobless must sign on every day: Government to dock money from long-term unemployed if they do not comply*. The Independent, 28 Apr 2014. <http://www.independent.co.uk/news/uk/politics/jobless-must-sign-on-every-day-government-to-dock-money-from-long-term-unemployed-if-they-do-not-comply-9294586.html> ;

Other literature on the theme of conditionality:

<http://www.welfareconditionality.ac.uk/publications/>

²⁰ Between 1990 and today, most American workers have seen their wages stagnate or decline. Reference: Bivens, Josh, Elise Gould, Lawrence Mishel, and Heidi Shierholz. 2014. *Raising America’s Pay: Why It’s Our Central Economic Policy Challenge*. Economic Policy

that “jobs with irregular and inconsistent hours are much more likely to be low wage jobs compared to full-time work. At both the 20th and 50th percentile of earners in each group, FT-FY (full-time and full-year) workers earn twice as much per hour as those who only worked part time for part of the year”²¹. So, the relationship between irregular/part-time workers and working poor is not questioned as well as the relationship between low wages and working poor. There are other ways to measure the working poor, such as the International Labour Organization (ILO) definition that identify workers aged 15 years and older were living with their families on less than \$2 per person per day—the poverty line defined by the World Bank. In the OECD “Employment Outlook” prevails the labour perspective and statistical data adopted a relative poverty threshold (50 percent of the median equivalised income) defining workers as “people who have a job”²². The Switzerland Federal Statistical Office, defines working poor the “persons” between 20-59 y.o. working at least one hour per week and living in a “household” where components work together at least 36 hours (as one full-time employed)²³. This is a restrictive interpretation of course but the overlap of individual and family dimension also affected the EU approach and other national statistics: the “working poor” are then statistically a combination of “working individuals” and “poor households”²⁴. This could hide other social characteristics such gender discrimination (e.g. households with man-breadwinner and women-housekeeper) or generational imbalances (young working poor resulting in a rich family). Since our analysis is based on Eurostat data, we will consider the “in work poverty risk” indicators in this paper. Furthermore, we remain critical on considering “workers” who at least worked 6 months in the last year. Our experience in particular with new and atypical form of employment suggest us to reduce the timing reference and the relative ratios. A starting quote to be considered should define a worker who at least worked 24 days in the last 6 months. This should be also more in line with Eurostat definition of “employed person”: who during the reference week performed work even if just for one hour a week²⁵.

Institute. <http://www.epi.org/publication/raising-americas-pay/>

²¹ <https://poverty.ucdavis.edu/research-paper/labor-markets-and-poverty-us-basic-facts-policy-and-research-needs> ; See also <https://www.bls.gov/opub/reports/working-poor/2015/home.htm>; <https://poverty.ucdavis.edu/faq/what-are-annual-earnings-full-time-minimum-wage-worker> (accessed July 2018)

²² This produces a strong difference in the results: 5% of working poor in USA during 2005 using BLS standard versus 12% using OECD standard.

²³ <https://www.bfs.admin.ch/bfsstatic/dam/assets/216137/master> (accessed July 2018)

²⁴ Gautié and Ponthieux, S. (2016). Employment and the Working Poor. In The Oxford Handbook of the Social Science of Poverty. : Oxford University Press. Retrieved 12 Jul. 2018, from <http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199914050.001.0001/oxfordhb-9780199914050-e-22> (accessed July 2018).

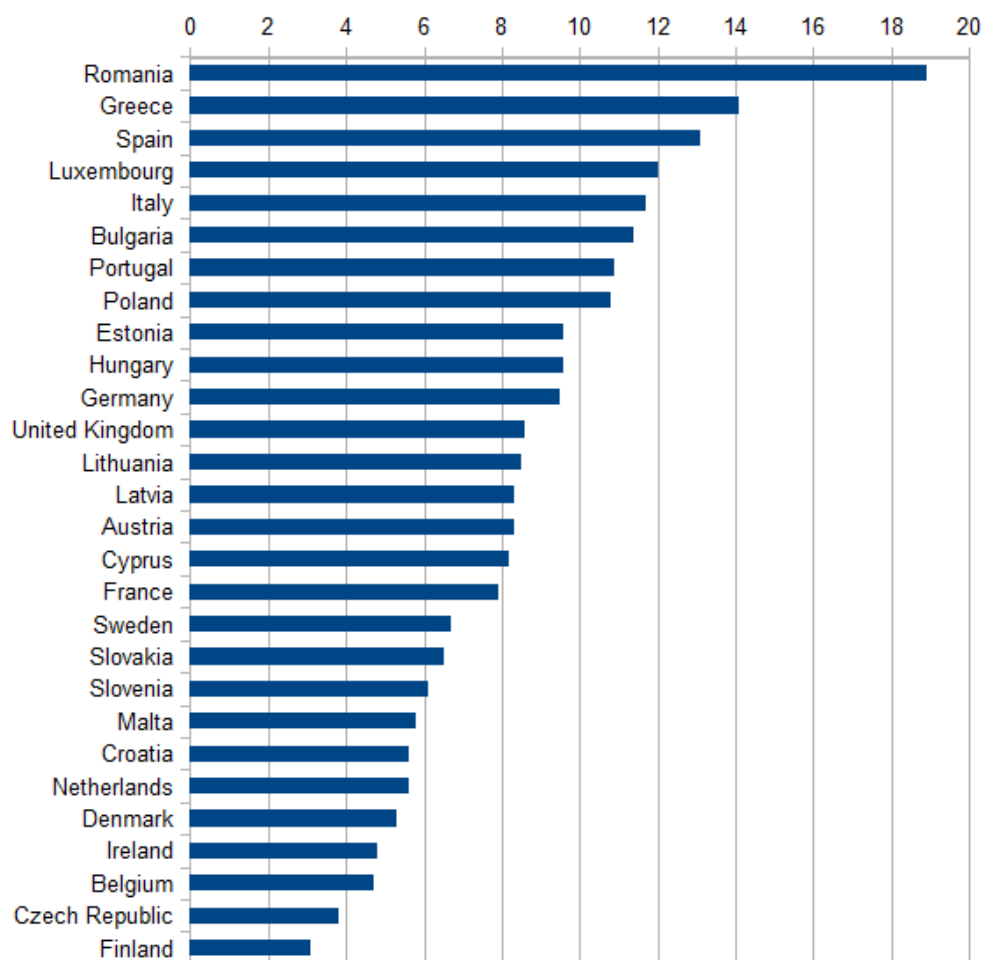
²⁵ If we turn “1hr/week” into “1 day/week”, at least 1 day of work in a week becomes 24 days in 6 months.

The rising of working poor and precarious workers in Europe and Italy.

In Europe nearly one-tenth (9.6%) of employed persons aged 18 and over in the European Union (EU) were at risk of poverty after social transfers in 2016 (Figure 4). Romania (19%), Greece (14%), Spain (13%), Luxembourg and Italy (12% each) show the highest in-work poverty rates. The Member States with the lowest in-work poverty rates are Finland (3%), Czech Republic, Belgium, and Ireland (4% each).

There is no connection with traditional grouping, inspired by Esping-Andersen classification of European Welfare States, (Esping-Andersen, 1990; Esping-Andersen & Regini, 2000), neither with the performance in reacting the Great Recession of 2008 and 2011 (see foreword paragraph). The correlation is easily demonstrated with the general level of At-risk-of-poverty rate of each Member State (Figure 5), depending on the conjunctural economy of each State and on a series of variables characterizing each labour market and related social policies.

