

# Pauperisation of Employees in the Domestic Labour Market

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## Abstract

*The goal of the paper is to show the problem of workers' pauperisation on contemporary labour market in Poland while comparing selected aspects of this phenomenon with the situation on the European Union labour market. Results of European research (EU-SILC survey) concerning the living conditions of the population were used for this purpose. It appears that the highest rates of risk of poverty among working population aged 18–64 are reported in Romania, Greece and Spain. On the other hand, this phenomenon is observed in the least degree in the Czech Republic, Finland and Belgium. In Poland, the share of in-work population at risk of poverty in 2014 was on the level of 10.7%, and was slightly higher than EU-mean that reached 9.6%. Results of empirical data generally show similar determinants that affect higher probability of occurrence of the problem both on national, as well as on the European Union labour market, including low level of worker's education, provision of work based on flexible contracts, short job seniority and low labour intensity in household.*

**Key words:** labour market, in-work population at risk of poverty, precariat, EU-SILC survey

## Introduction

The problem of poverty concerning a part of occupationally active population has been noticed and commented upon in Poland for over at least a decade. Even though increasingly more frequently this phenomenon is noticed in media discourse

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(compare Nowakowska 2014, Fejfer 2015, Suchodolska 2015), and in scientific literature (compare Stanaszek 2004, Kozek et. al. 2005, Muster 2012, Wójcik-Żołądek 2013), still there have been no comprehensive and concise publications concerning this issue on domestic labour market. Marek Góra states that the problem of working poor occurs in public discussion, but as an element of a debate rather than an analysis (Góra 2016: 270). The shortage of research describing the 'working poor' phenomenon is observed, both from the quantitative as well as qualitative perspective. The only empirical research conducted so far on Polish nationwide sample, directly concerning the pauperisation of in-work population was performed by CBOS [Public Opinion Research Centre] in 2008, i.e. before the outbreak of the last economic crisis (see: Kuźmicz, Stasiowski 2008). Unfortunately, although research concerning differences in earnings is conducted regularly by GUS [Central Statistical Office], the issues associated with the problem of pauperisation of occupationally working population on home labour market seldom are the object of empirical analysis.

Deficiency in analyses diagnosing the working poor on the domestic labour market, i.e. on the level of voivodeships (not mentioning sub-regions or districts/powiaty) is even more surprising because after Poland had joined the European Union (EU), a lot of possibilities to obtain funds for of labour market research emerged. However, research projects carried out thus far mainly dealt with the adoption of labour supply to changing market demands, particularly in the context of the needs for providing young people and the unemployed with skills expected by the employers.

The issue of precariat and precarious work in the literature became popular due to works by British economist Guy Standing (Standing 2014, 2015). In the *Dictionary of Polish Language* there is still no defining description of the notion of *precariat*, which comes from the English word *precarity* or French *precarité* (translated as unstable situation). Sowa notices that this word comes from the Latin root *caritas* (mercy, love to neighbours, concern), and describes the condition of something (or somebody) which (whom) needs to be taken care of, or which (whom), because of their unfavourable situation, needs prayer and is at the mercy of someone else. Therefore, the notion of precariat is closely related to the issue of the lack of stability, which fundamentally concerns poor situation of an individual on the labour market, because of low remuneration obtained for provided work.

The reasons and implications of workers' pauperisation that ought to be emphasised, are particularly extensively described in the United States (cf. Ehrenreich 2006; Newman 1999, 2006, Newman and Tan Chen 2007). Besides, it is the only country that has a legal definition of the working poor (cf. Muster 2012: 35).

On the other hand, while making an attempt at describing the phenomenon of pauperisation on contemporary labour market, reference was made to data collected on the basis of EU-SILC survey. Thanks to this, comparison of statistical data from various countries belonging to the European Union was performed with regard to incidence of risk of poverty within in-work population.

## EU-SILC Survey Methodology

According to Eurostat definition, European research of living conditions of the population (EU-SILC) constitutes the point of reference for comparison of statistics concerning distribution of incomes and social integration in European Union. It is applied for the purpose of monitoring social policy through Open Method of Coordination (on-line: [www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)).

The research is focussed on income, mostly on personal income. Information concerning social exclusion, housing conditions, work, education and health protection is also collected (*ibidem*). However, it must be explicitly emphasised that EU-SILC research is based on the principle of common 'framework' and not common 'research'. The so-called 'common framework' defines harmonised list of target variables provided to Eurostat – both of the primary nature (annually), and secondary character (every four years or less frequently).

