1 Introduction

Henning Lohmann and Ive Marx

Most of the world’s poor people work. That is to say, they work for their living, and yet they do not earn enough to make ends meet in a minimally acceptable way. We do not usually call them ‘the working poor’, but just ‘the poor’. The adjective ‘working’ is almost by definition confined to rich countries with extensive social safety nets where people can at least survive without working, thanks to welfare benefits and services. For much of the world’s population that option simply does not exist.

But the number of countries where the working poor – labelled as such – are seen as a specific issue worthy of academic and policy attention is growing. In developing countries the emergence of the issue can perhaps be seen against the background of rapid industrialization and economic growth. Industrialization arguably brings the expectation that workers progress sufficiently so as to escape poverty.

There has been an explosion in research focusing on ‘the working poor’, as they are called in the United States, or on ‘in-work poverty’, a term mostly used by European researchers. Some Google Scholar statistics are illustrative in this respect. Searching for ‘working poor’ yields 5260 results prior to 1990. For the period 1990–2000 one finds 11 700 results; for 2000–2010, 20 800 results. Gauging by the number of search results for 2010–16 alone (17 500), that number will be vastly higher again by the end of the decade. Performing a search for ‘in-work poverty’ yields similar, perhaps even more striking results. Only six results turn up prior to 1990; 1990–2000 produces 40 results; 2000–2010, 732; and the last six years (2010–16) alone yields 1720.

Another striking observation is the widening geographical spread of the results that show up. Prior to 1990 almost all results refer to American papers, journal articles and books. From 1990 onwards European results start to show up, mostly from Britain, but also from countries such as Denmark. There are references to the phenomenon of ‘in-work poverty’ in Organisation for Economic Co-operation and Development (OECD) documents for the first time. After 2000 the geographical origin of the research papers and books pertaining to in-work poverty starts becoming increasingly more diverse. Take, for instance, the increasing number of collections on the working poor in Europe (e.g., Andreß and Lohmann, 2008; Fraser et al., 2011), Fields’s (2012) monograph on in-work poverty worldwide, or the intensified reporting on the working poor by the International Labour Organization (ILO, 2017). It is only fitting that this Handbook acknowledges that research on in-work poverty is becoming far more global.

1.1 THE SCALE OF IN-WORK POVERTY

When we are talking about the working poor on a global scale, the numbers are staggering. The ILO reports that in 2013, 375 million workers lived on less than US$1.25 per day and that 839 million workers had to cope with US$2 a day or less (ILO, 2014). This is a
substantially lower number compared to the early 2000s when the corresponding numbers
of working poor living on less than US$1.25 and US$2 were more than 600 million and
more than 1.1 billion, respectively. That decline reflects spectacular improvements in
living standards in some developing countries, such as China and India.

While such a trend is encouraging, many issues remain. Some countries have made good
progress in reducing the share of informal workers, but informality rates as high as 90 per
cent can still be found in economies in South and South-East Asia. In addition, workers
in many countries continue to be exposed to bad working conditions and long working
hours, if not downright exploitation, as some of the chapters in this book document.

While we see vast improvements in living standards globally, poverty trends among
workers in rich countries look different. When we talk about poverty in the rich world
we are not referring to the capacity for physical survival and meeting basic needs. Hence
the poverty thresholds used are of a relative nature, reflecting minimally acceptable living
standards in a given regional and temporal context, although some major industrialized
economies such as the United States (US) divert from the use of such standards. While
poverty thresholds differ widely – not only between the US and other rich countries, but
in particular in a global perspective – the underlying definition of ‘in-work poor’ is rather
uniform. A ‘working poor’ person is a working person who is poor. This is not as trivial
as it sounds. It combines the labour market status of an individual with their living stand-
ard, which is usually assessed at the household or family level. Combining two levels of
analysis complicates measurement and interpretation, since the labour market status of
other persons in the household may be crucial, as may the number of dependents, if any.

Most data on the incidence and development of in-work poverty share this general defini-
tion, while poverty thresholds and the way workers are identified differ widely. Applying the
official US poverty thresholds, the Bureau of Labor Statistics (BLS) shows that the working
poor rate of 6.3 per cent in 2014 hardly differs from the rate in 1986, but declined from a
high of 7.2 per cent in 2010 (BLS, 2016). Eurostat data clearly show that in-work poverty is
a Europe-wide phenomenon. The prevalence of in-work poverty varies across the European
Union (EU), from lows of 4 per cent to highs of about 17 per cent. There is, however, no
general tendency for in-work poverty to have risen since the start of the century. Taking the
time span from 2000 to 2015, in-work poverty is seen to have increased over the decade in
some countries, but it fell in as many others. Abstracting from the crisis period, a compar-
ison of 2000 with 2007 also fails to show a marked rise in in-work poverty in many countries.
The common presumption of a rising trend is therefore not supported by these data and
indicators. However, the fact that the sources of data for 2000 and 2015 differ (European
Community Household Panel, ECHP and EU Statistics on Income and Living Conditions,
EU-SILC), means that the trends shown have to be treated with some caution. Also, in a
global perspective, trends are not uniform and the massive reduction in the number of the
working poor which has been observed in recent decades is slowing (ILO, 2017).