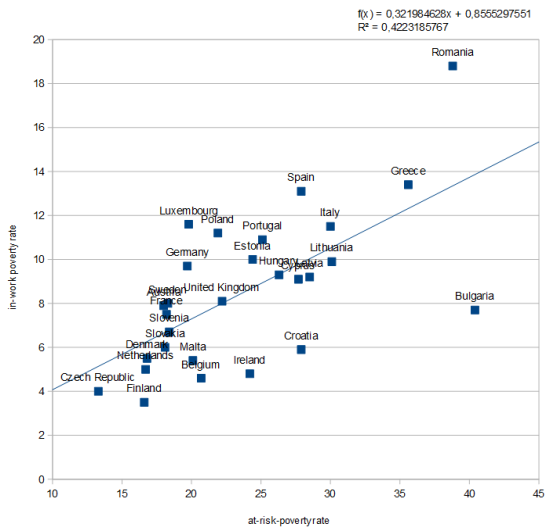
Figure 4. In-work at-risk-of-poverty rate by age and sex (% of households; 2016)



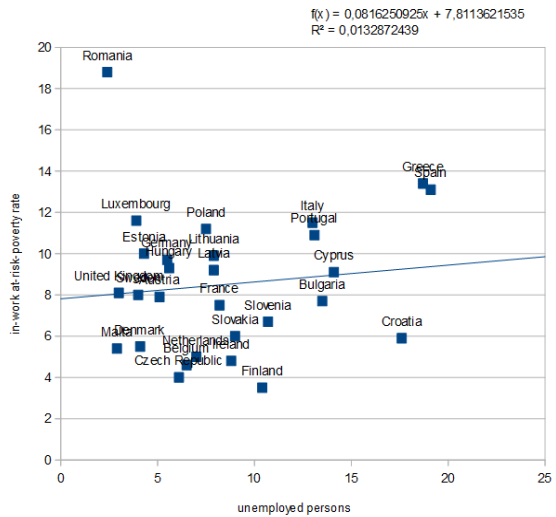
Source: Our elaboration on EU-SILC survey [ilc_jw01]

Figure 5. In-work poverty rate correlations - 2016

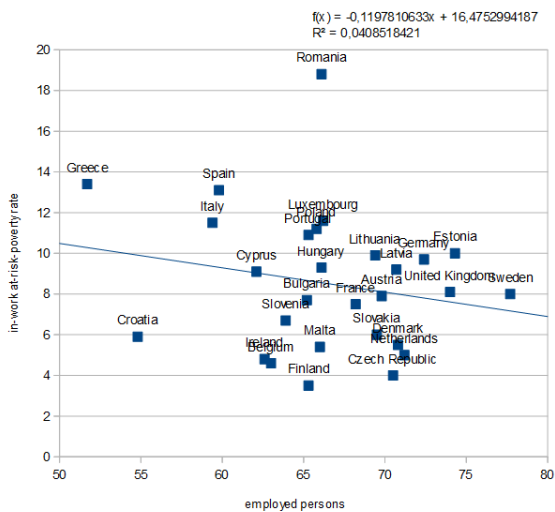
**In-work poverty vs At-risk poverty rate
Unemployed persons**



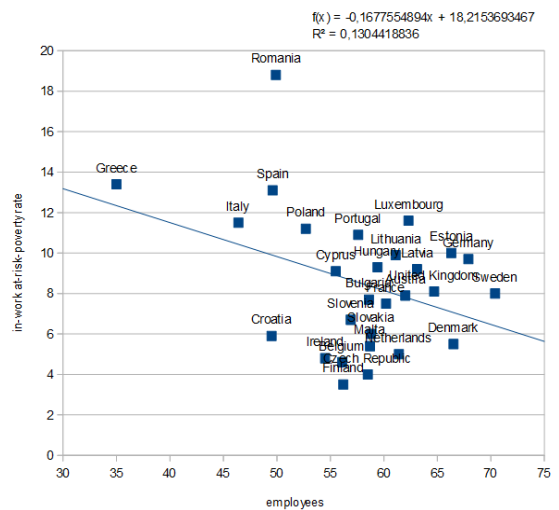
**In-work poverty vs
Unemployed persons**



**In-work poverty VS Employed persons
Employees**



**In-work poverty VS
Employees**



Notes: Employed persons are all persons aged 15 and over who, during the reference week, worked at least one hour for pay, profit or family gain, or were not at work but had a job or business from which they were temporarily absent. Employees are persons who, by agreement, work for a resident institutional unit and receive remuneration for their labour

Source: Our elaboration on EU-SILC survey

Over recent years, the proportion of employed persons at risk of poverty has risen continually, from 8.3% in 2010 to 9.6% in 2016. We underline the Countries in which the differential between 2016 and 2008 (or earliest data) is higher (Figure 6). In the first figure the highest increases are represented with Bulgaria (+4%), Luxembourg, Estonia and Germany (nearly +2,50%). The case of Germany and Luxembourg, where in-work poverty lives with high level of employment, is exhaustive to demonstrate the disconnection of these phenomenon (or these policy targets). In particular the Germany aimed well to the “mini-job²⁶”, substituting the vouchers - that ones Italy recently reintroduced - with the “Agenda 2010” and the Law Hartz-IV of 2003²⁷.

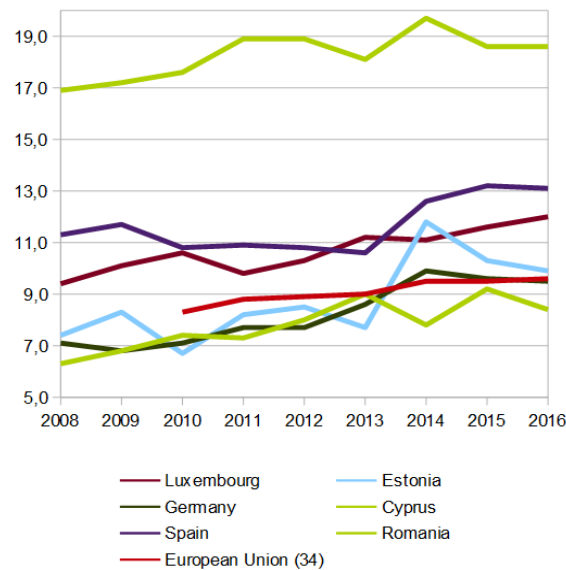
Figure 6. In-work at-risk-of-poverty rate (trend 2008-2016).

²⁶ Part-time and precarious works, low qualified (restaurant service, touristic sector, sales account), paid up to 450€/month, without fiscal burden to the workers and with the possibility to integrate the unemployment benefits (360€/month, dwelling supports, medical insurance, heating allowances and public transport reductions). The “mid-jobs” are paid up to 850€/month. In 2013 7 million and half of Germans, mainly low-qualified young people found an employment thanks to the mini-job. “Job” in German language is not a work (“Arbeit” or “Beruf”) but more a temporary occupation (“Jobben”), so the mini-job is more a task, a “gig”.

