Task 5.4

Welfare policy, labour market transitions and the quality of work

Leader: UNIPG, Contributors: KU Leuven, LISER, wiiw, ZSI

1. Task description

Task 5.4 aims to identify which labour market groups, despite participating in employment, are at higher risks of entering into and persisting in low-quality jobs, in-work poverty and in-work deprivation. We will explore the individual and household determinants of flows into and out of poor employment positions and in-work poverty and deprivation and how they are moderated by national institutional and policy settings, which directly or indirectly affect the labour market (e.g. family policies, unemployment benefits, basic income schemes). The analysis, using the same methodology as before, will be comparative (focusing on EU and associate countries), and will be extended to single countries when possible.

Figure 1.   Overview of Task 5.4
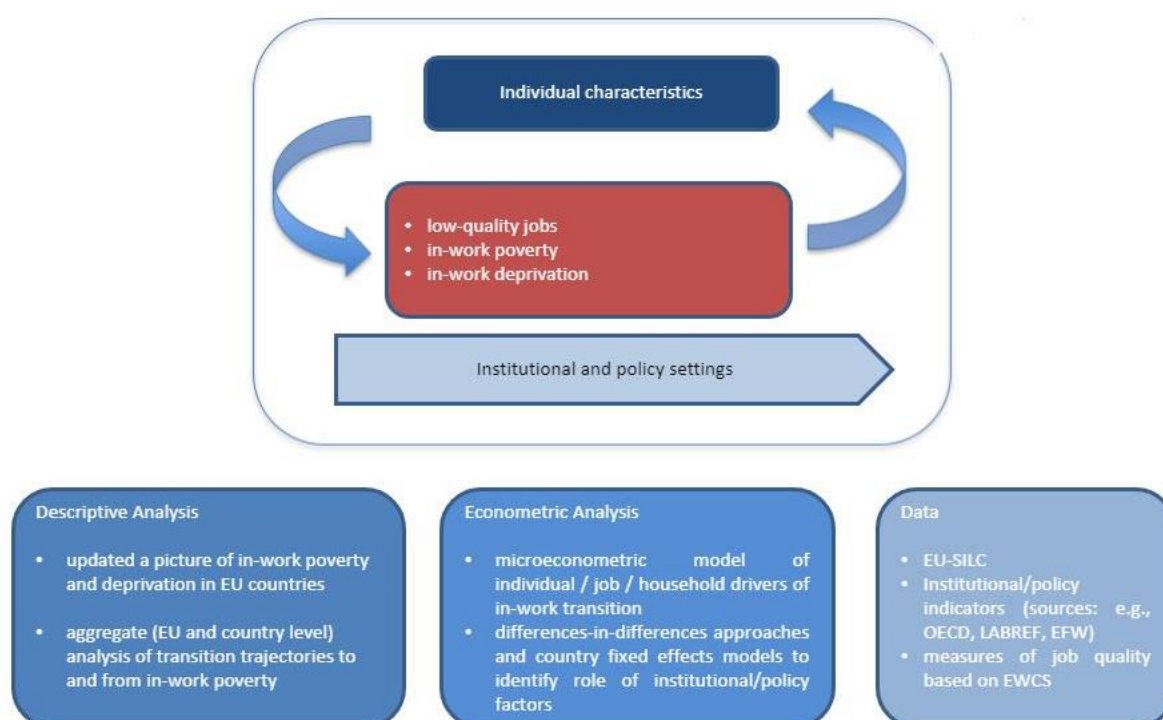
2. Background / Setting

Participation in employment shelters the majority of those living in the EU from economic hardship. However, a substantial and growing share of workers are in-work poor or in-work deprived, despite advanced economic development and social protection systems implemented by European countries (Peña-Casas et al., 2019). The latest Eurostat figures available indicate that around 10% of European workers are at risk of poverty, compared to around 8% reported at the end of the 2000s. Understanding the dynamics of in-work poverty and the transition trajectories has been growingly identified as a priority in the EU policy framework (Eurofound, 2017), as it is crucial to guide policy actions aimed at maximizing the probability of exiting (or preventing) poverty without exiting (or staying out of) employment. The empirical literature on such transition dynamics, although growing, is still limited. The main purpose of this task is to map the drivers of risk of in-work poverty and its dynamics across EU countries and to investigate how they are moderated by national-level institutional and policy settings which directly or indirectly impact labour market settings.

