

IPSWICH

In-work poverty and shifts in work, income, and the composition of households

DURATION
15/12/2015 - 15/03/2018

BUDGET
510 635 €

PROJECT DESCRIPTION

The number of employees living in poverty is increasing in Belgium, as it is in the rest of Europe. Yet the share of the working poor remains comparatively low. In order to assess the robustness of the Belgian labour market and the social security system, we need to shed a light on this complex menace, taking into account both the structure today and the dynamics that will shape poverty tomorrow. The IPSWICH project seeks to understand how institutional and policy factors, in relation to underlying economic and household dynamics, generate in-work poverty in Belgium. We also assess how in-work and jobless poverty are interrelated, and how policy reforms can contribute to reduce present poverty and prevent further increases. The project highlights such aspects as wages, working hours and contracts, household work intensity, social protection, productivity, discrimination, and wage bargaining power. The analyses focus on three areas of particular interest that remained up to now relatively underexplored in the national and international literature: a) the poverty implications of non-standard work, b) job polarization and institutional wage setting, and c) workplace wage discrimination of target groups - in particular foreigners.

In-work poverty is a stressing feature of trends (such as job polarization) which are imminent and possibly unavoidable. More insight is needed to find an effective policy response in anticipation of a more unequal labour market. Such a response needs to take into account that poverty in Belgium is mostly concentrated in households with low or zero work intensity. We propose inclusive growth strategies involving a role for government as well as for social partners so that economic progress can result in better working and living conditions for all. We develop and test a number of arguments why the apparent trade-off between unemployment and in-work poverty is not always as visible as commonly expected. At the micro-level there is the protective role of other household incomes sources besides low wages. At the macro-level two lines of thought exist. One is that there is a near-mechanical relation between social protection and the distribution of wages (the unemployment trap, a 'policy conundrum'). The second is that a number of changes in the labour market could be beneficial, but not if unregulated. Increased worker flexibility, migration, and technological evolution are widespread trends in most western economies. They are part of economic progress and challenge existing institutions and rules. However, we find that those workers who are poorly organized, loosely attached to employment or unintegrated in the economy are the first victims of these trends. We emphasize better knowledge of the complexity of in-work poverty, e.g. how do work transitions cumulate into poverty risks, in what way is collective bargaining adapted to employment shifts, do we have a good understanding of workplace discrimination? This approach should replace one-sided views on the working poor, such as individualization of employability and may contribute to our understanding of the limitations and conditions for activation policies.

The project's contribution to the research field lies in the application and development of improved models to measure inequality, its roots and its effects. For the comparative policy analysis and to assess the policy conundrum, the model household approach will be used. To examine differences between standard and non-standard work, we use Oaxaca-Blinder-like decomposition methods. For the analysis of the minimum wage effects and the resilience of the institutional system, the method of Autor, Manning, and Smith (2015) is followed. Finally, worker discrimination and firm-level economic performance in relation to worker diversity, is approached with a novel strategy taking into account individual worker productivity differences.



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The project will result in seven working papers which will be submitted for publication in peer-reviewed journals, and which will be accompanied by short policy notes to disseminate the findings amongst policy makers. A final report will combine the contributions. The findings of the IPSWICH project will be presented at a conference in Spring 2018, addressing the 'past, present, and future of in-work poverty in Belgium'.



CONTACT INFORMATION

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LINKS

<http://www.workingpoor.be>