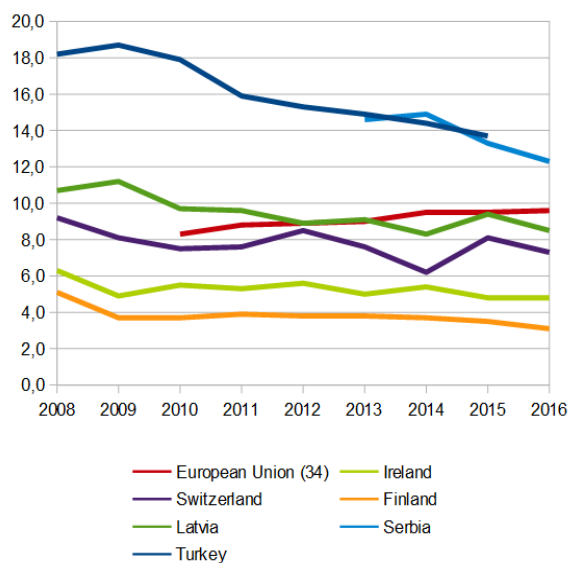
²⁷ Dustmann, C., Fitzenberger, B., Schönberg, U., Spitz-Oener, A. (2014): From Sick Man of Europe to Economic Superstar: Germany’s Resurgent Economy. *Journal of Economic Perspectives* 28(1), pp. 167-188; also available as CReAM Discussion Paper No. 06/14 at http://www.cream-migration.org/publ_uploads/CDP_06_14.pdf

Countries with positive trend

Countries with



negative trends



Source: Own calculations based on EU-SILC survey [ilc_iw01]

The gender distribution of working poor among Countries is prevalently half and half, respecting the same proportions within temporary or permanent contracts. A special consideration is in the prevalence of men composition in Romania, one of the Member State that during 2008-2016 experienced higher level of in-work poverty passing to an already high 17% to almost 19% in 2016 (Figure 7.a). Another issue is the variation of these relations during 2008-2016: under an overall tight variation in EU (1,3% for both sex), the differences among Countries

are interesting (Figure 7.b). We registered an increment on Female component in Czech Republic (+5,1%), Slovakia (+4,9%) and Bulgaria (+4,4%) and decreases in Sweden (-5,7%), Austria (-2,6%) and Latvia (-2%). The Male component increase in Croatia (+5,7%), Slovenia (+5%), Estonia (+4,8%) and Luxembourg (+4,2%) and decrease slowly in Latvia (-4,6%) and Sweden (-3,2%).

Figure 7. In-work at-risk-of-poverty rate in Countries with positive trends by gender distribution (%; 2016).

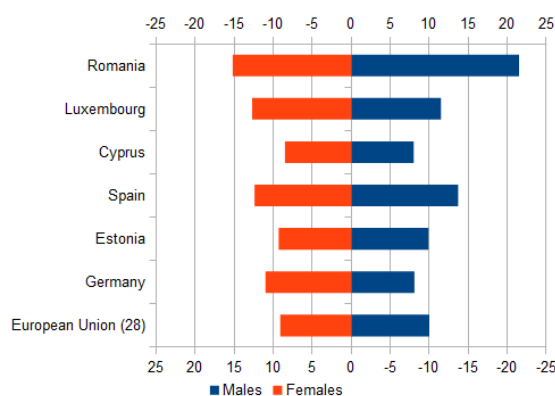
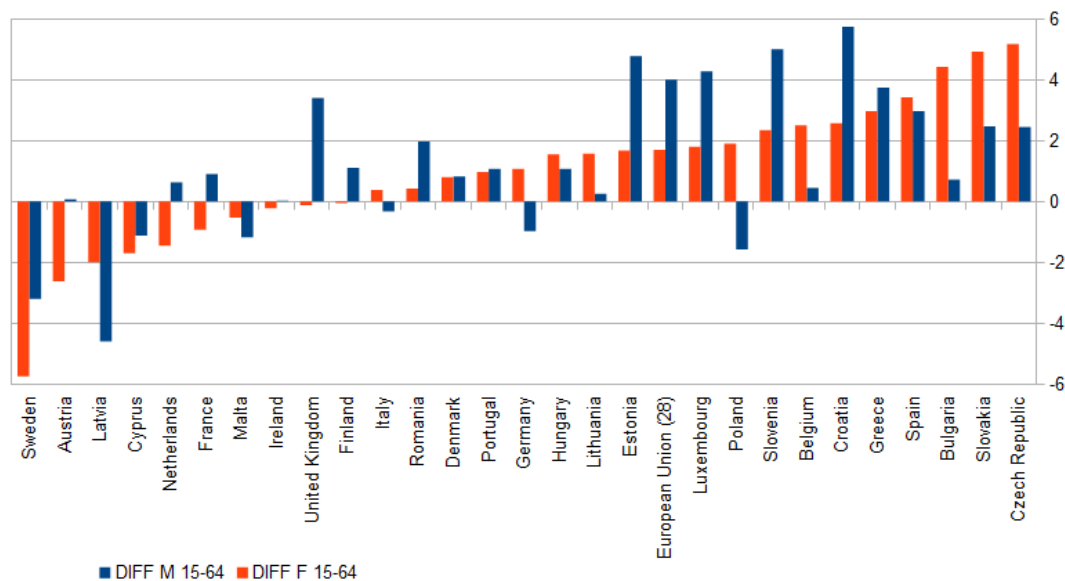


Figure 7.b. In-work at-risk-of-poverty by gender distribution: variations 2008-2016 (15-64y.o. employed persons; %).

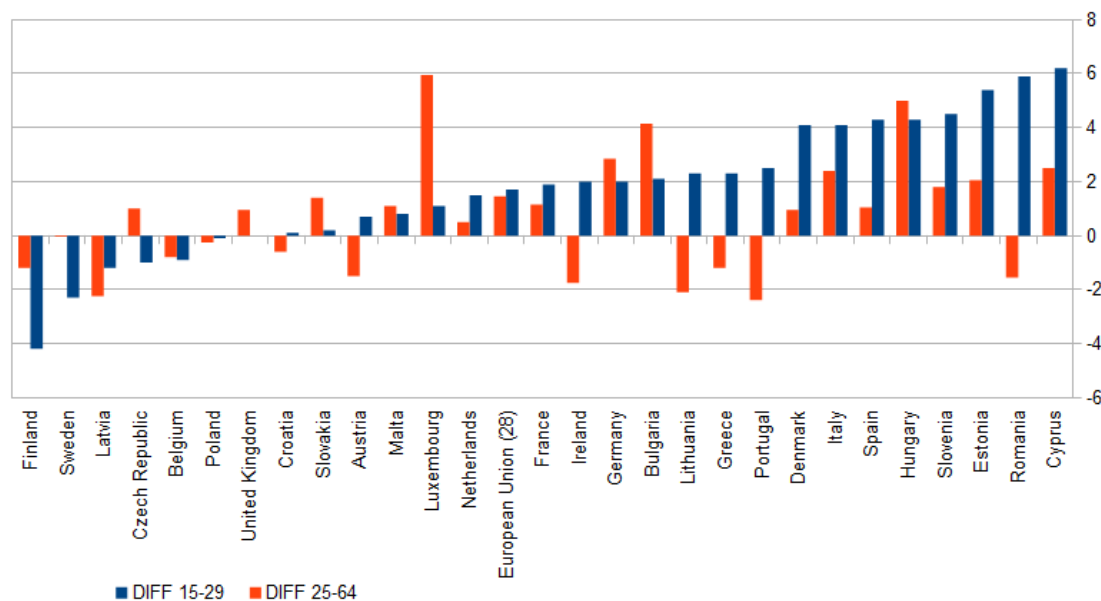


Source: Our elaboration on Eurostat data [ilc_iw01]

A similar comparison we afford in age classes variations. We registered highest increasing level for young people (15-29y.o.), especially males that during 2008-2016 showed an increment in EU of 6% passing by the 6,4% in 2008 to 12,4% in 2016. That's a warning light to a strong correlation with new employment and flexible contracts widespread among new generations (Figure 8). The differences between Countries are relevant (Figure 8) and we just dwell on that Countries showing great discrepancy between 15-29y.o. and 25-64y.o. employers: Romania, Greece, Portugal, Lithuania, Ireland (and Austria). These Countries are

increasing the number of young working poor and decreasing the number of adults working poor. A special reference also needs to be made on elderly (65y.o. and over). In such Countries they represent the widest range of the working poor, like in Romania (43,6% in 2016), Greece (20,5%) or Portugal (14,5%). But in most cases, they represent employed persons next to retirement so they are not compared with young employed persons for our analysis.