1.2 DEBATES ABOUT IN-WORK POVERTY

The working poor have been a focus of inequality and poverty research from its very
beginnings. For instance, Engels (1848) describes the impoverishment of the working
class during the early industrialization. Rowntree’s (1980 [1901]) classical study on York
depicts the poverty of working families. And also today, two-thirds of all workers in developing countries live in extreme or moderate poverty (ILO, 2017). Only in rich countries is in-work poverty regarded as a recent phenomenon, which is habitually linked to the demise of industrial employment and the (alleged) growth of low-paid insecure employment in the services sectors, epitomized by the so-called ‘McDonald’s jobs’. The contrast is often drawn with the golden years of welfare capitalism when manufacturing industry provided stable, well-paid employment even for those with little or no formal education. As Esping-Andersen et al. (2002) once put it:

We no longer live in a world in which low-skilled workers can support the entire family. The basic requisite for a good life is increasingly strong cognitive skills and professional qualifications... Employment remains as always the sine qua non for good life chances, but the requirements for access to quality jobs are rising and are likely to continue to do so.

Another prominent welfare scholar, Guliano Bonoli, put it this way: ‘Postindustrial labour markets are characterized by higher wage inequality with the result that for those at the bottom end of the wage distribution, access to employment is not a guarantee of a poverty-free existence’ (Bonoli, 2007, p. 496). Similar claims can be found elsewhere in the literature, and indeed in policy documents produced by such organizations as the OECD or the European Commission.

While labour market and institutional change is obviously an important driver of poverty outcomes, this narrow focus on what is happening to rich countries’ economies does not do justice to the complexity of drivers behind the phenomenon of in-work poverty. To see this it is important to recall how in-work poverty is usually defined. The working poor are individuals who are working during a given reference week or year, and whose household (weighted) per-capita disposable income is below some threshold. Given the hybrid nature of the phenomenon, it is not simple to identify the relevant drivers of in-work poverty. It results from the imbalance of household needs and resources. Hence, in-work poverty is explained by factors impacting on the distribution of labour market income, on family living patterns, the division of labour within households and the redistribution via taxes and transfers.

The locus of the problem is not simply in the labour market alone. Sociodemographic factors matter as much, if not more. The increased prevalence of single parenthood, for example, is an important driver of in-work poverty, especially in the context of simultaneous rises in double and multi-earnership. Changes in fertility and living arrangements thus matter. Changes in tax and benefit systems matter, as these affect not only workers themselves, but also other people in the household.

From this analytical complexity follows policy complexity. Policy can impact on in-work poverty through a multitude of channels. It may focus on individual wages, working time and household work intensity, but also on in-work transfers or family benefits. From this list it is obvious that choices here are not just ‘technical’ but also normative.

1.3 THIS VOLUME

This volume sets out to do a number of things. First, it seeks to reflect that in-work poverty has become a worldwide issue. It is, of course, impossible to capture in one volume the full breath and diversity of the current debates relating to work and poverty across the
globe. What we do try to do is to offer selected perspectives from regions and countries that stretch beyond the rich world, upon which most of the current academic writings in Europe and America tend to focus. In view of the rapidly growing academic and policy interest in the working poor, we think this is worthwhile and of clear added value.

Second, we seek to do justice to the analytical complexity of the phenomenon of in-work poverty. While one would obviously and justifiably expect chapters on what has been happening in labour markets, we also cover sociodemographic and other drivers, and the way these are affected by policy.

Third, this volume seeks to do some degree of justice to the paradigmatic diversity in the analytical approaches to in-work poverty. While some researchers favour rigorous quantitative analysis, others favour more qualitative, interpretative or critical approaches. While we, as editors, have more affinity with the more quantitative approaches, we have also sought to include chapters that take different approaches.

Fourth, academic analysis of a social problem without implications for policy is somewhat futile. Conversely, policy proposals that are not grounded in rigorous analysis tend to be of little use and are probably wrong. A number of chapters specifically deal with policy.

Fifth, we have aimed for chapters that are concise and accessible for a wider academic and policy-minded audience.

REFERENCES