Methodological framework of research is based on common guidelines and procedures as well as uniform approach to the concept of household and income, thanks to which possibility of data comparability is maximised (*ibidem*). The major goal of EU-SILC research is to provide data comparable for the European Union states that describe the living conditions of the population.

Variables effective in EU-SILC survey include elementary social and demographic features of respondents, their participation in the process of education, assessment of health condition, selected data concerning deprivation, and data concerning housing conditions; information about economic activity, particularly concerning the level and sources of income are taken into consideration in comparative analysis (GUS 2009: 13).

Implementation and methodology of EU-SILC survey is determined by legal framework, and results from Regulation of the European Parliament no 1177/2003 of 16th June 2003 (with amendments included in the regulation no 1553/2005) concerning statistics of income and living conditions of population and also regulations of the

European Commission corresponding with the act. In Poland EU-SILC survey was carried out implemented by Central Statistical Office in 2005 (GUS 2009: 14).

## Analysis of Research Results

While describing the phenomenon of workers' pauperisation on contemporary labour market, empirical data collected on the basis of EU-SILC survey was applied. On the basis of analysis of empirical data, it can be stated that in European Union member states<sup>1</sup> the highest rates of poverty risk among the working population is observed in Romania (19.5%), Greece (13.2%), Spain (12.6%), Estonia (11.8%) and Italy (11.1%). On the other hand, this problem affects relatively least the occupationally active population in the Czech Republic (3.6%), Finland (3.7%), Belgium (4.8%), Denmark (4.8%) and Holland (5.3%). In Poland, the poverty within in-work population refers, according to EU-SILC survey, to 10.7% of population aged between 18 and 64. The rate, averaged for EU member states is slightly lower than in the case of Poland, and reaches 9.6%; detailed data are presented in Graph 1.

Analysing the phenomenon over the eight years (2006–2014), allows to notice that on home labour market, the share of in-work population at risk of poverty decreased from 12.8% in 2006 to 10.7% eight years later, whereas in the same period, this rate increased in the European Union from 8.0% to 9.6%. Between 2006–2008 the largest growth in the share of in-work population at risk of poverty was reported in Germany (by 80%), Bulgaria (by 69%) and Estonia (by 51.3%). On the other hand, the largest decline was observed in Latvia (by 25.9%), Lithuania (by 16.8%) and in Poland (by 16.4%).

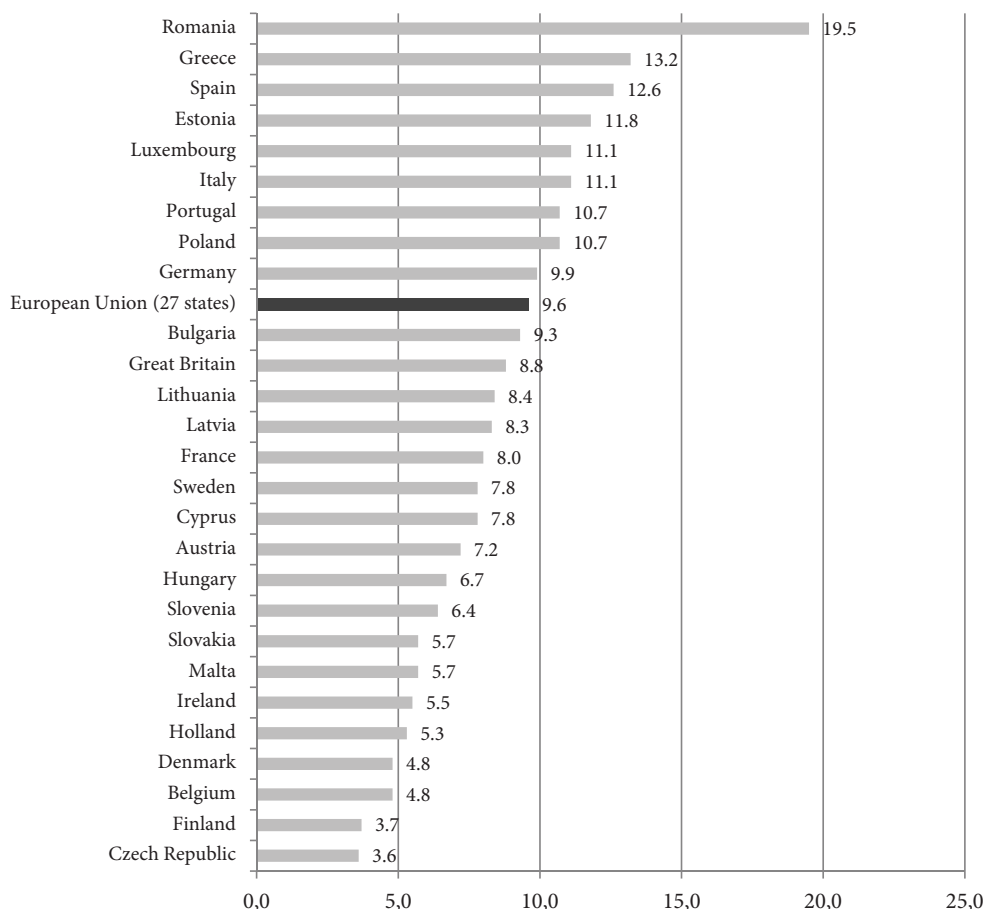
In the further part of the article the phenomenon of in-work population at risk of poverty is described after aggregation of empirical data has been performed with respect to their important social and demographic features.