Figure 8. In-work at-risk-of-poverty rate: variations by age groups (2008-2016).



Source: Our elaboration on Eurostat data

What we really would like to stress are the differences among contract types (Figure 9.a, 9.b, 9.c). The risk of being a working poor is greatly influenced by the type of contract: the risk of monetary poverty was about twice as high for those working part-time (15.8%) than for those working full time (7.8%) and almost three times greater for employees with temporary jobs (16.2%) than for those with permanent jobs (5.8%). As well as contracts with duration less than 1 year are widely spread (18,3%) among working poor than 1 year or more contracts (9,1%). There are no exceptions in different European Countries, but some note as the better job tenure of Finland, Italy, Luxembourg and Greece (more contracts with duration over 1 year), or the slight difference between part-time and full-time jobs in Netherlands, must be considered. If we use the same three components to define a “precarious workers”, instead of the official Eurostat notion²⁸ of being with a “work contract did not exceed three months”, we should have a more realistic value of precariousness in Europe besides the 2,3% EU average always showed by official sources. Indeed, nevertheless the component of working poor is sharply characterized by precariousness, the correlation between total precariousness level and working poor by each single Country is not relevant: the increase of precariousness (Figure 10) and the increase of

²⁸ See “Precarious employment” under “Quality of employment/Security of employment and social protection” data. Source EU-LFS (Ifsa_qoe_4ax1r1) available from 2008.

working poor, as well as demonstrated at European level, doesn't follow the same dynamics into the Countries. This is partially explained by a more relevant connection between working poor and poverty/at-risk-of-poverty dimension than to employment performances inside each Member State. Furthermore, we notice a remarkable shift of all precariousness measures by 2013 except part-time employment. This suggest a forecast of continuous rising of this "bad jobs"²⁹ in the next decades.

Figure 9.a. In-work at-risk-of-poverty rate by Temporary job and Permanent job distribution (2016).

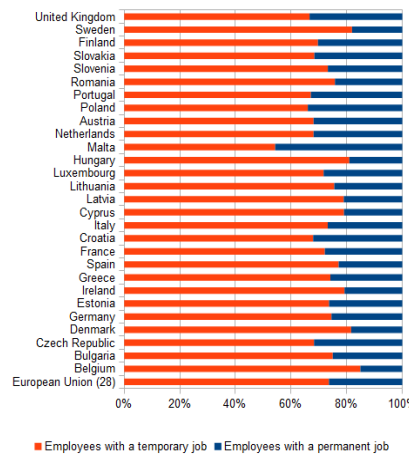
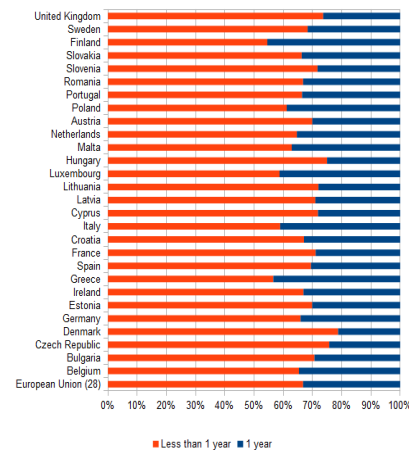
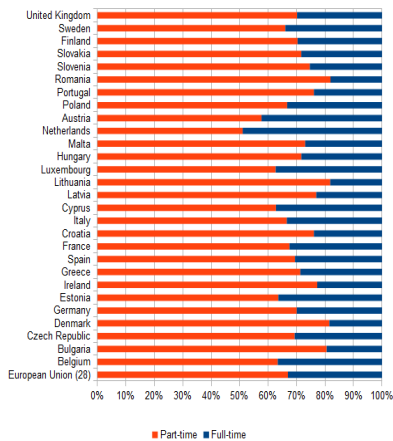


Figure 9.c. In-work at-risk-of-poverty rate by Part-time and Full-time contracts (2016).

Figure 9.b. In-work at-risk-of-poverty rate by contract duration (2016).

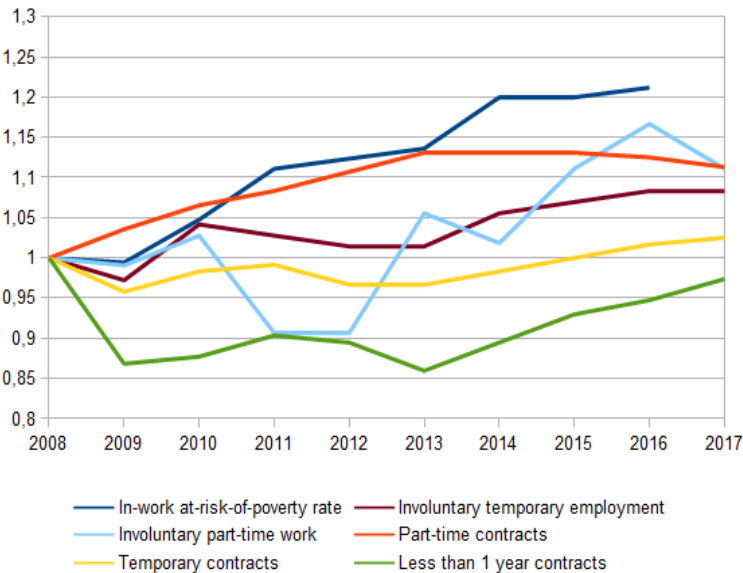


²⁹ Kalleberg Arne L., *Good Jobs, Bad Jobs: The Rise of Polarized and Precarious Employment Systems in the United States, 1970s-2000s*, Published by: Russell Sage Foundation, 2011; On different perspective see Donald R.Davis; James Harrigan, *Good jobs, bad jobs, and trade liberalization*, Journal of International Economics Volume 84, 2011.



