

The Working Poor in the European Union*

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Abstract

The economic and financial crisis has resulted in a significant increase in the EU working poor. Nevertheless, the EU and its Member States have hardly coped directly with this phenomenon, adopting instead “traditional” social policies, aiming at increasing employment or combating poverty in general. However, in-work poverty is a complex issue, stemming from a variety of factors and requiring to be addressed specifically. The present paper offers an overview of in-work poverty in the EU from a labour and social security law point of view. Firstly, the concept of in-work poverty is delimited. Secondly, poor workers are identified according to the contractual typology. Thirdly, other in-work poverty factors are searched to understand if in-work poverty is exclusively linked to the labour market. Then, some examples of national working poor’s measures are analysed, as well as the EU policies in this regard. Finally, it is assessed if the EU actions are effective in order to solve the working poor problem and to coordinate the national anti-in-work poverty strategies chosen by the Member States.

Keywords: Working poor; In-work-poverty; European Union; Minimum wage; Minimum income.

1. Introduction.

During the last years there was a significant increase in the EU working poor¹. This is the result of the economic and financial crisis and its consequences on the EU labour market.

* This article was presented, in a draft version, at the XII World Congress of the International Society for Labour and Social Security Law (ISLSSL) “Transformations of Work: challenges for the National Systems of Labour Law and Social Security” held in Turin, Italy, on 7 September 2018.

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¹ According to the last Eurofound’s report (Eurofound, *In-work poverty in the EU*, Eurofound, 2017), the in-work poverty rate increased from 8 percent of 2007 to 10 percent.

Nevertheless, the EU Member States as well as the EU itself have hardly coped directly with this issue, adopting instead “traditional” social policies, aiming at increasing employment or combating poverty in general. But in-work poverty is a complex issue, stemming from a variety of factors and requiring to be addressed specifically.

The present paper offers an overview of in-work poverty in the EU from a labour and social security law point of view.

Firstly, the concept of in-work poverty is delimited. Secondly, poor workers are identified according to the contractual typology. Thirdly, other in-work poverty factors are searched to understand if in-work poverty is exclusively linked to the labour market. Then, some examples of national working poor’s measures are analysed, as well as the EU policies in this regard. Finally, it is assessed if the EU actions are effective in order to solve the working poor problem and to coordinate the national anti-in-work poverty strategies chosen by the Member States.

2. Who are the working poor?

As the working poor phenomenon has been studied mostly by economists and sociologists, no legal definitions are available. However, also looking at socio-economic studies the situation is equally unclear. Generally, the expression “working poor” itself has been perceived as an oxymoron for a long time, “because nobody who works hard should be poor”². After all, in most West Developed Countries, poverty has been often considered “the ‘stigma’ of inactive person”³ and the result of laziness or disability, so that unemployment has been assumed to be the principal factor to explain poverty, while work the main instrument to escape it⁴.

But defining the working poor is quite controversial, especially due to the different meaning that the two concepts which compose the expression, “poverty” and “work”, can take⁵.

“Poverty” can be assessed in absolute or relative terms. “Absolute poverty” is defined as “a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information”⁶, while “relative poverty”, according to the definition firstly agreed by the European Council in 1975,

² Andreß H.-J., Lohmann H., *Introduction*, in Andreß H.-J., Lohmann H. (eds.), *The Working Poor in Europe. Employment, Poverty and Globalization*, Edward Elgar, 2008, 1; Balandi G.G., “La collocazione costituzionale degli strumenti di sostegno al reddito”, in *Lavoro e diritto*, 4, 2018, 575.

³ Eurofound, Peña-Casas R., Latta M., *Working poor in the European Union*, Eurofound, 2004, 3.

⁴ Strengmann-Kuhn W., *Working Poor in Europe: A Partial Basic Income for Workers?*, Basic Income European Network, 9th International Congress, Geneva, September 12th-14th, 2002, 1; Eurofound, Peña-Casas R., Latta M., (3). In Europe this idea of poverty dates back the Age of Absolutism, when poverty was thought to be a moral defect. For this reason, forced labour was largely used to re-educate poor people (see Ritter G. A., *Storia dello Stato sociale*, Laterza, 2011, 38).

⁵ Coval C., Cutuli G., “Dinamiche e persistenze della povertà in Italia: un’analisi sui working poor tra il 2002 e il 2012”, in *Sociologia del lavoro*, 144, 2016, 137; Marx I., Nolan B., *In-Work Poverty. ALAS, Gini Discussion Paper 51*, 2012, 11; Crettaz E., Bonoli G., “Why Are Some Workers Poor? The Mechanisms that Produce Working Poverty in a Comparative Perspective”, in *REC-WP 12/2010*, 7; Eurofound, Peña-Casas R., Latta M., (3).