Generally, surveys show that the lower the workers' age, the higher the risk of pauperisation. However according to EU-SILC survey analyses, in the case of men on the domestic labour market the situation is reverse, i.e., elder workers are at higher risk of poverty (Graph 2).

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<sup>1</sup> Due to availability of empirical data, the problem of poverty among in-work population in the European Union member states is presented in the article with the exclusion of Croatia that became the EU member state on 1<sup>st</sup> July 2013.

**Graph 1. Poverty risk rates among in-work population  
(aged between 18 and 64) in individual EU states (2014, in %)**

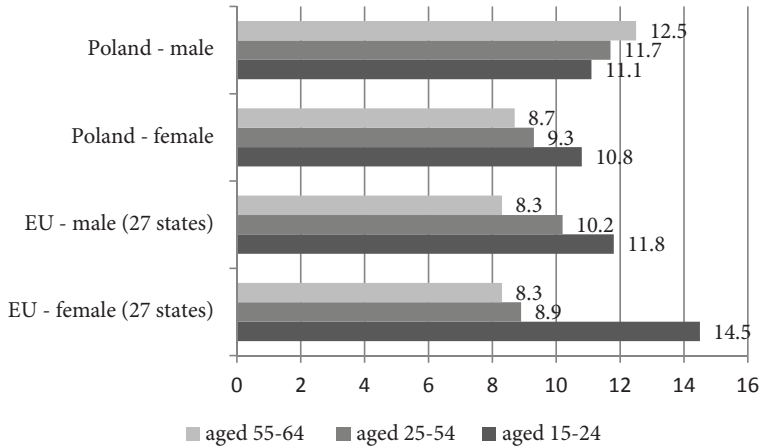


Source: EU-SILC survey [ilc\_iw01], In-work at-risk-of-poverty.

On the other hand, while looking at the data broken down by gender, one can observe quite surprisingly, that is males, (in all three analysed age groups) are at the highest risk of poverty within the in-work population who on national labour market.

An attempt to explain this situation is found in the literature of the subject. Earnings of women more frequently are the second source of household income which means that even if a woman receives a small remuneration for work, while having a partner whose income is appropriately high, she is not included in 'at risk of poverty' group. On the other hand, if a household with many people lives only on the man's salary, even if his earnings are relatively high, the whole family can be situated below the poverty threshold (Wójcik-Żołądek 2013: 172).

**Graph 2. Share of in-work population (aged between 18 and 64) at risk of poverty with respect to gender and age in Poland and EU (2014, in %)**



Source: EU-SILC survey [ilc\_iw01], In-work at-risk-of-poverty

Level of education is another important variable which significantly impacts belonging to the category of in-work population at risk of poverty. Statistical analysis of collected data explicitly shows a clear relationship: the higher the level of education of occupationally active people, the smaller the risk of poverty (Table 1). And so, on domestic labour market the share of in-work population with the lowest level of education (less than primary education, primary education and junior high school education) at risk of poverty was on 28.6% in 2014, whereas among the people with more than junior high school and post-secondary non-tertiary education, the rate of population at risk of poverty amounted to 12.9%. On the other hand, among people with university education, the rate of risk of poverty among working population was only on the level of 2.3%. The same trend is observed on the EU labour market, but employees with university education in Poland experience pauperisation to a significantly smaller degree than in EU (2.3% and 4.5%), respectively.

**Table 1. Level of education of in-work population and risk of poverty in Poland and in EU (2014, in %)**

Level of Education	Poland	EU
Less than primary education, primary education and junior high school education	28.6	18.7
More than junior high school and post-secondary non-tertiary education	12.9	9.7
University	2.3	4.5

Source: EU-SILC survey [ilc\_iw01], In-work at-risk-of-poverty.