Source: Our elaboration on Eurostat data

Figure 10. EU (28 Countries) in-work at-risk-of-poverty rate and precariousness indicators (2008-2017; % of employed persons - index number 2008=1)



Notes: Baseline=2008; In-work poverty rate 2017 missing data

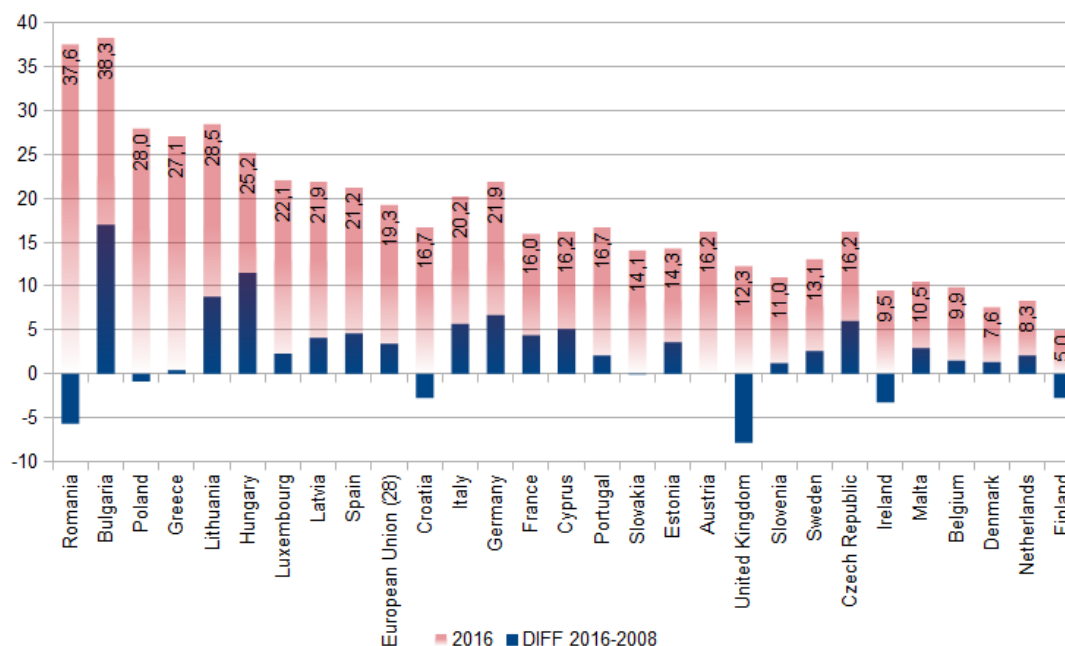
Source: Our elaboration on Eurostat data

The better explanatory variable is, over all, the educational level of workers. It is so well explanatory that we will not consider too much, as it was magisterially treated by other analysis³⁰ (Kallenberg, 2010; Hill and Ybarra, 2014; Abrassart,

³⁰ Heather D. Hill and Marci A. Ybarra, *Less-educated workers' unstable employment: Can the safety net help?*, IRP Institute for Research on Poverty 1180 Observatory Drive 3412 Social Science Building, University of Wisconsin, 2014, <https://www.irp.wisc.edu/publications/fastfocus/pdfs/FF19-2014.pdf> ; Aurélien Abrassart, *Cognitive skills matter. The employment disadvantage of the low-educated in international comparison*, REC-WP 04/2011 Working Papers on the Reconciliation of Work and Welfare in Europe RECOWE, Publication, Dissemination and Dialogue Centre, Edinburgh, 2011, http://www.socialpolicy.ed.ac.uk/_data/assets/pdf_file/0003/74379/REC-WP_0411_Abrassart.pdf ; A. Kalleberg, *Good Jobs, Bad Jobs: The Rise of Polarized and Precarious Employment Systems in the United States, 1970s to 2000s*, New York: Russell Sage Foundation, 2010; Working Papers on the Reconciliation of Work and Welfare in

2011; R. Gutierrez, A. Guillén and R. Peña-Casas, 2009) and because we consider the total increase in the global labour supply of less-educated workers as an effect of labour market flexibility and not a cause. Anyway, as the Figure 11 clearly show, more than 19% of European working poor have less than primary, primary and lower secondary education (ISCED levels 0-2), with exceptional peak in some Countries (Romania, Bulgaria) that registered over 30% of less educated workers during last decades.

Figure 11. Working poor with less than primary, primary and lower secondary education (ISCED levels 0-2; differences 2016-2008; % in 2016)



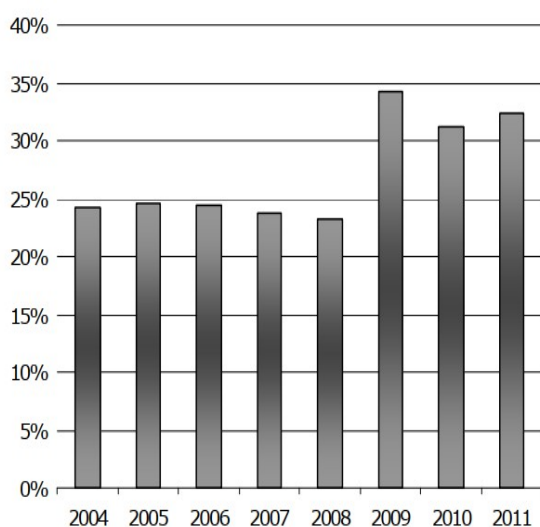
Source: Our elaboration on Eurostat data

In Italy, like in most of European Countries, the rising of working poor was accompanied by the rising of poverty rates (registering high levels before the crisis too) and the increasing of precarious works, in terms of flexible employment (temporary agency, intermittent, seasonal) and short-term duration contracts. In 2014 the National Council for Economics and Labour - CNEL, carried out a research to investigate the effects of the crisis on the labour market (CNEL, 2014), with particular attention to the working poor and the minimum wage as a policy to be implemented (Italy still have no regulation on minimum wage). Following a dissertation concerning the loss of salary levels and the decreasing of working hours (mainly due to the involuntary part-time and involuntary temporary employment, another common trend in EU Member States) and the effects of this dynamics on general inequality indicators, the interesting point of view is in considering hourly wages to calculate the amount of working poor, in order to avoid differences by labour intensity, often being involuntary overtime

Europe, RECOWE Publication, Dissemination and Dialogue Centre, Edinburgh, 2009.

work³¹. The in-work poverty is so measured as percentage of workers with hourly net income under $\frac{2}{3}$ the hourly net income median³². The main findings, in line with other similar analysis³³, demonstrate that, considering also the *poverty gap ratio* (measuring the distance from the poverty line of each case - Figure 12), both the working poor and the intensity of their poverty raised during 2004-2011: If in 2008 1,3€ was enough to fill the gap between hourly wages, starting by 2009 almost 2€ was needed.

Figure 12. Intensity of working poor (distance from poverty line, 2004-2011)



Source: CNEL 2014

Another important finding is that this phenomenon is accompanied with the spreading of low qualified work. Blue collars, rednecks and similar employment was tripled between 2007 and 2013 (passing by 4% to 11,8% of the total employment). The Great Recession brought with it higher poverty rates, mainly in low-skilled people and less educated masses. Those people, accepting now less remunerative jobs, are going to be more and more vulnerable and near a financial break-down.

The focus is the same: employment is not more a guarantee of stability, security and protection. It must be supported by better Employment Protection

³¹ This notion is that one Eurostat use for “low-wage earners” (see http://ec.europa.eu/eurostat/statistics-explained/index.php/Earnings_statistics). It has pluses and minus and is often considered a different concept of working poor for the reasons we explained above.