3. State-of-the-art

The empirical literature developed in the last 10-15 years has provided a thoughtful debate on the manyfold measurement issues associated with the concept of in-work poverty (e.g., Crettaz, 2013; Ratti et al., 2022). For the EU context, Eurostat provides statistics on *in-work at-risk-of-poverty rate* for various demographic and working population groups. The drivers of the dynamics of in-work poverty identified by the empirical literature can be grouped into three main domains. The first two pertain to individual/household factors (see, e.g., Hick and Lanau, 2018; Vandecasteele and Giesselmann, 2018; Crettaz, 2015): (i) workers/job attributes (age, gender, education and job characteristics - particularly, temporary/permanent contract and full-time/part-time jobs); and (ii) household characteristics (size, composition, number of income earners and work intensity). Guio et al. (2021) provide the most updated comprehensive mapping of in-work poverty levels, dynamics and drivers of individual transition trajectories for EU countries, based on EU-SILC cross-section and longitudinal data. The third domain pertains to institutional/policy factors influencing directly or indirectly in-work poverty. The available literature has analysed, either on a qualitative basis or using aggregate trends, a wide array of settings that include: wage decentralisation/coordination, minimum wage legislation, employment protection legislation, tax structure

and incentives, access to services such as childcare and training (see Eurofound, 2017; Peña-Casas et al., 2019 and 2021; Marchal et al. 2017; Lohmann and Marx, 2008; Lohmann, 2009).

4. Advancement compared to the state of the art

Contrary to the analysis of individual-level factors, the investigation of policy/institutional drivers has been mainly carried out at the aggregate (country) level, in an attempt to spot macro-level regularities (across countries or over time). We will provide (one of) the first study on how changes in institution/policy settings affect the individual dynamics of in-work poverty in EU countries.

5. Research to be done

For this task, we will use individual- and household-level EU-SILC data, both for descriptive and econometric analysis. The cross-sectional section of the dataset will be used to provide an up-to-date picture of in-work poverty and deprivation in EU countries; the longitudinal component will be used to identify the year-to-year transition trajectories to and from in-work poverty/ deprivation at the aggregate EU and at the country level.

The longitudinal component will then be used to map the individual- and household-level drivers of transition probabilities to and from in-work poverty/ deprivation. Once the most important drivers have been identified, we will investigate which policy/institutional changes have reduced or magnified this probability in the EU. To this aim, based on the available literature (Peña-Casas et al., 2019 and 2021), we will identify a set of relevant institutional/policy changes (employment protection, minimum wage, guaranteed minimum income, family policies) with significant variability across countries and over the period considered for the analysis. The metrics of institutional/policy features will be collected from existing sources (e.g., OECD, LABREF, EFW)

6. Methodology

As far as the descriptive analysis is concerned, we will provide un updated a picture of in-work poverty and deprivation in EU countries, along with an aggregate (EU and country level) analysis of transition trajectories to and from in-work poverty.

As for the econometric analysis, we will first estimate a model of individual/job/household drivers of in-work transition (as in Guio et al., 2021). To assess the role of institutional/policy factors, we will then follow

the empirical strategy of Perugini et al. (2018), which is a combination of differences-in-differences approaches and country fixed effects models. In the first case, we will identify a treatment group (i.e., individuals employed in countries which underwent a relevant institutional/policy change in a given interval - one EU-SILC longitudinal wave) or subperiod) and a control group (individuals employed in countries which did not undergo a similar institutional/policy change). We will then estimate the difference between the two groups of the impact of individual/job/household on the probability of in-work poverty transition.

The differences-in-differences approach naturally allows only a limited coverage of the analysis due to data constraints, in terms of both individuals and countries. To extend the empirical analysis to all EU countries, we will complement it with multilevel analysis or country fixed effect model in which we simply interact the individual variables with metrics of policy/institutional settings (see Snijders and Bosker, 1999 and Bryan and Jenkins, 2013).

7. Data sources

- EU-SILC cross-section and longitudinal data
- Institutional/policy indicators (sources: e.g., OECD, LABREF, EFW) and/or measures of job quality based on EWCS at the occupational x sectoral x country level (e.g. : job security, unionization)

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