As results of empirical research show, significant differences concerning risk of poverty among in-work population are associated with instability of employment. In the case of people working on the basis of permanent contract, the rate of people at risk of poverty on home labour market is twice lower (5.5%) than among people working on the basis of temporary contract (11.4%). For comparison, in the area of the European Union, the differences are even larger because in the case of those people on the basis of temporary contracts, the rate at risk of poverty reaches 15.8% against 5.9% of the employed on the basis of permanent contracts (Table 2).

**Table 2. Employment stability and risk of poverty in Poland and EU (2014, in %)**

Employment stability	Poland	EU
Working on the basis of permanent contract	5.5	5.9
Working on the basis of temporary contracts	11.4	15.8

Source: EU-SILC survey [ilc\_iw05], In-work at-risk-of-poverty.

The share of people at risk of poverty among in-work population is a correlated with job seniority. Among people whose job seniority less than a year, the rate of population at risk of poverty is 16.4% whereas among the in-work population whose job seniority is over 12 months decreases to 10.2% (Table 3).

**Table 3. Job seniority and risk of poverty in Poland and EU (2014, in %)**

Job seniority	Poland	EU
Shorter than a year	16.9	18.2
At least a year	10.2	9.0

Source: EU-SILC survey [ilc\_iw06], In-work at-risk-of-poverty.

A determinant associated with the level of work intensity in the household is also an important factor differing the problem of risk of poverty among in-work population.

In the case of households in which we observe low work intensity, the share of in-work population at risk of poverty is, according to EU-SILC survey, on the level of 36.8%, whereas in the case of households with high and very high work intensity, the share of population at risk of poverty is 9.1% and 5.2%, Respectively. Similar relationships are observed on European Union labour market (Table 4).

**Table 4. Work intensity in household and risk of poverty in Poland and EU (2014, in %)**

Work intensity	Poland	EU
Very high	5.9	5.2
High	9.1	10.3
Mean	25.5	20.5
Low	42.3	36.8

Source: EU-SILC survey [ilc\_iw03], In-work at-risk-of-poverty

Another determinant having considerable impact of pauperisation of occupationally active population is associated with the size of household (Table 5).

**Table 5. Household type and risk of poverty in Poland and EU (2014, in %)**

Household type	Poland	EU
Household with no children	7.9	8.1
Household with children	12.5	11.2

Source: EU-SILC survey [ilc\_iw02], In-work at-risk-of-poverty

Both in Poland and in the area of the European Union households with no children, in which at least one person has an income from work are at smaller risk of pauperisation in comparison with households with children. In the case of households with no children, the share of in-work population at risk of poverty is on the level of 7.9%, whereas in the EU it is 12.5%. In the EU, these rates are on similar levels.



## Conclusions

Analysing pauperisation of a part of working population on contemporary labour market, it is difficult to identify one key factor that determines belonging to the category of 'at risk of poverty'. However, statistical analyses performed on the basis of EU-SILC survey allow for indicating several variables explicitly increasing the probability of falling into poverty among in-work population. Those determinants are often interrelated. Low level of worker's formal education is often related to long-term provision of work on the basis of flexible forms which may imply pauperisation. Furthermore, the people experience a higher risk of losing work in the case of economic crisis or decrease in the level of income. Similar correlations are observed both in Poland and in other European Union states.

It must be clearly emphasised that pauperisation is also experienced, but in a smaller range, by workers included in the category of white collar workers. In the literature of the subject there is even a notion of 'officeriat' that describes well-educated workers who perform administrative and office work for low salary, often not higher than the minimum pay-rate (cf. Kapiszewski 2013; Szaban 2013). In Poland, the issue of low wages of administrative and office workers mainly concerns a part of people employed in public administration, particularly in social services, as well as judiciary and employment services.

Considering the lack of research in this area, the problem of workers' pauperisation should definitely receive more attention. There are several questions to be investigated, particularly in the context of changes occurring on the labour market. Thoroughly conducted research could provide the answers to these questions. The key question concerns the reasons why people work for low salary, sometimes on the level similar to social welfare available in case of no occupational activity.

There are no analyses either on how risk of poverty of occupationally active people is affected by a significant increase in minimum wage up to PLN 2000 gross on 1 January 2017. In 2007 the minimum wage for working on full time was PLN 936 gross; therefore, over the last 10 years the amount has more than doubled twice (by 113.7%).

Furthermore, representative research conducted currently on domestic labour market could allow to answer the question concerning impact of legal regulations limiting possibilities of employment of workers on a flexible basis, introduction

of minimum hourly rate for work (PLN 12 in 2016), or finally, the implications of legislative changes limiting flexibility of labour market.

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