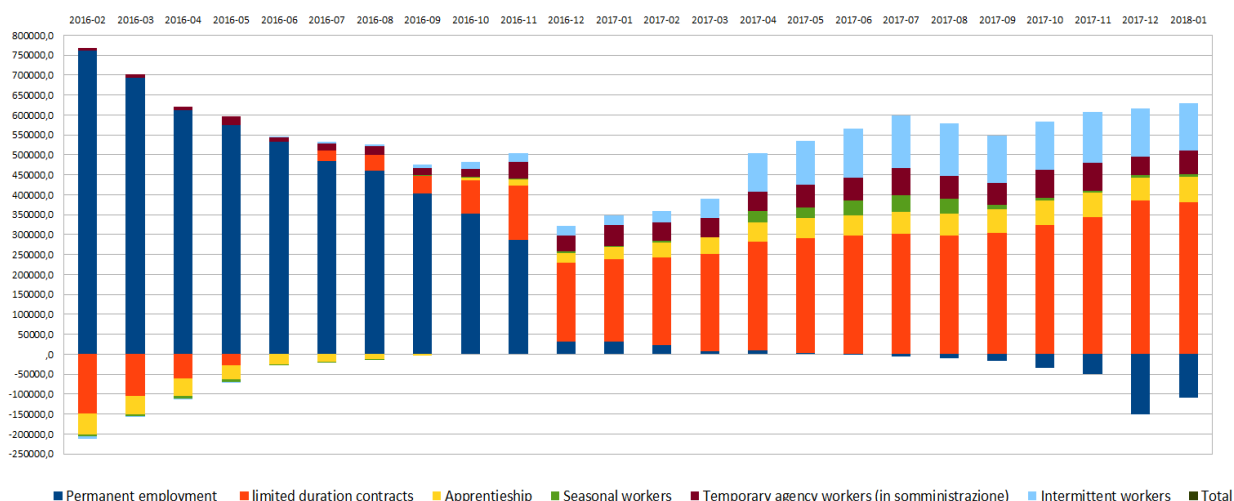
³² Starting from annual income, the hourly net income is calculated considering the hours worked weekly in the principal employment by the worker and the number of months of work . Finally, for all workers (employee and self-employed by own account) an average number of weeks per month was considered of 4.3 (equal to 52/12).

³³ Chies L. (2015), *Lavoro precario, povertà e vie d'uscita*, in: "Di condizione precaria. Sguardi trasversali tra genere, lavoro e non lavoro" a cura di Luca Salmieri e Ariella Verrocchio, EUT Edizioni Università di Trieste, Trieste, 2015. <https://www.openstarts.units.it/handle/10077/12768>

Legislation (EPL) and public expenditure, both as social subsidies and as active labour policies.

In Italy, as in other EU countries, we are in a phase defined as “economic regrowth”, but couldn’t say that things are back to the pre-crisis period: employment has changed, people are changed, poverty has changed. Even our politicians are claiming the recovery of indefinite duration contracts, also due to significant incentives to the new permanent contracts (L. 190/2014; Dl. 150/2015 - “Jobs Act”; L. 208/2015; L. 205/2017), this is partially true. The last two years were indeed characterized by a constant and continuous decreasing of permanent contracts (Figure 13), slowly increased in the last month (variation compared to the same month of past year). Permanent contract has been replaced by “so loved” temporary contracts and recently we are witnessing a rising of intermittent workers, probably due to the spreading of new employment linked to the gig economy and technological changes. This trend should be evaluated in the next years to identify if it’s an effect of labour market regulation (flexibility, incentives, EPL) or demand side dynamics (new technologies market, international trade, consumptions).

Figure 13. New contracts in Italy (annual variation - tendential value; n° contracts 2016-2017)

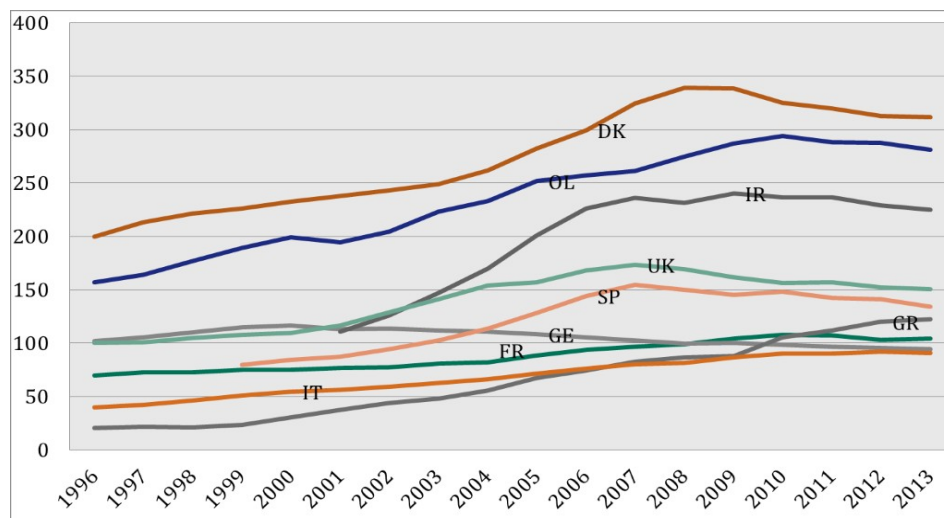


Source: Osservatorio sul precariato - INPS (2018)

Flexibility and the increasing of the household debt in Europe.

The main core of the EES and the “workfare” strategy was to enhance the occupational opportunities through diversification of contract types (temporary agency, intermittent, freelance etc.). The ‘high opportunities in high risk society’ mantra³⁴ was pursued since the late ‘90s, starting from the New Labour programmes in UK and enforced with the Flexicurity³⁵ Danish model that many European Countries “tried” to import themselves. So, since the end of the 1990s all European States have taken action to implement the EU package based on the solidity of macroeconomic principles, to change their labour policies and to move towards the model of flexibility. In the same years a further phenomenon come to light: the increase of household debt (Figure 14).

Figure 14. Household debt Total, % of net disposable income, (1996/2013)



Source: Source: Our elaboration on OCSE data 2013

We will analyse the existence of a relationship between the two phenomena bearing in mind different theoretical representations. We consider the

³⁴ Giddens, Anthony (2001). *The Global Third Way Debate*. Polity Press. ISBN 0745627412; Giddens, Anthony (1994) *Beyond Left and Right — the Future of Radical Politics*. Cambridge.

³⁵ Crouch, C. (1999) *Social Change in Western Europe*, Oxford University Press: Oxford.; Wilthagen, T. and F. Tros (2004), *The Concept of 'Flexicurity': a new approach to regulating employment and labour markets*, in “Flexicurity: Conceptual Issues and Political Implementation in Europe” Tanfer, *European Review of labour and research*, vol. 10, No.2.

relationship between deregulation of labour market, the increasing of household debt and the spreading of working poor as separate phenomena produced from the same neo-liberal policy.

An effective analysis of the correlation between flexibility and private debt should consider the trend in expenditure on social security. It appears essential to analyse the work of Palier³⁶ on the modernizations of welfare systems in Europe as a result of the crisis of the Keynesian economic policy. According to the French researcher³⁷ the setting up of social security schemes represents the aim of the modernization of the social protection system. The shifting of financial resources from traditional welfarism, more oriented to universal and unconditioned assistance, to new security schemes, supporting the labour market requirements, is the result of an ongoing process of transposing social security to new economic paradigms imposed by neoliberalism. This change involves a shift of Welfare State from Keynesians cultural assumptions, based on the idea of “decommodification”³⁸ (high intensity level of universal rights, even to reduce the citizens dependence on the market), towards a new cultural paradigm focused on the concept of “commodification”³⁹ (moving the free-market dynamics even in the social life and labour protection). Social expenditure is therefore relocated from passive (subsidies) to active policies (incentives). A crucial factor in building an effective system of labour flexibility is therefore the relocation of social spending. It is interesting to highlight how Palier, in analysing these dynamics, identified in the European Union different ways of implementation. For instance, among the Anglo-Saxon economies this policy was achieved through strong liberalisations of the welfare state, in Northern European countries the welfare system was actually ready to implement the new policies. Finally, in the countries of Continental Europe the new policies of welfare reform have been hardly implemented with many structural changes.

We will show the relationship between social spending and private indebtedness as effects of the policies just mentioned. In this relation there is strong evidence of higher values of indebtedness for those Countries with higher public spending for labour market policies (Figure 15).

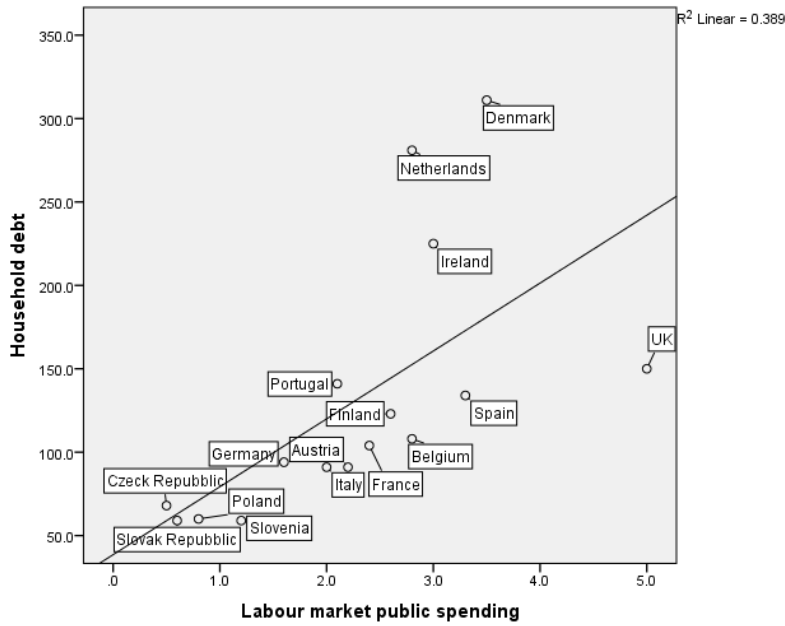
Figure 15. Correlation between labour market public spending and household debt.

³⁶ Palier, B. (2000), ‘Defrosting’ the French Welfare State, in Ferrera, M., Rhodes, M., (eds.) “Recasting European Welfare States”, West European Politics (special issue), April, 23 (2), pp. 113-136.

³⁷ Morel, Nathalie; Palier, Bruno; Palme, Joakim (eds.). *Towards a social investment welfare state? Ideas, policies and challenges*. Bristol, Policy Press, 2012. 386 pp. ISBN 978-1-84742-924-7.

³⁸ Esping-Andersen, Gosta. 1990. *The Three Worlds of Welfare Capitalism*. Princeton University Press

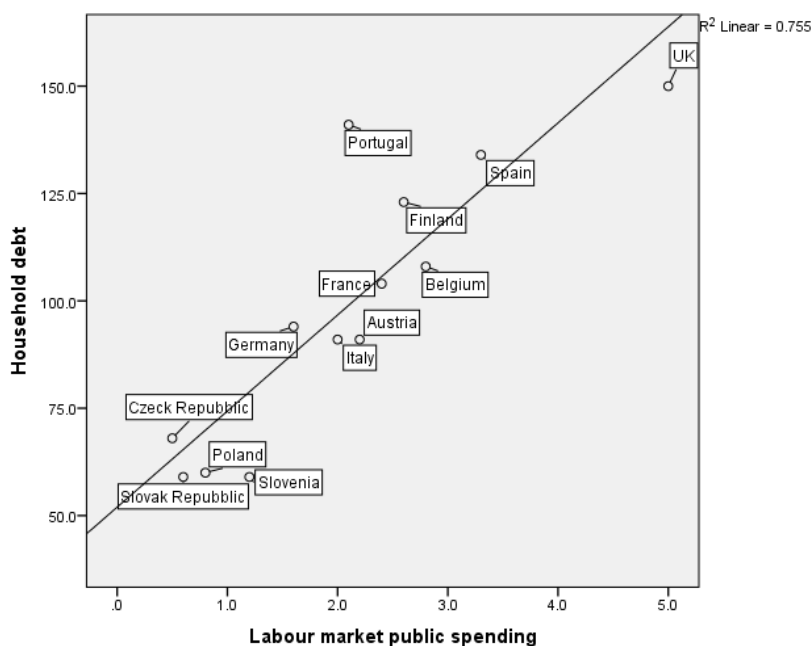
³⁹ Prodnik, Jernej (2012). *A Note on the Ongoing Processes of Commodification: From the Audience Commodity to the Social Factory*. triple-C: Cognition, Communication, Co-operation (Vol. 10, No. 2) - special issue "Marx is Back" (edited by Christian Fuchs and Vincent Mosco). pp. 274-301. Retrieved 30 March 2013.



Source: Our elaboration on OCSE data 2013

To highlight how much the public expense engraves on the levels of indebtedness we re-examine the correlation considering the values of the countries with higher indebtedness level as outlier (Holland, Denmark, Ireland). In the second representation the relationship between private debt and expenditure on active policies, without the outliers, is considerably enhanced (Figure 16).

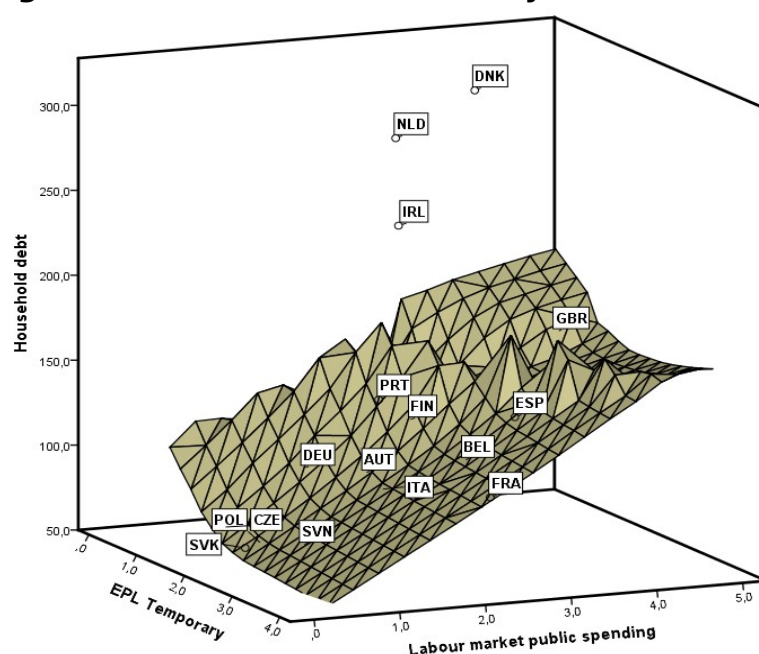
Figure 16. Labour market spending and Household debt correlation (no outlier)



Source: Our elaboration on OCSE data

The investment of public resources in specific labour market measures (Active Labour Market Policies - ALMP) has strong impact on the level of private indebtedness. Hence, we build a causal relationship between Flexicurity and indebtedness, considering simultaneously two components of flexibility: the EPL (Employment Protection Legislation, OECD Index⁴⁰) and the level of public expense on the labour market⁴¹. In the following multivariate analysis (Figure 17) the indebtedness is a dependent variable while the EPL and the intensity of the social expense on the labour market are the independent variables.

Figure 17. Multivariate flexicurity and household debt analysis



Source: Our elaboration on OCSE data 2013

The chart shows how to high level of private debt correspond low level of EPL and high labour market policy expenditures. The countries with more household debt are those that in the Palier classification realized neo-liberal reforms in the economic system (Anglo-Saxon and Northern Europe countries). The Continental

⁴⁰Employment Protection Legislation (EPL) is described by OECD index along 21 basic items which can be classified in three main areas: (i) protection of regular workers against individual dismissal; (ii) regulation of temporary forms of employment; and (iii) additional, specific requirements for collective dismissals. For each item and country, legislation, case law, and collective agreements –in force at a specific date- are reviewed and used to assign scores on a scale from 0 to 6 (from the least to the most strict regulation).

⁴¹ Public spending on labour market programmes includes public employment services (PES), training, hiring subsidies and direct job creations in the public sector, as well as unemployment benefits. PES includes placement and related services, benefit administration and other expenditure. (Source: OECD)

Europe Countries with a weak degree of welfare state “modernization” shows lower levels of household debt.

Why a flexible labour market system increases the indebtedness level of the household? What’s the relationship between such dynamics and the Flexicurity approach?

Is it indeed interesting to underline that Denmark and Netherlands are the Countries with highest private household debt levels: the two northern European Countries considered the cutting-edge models in deregulating their labour markets and establishing the “flexicurity” (Jørgensen and Madsen, 2007; Muffels, Wilthagen, and van den Heuvel, 2002, 2008; Muffels et al., 2008; Wilthagen and Tros, 2004).

A deeper analysis let us remind some macroeconomic implications strictly connected with the private household indebtedness. The theoretical contributions of Aldo Barba and Massimo Pivetti⁴² and their study on the indebtedness’ causes of the American households help us to better understanding. Their analysis found out that the best outcome, following a capitalist economic system, is reached through household indebtedness: private household debts as a reaction to falling or stagnant real wages make possible the persistence of high levels of aggregate demand, without recourse to public intervention.

Thanks to the substitution of loans in place of wages, the share of real income accruing to capitalists increases or, at least, remain constant; Moreover, the burden of debt engraves on workers that, sooner or later, have to work harder and for more hours.

Hence the indebtedness mechanism deserves the spreading and the permanency of in-work poorness. This seems to be the “capitalistic solution” to the economic stagnation and the better public policy according to the dogma of austerity - not providing State intervention and public spending - strongly pursued in the last decades.

According to Barba and Pivetti research (Barba and Pivetti, 2009), by increasing the household debt the financial productive system achieves a constant economic equilibrium. Transposing this analysis in the European context, we add to this scenario of real wages stagnation the ongoing labour market deregulation. This hypothesis is developed by the theoretical contributions of Colin Crouch and Colin Hay (Crouch, 2009; Hay, 2011), with the concept of the “Privatized Keynesianism”. Crouch argues that the economic and political elites fell into various different approaches to solve the dilemma between capitalism’s simultaneous needs of labour flexibility and consumers’ confidence. The first of these approaches is identify in the system of public demand regulation generally known as “Keynesianism”. The second was not, as often considered, a neo-liberal turn to pure free-markets, but a system of markets with pumped mortgage loans and other credits to low-income and medium-income people linked to unregulated derivatives markets. It was a form of “Privatised Keynesianism”.

⁴² Barba A. and Pivetti M. (2009), *Rising Household Debt: Its Causes and Macroeconomic Implications - a Long-period Analysis*, Cambridge Journal of Economics 33.

According to the English scientist, two things came together to rescue the neo-liberal model from the instability that would otherwise have been fallen out: 1) the spread of markets credits for poor and middle-income people, and 2) the spread of derivatives and futures contracts among the wealthy people. Instead of government's responsibility to stimulate the economy, individuals did so. In addition to the mortgage loans market there was an extraordinary increasing opportunity for bank loans and credit cards. This explains a great share of the financial capitalism. Most of this housing and consumer debt is necessarily unsecured; that is the only way in which privatised Keynesianism could have the same counter-cyclical stimulant effect as the original variety. Prudential borrowing against specified collateral effects would not help the middle-income workers who have to keep spending despite the insecurity of their labour market positions.

Closing remarks: a policy or a new approach?

When we started this research, we aimed to push the thesis that working poor phenomenon should not be avoided only with active labour market policies, at least not that one supported by European Countries still concerned on labour market deregulation, contract flexibility and precarious work. EU should enhance specific policies to contrast poverty not linked to active labour market measures, because the employment nowadays doesn't guarantee decent conditions, life prospect neither the way out of the poverty.

Young European people should claim investments in welfarism and universal subsidies (beyond retirements expenditures) at least at the same level that the amount of ALMP spending. Because this level just corresponds to the loss of their bargaining power since the introduction of flexibility in the late '90s.

Many critics to this approach are based on the negative effects this subsidies could affect high-qualified workers or the international capital, on other hand someone argues that - as in the actual debate on introduction of a Minimum Income Guarantee in Italy - the introduction of this externalities may encourage the unemployment. Ideological and political issues often shadow an evidence-based approach: welfarism and the collective well-being of the citizens faced with individual interests, more and more pursued by new populist political parties. In fact, Governments should just evaluate differently the social utility and the prosperity of poor and less qualified workers respect the high-skilled and high-income groups, to understand the usefulness of this new approach (Blumkin e Danziger, 2014; Lee e Saez, 2012). In other world, something has to be done, and something different from the previous labour-market oriented policies.

Minimum wages, EPL, universal benefits, redistributive politics are good ways as well as the good intention to include the new European Job Quality Index⁴³ (ETUI, 2008) to measure differences among Member States or the revised Employment Guidelines, amended in November 2017 to align the text with the principles of

⁴³ The index was updated in 2017: ETUI (2017), *'Bad jobs' recovery? European Job Quality Index 2005-2015*

the European Pillar of Social Rights. But they will be useless if EU doesn't spend the same energy and funds allocated to promote a Cohesion Policy, targeting to unconditional social protection and to universalizing and harmonising these rights over all the Member States. It should be the right way to make European people feels European' Citizens and it is the next great challenge for the future. At the end of our research activities we are more persuaded that a new cultural and economic approach should be adopted.

Studies such as those of Aldo Barba, Massimo Pivetti, Colin Crouch highlighted the long-term unsustainability of a market oriented and consumption-pushing economies (in other world capitalistic economies) with the increasing levels of inequality. The increase in the aggregate debt-to-income ratio, together with vulnerable and discontinuous employment experiences, had, in fact, decisive implications in the economic/financial crisis of 2008. The economic recession affecting workers with lower protections produced an increasing of late payments. The increased insolvency, in the absence of public labour market dynamics, has turned into the collapse of demand for goods and services, determining the loss of its equilibrium factor for financial capitalism. Dramatic consequences on occupational levels was registered. In a Keynesian theoretical perspective, in fact, the labour demand of the Companies arises essentially if expected demand for goods and services arises. These theoretical assumptions also clarify how the neoliberal variety of the Keynesianism, came into crisis and collapsed: Both Keynesianism and its "privatised version", each lasted 30 years (1945-1976 and 1977-2008). If this reflection is truthful, we must carefully reflect on the insistence of continuous labour market reforms based on flexibility and security policies focusing on the deregulation of employment. These interventions, in fact, are now part of a complex economic framework.

Persevering in flexicurity, as the only way to achieve greater and better job, ignoring an effective empirical observation of data, seems to be a replication of a weary ideological path, with processes of reforms no longer corresponding to the latest changes in people life style.

The theoretical and political debate should, instead, focus on new cognitive horizons aimed to reforms addressed beyond the flexicurity. In this way we could build a friendlier Europe with establishing new values of social sustainability and democratic principles. We need an effective anti-poverty agenda, so that all people, including those who are in a working poor condition, have an adequate basic income and can live with dignity.

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