⁶ United Nations, *Report of the World Summit for Social Development*, Copenhagen, 6-12 March 1995, 38.

occurs when income and resources are so inadequate as to preclude a person from having a standard of living considered acceptable in the society in which she/he lives⁷. Moreover, the concept of poverty, in absolute or relative terms, needs fixing a “poverty threshold” below which an individual or a group of people is deemed to be poor and this threshold can vary according to different criteria⁸.

It is then necessary to understand “who is working”. As an employment performance can fluctuate depending on time, the problem here is to identify how much time, and during which reference period (e.g. in a week, in a month, in a year), an individual should have worked to be considered “at work”⁹. But it is even pivotal to understand if employees or self-employed people and standard or non-standard workers should be considered. In other words, we need to decide if the concept of “work” depends on the contractual typology¹⁰.

Defining the working poor phenomenon is complex also because of the different dimension that “work” and “poverty” have. On the one hand, “work” is conceived individually, concerning the individuals’ working status¹¹, regardless the typology of the contractual relationship¹². On the other hand, “poverty” is a collective concept, related to the household income¹³. In the light of this, a first definition of working poor focuses on “work”, identifying the working poor with the low-wage workers, who are employed people with low labour incomes and specifically below the low-wage threshold, namely less than two-thirds of the median earnings¹⁴. This definition, however, underestimate that having a low labour income does not necessary lead to poverty, as an individual can have other income sources such as other household members’ earnings or social transfers¹⁵. For this reason, following the collective dimension of “poverty”, a different definition claims the “working poor” are those workers whose household income is below the “poverty line”¹⁶. Moreover, to distinguish the individual from the collective dimension, this second definition is sometimes traced back to the expression “in-work poverty”, whereas “working poor” is used for low-wage workers¹⁷.

⁷ Eurostat, *Combating poverty and social exclusion. A statistical portrait of the European Union 2010*, Eurostat-European Commission, 2010, 6.

⁸ See *amplius* Strengmann-Kuhn W., (4), 3. The “absolute poverty line” is defined on the basis of a basket of goods and services, kept constant in real terms, whereas the “relative poverty line” is a share of the median equivalised disposable income (Crettaz E., Bonoli G., (5),7).

⁹ Blagoycheva H., “*Employment and the “Working Poor” Phenomenon in the EU*”, in *International Journal of Economics and Business Administration*, IV, 3, 2016, 5; Marx I., Nolan B., (5), 11; Crettaz E., Bonoli G., (5), 7.

¹⁰ For an overview of “work” and “poverty” definitions in different countries, see the tables carried out by Crettaz E., Bonoli G., (5), 8 and Eurofound, Peña-Casas R., Latta M., (3), 7.

¹¹ Blagoycheva H., (9), 4-5; Herman E., “*Working Poverty in the European Union and its Main Determinants: an Empirical Analysis*”, in *Inżynieria Ekonomiczna-Engineering Economics*, 25(4), 2014, 427; Eurofound, *Working poor in Europe*, Eurofound, 2010, 1.

¹² Eurostat, “*EU statistics on income and living conditions (EU-SILC) methodology - in-work poverty*”, 2018, [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_statistics_on_income_and_living_conditions_\(EU-SILC\)_methodology_-_in-work_poverty](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_statistics_on_income_and_living_conditions_(EU-SILC)_methodology_-_in-work_poverty), accessed 13 April 2019.

¹³ Blagoycheva H., (9), 4-5; Herman E., (11), 427; Eurofound, (11); Eurofound, Peña-Casas R., Latta M., (3), 4.

¹⁴ Coval C., Cutuli G., (5), 137.

¹⁵ Crettaz E., Bonoli G., (5), 6; Strengmann-Kuhn W., (4), 4.

¹⁶ Coval C., Cutuli G., (5), 138.

¹⁷ Lucifora C. et al., *Working poor: un’analisi sui lavoratori a bassa remunerazione dopo la crisi*, CNEL, 1 June 2014.

Given all of this, the definition of “working poor” implies a certain amount of discretion. However, it is worth noting that the concept of low-wage workers is somehow interrelated with in-work poverty, as having a labour income below the low-wage threshold undoubtedly increases the possibility for the individual’s household income to be below the “poverty line”, especially if she/he is the only person who produces a labour income in the household (see *infra*). Furthermore, and in more general terms, in social-policy analysis it is necessary to use indicators and, of course, using official definitions facilitates comparisons¹⁸.

Therefore, for the purposes of this research it is preferable to use the definition of “working poor” as “in-work poverty”. Indeed, this approach has been officially adopted by the European Commission starting from the definition of “working” and “poverty”. In particular, for the EU a person is “working” if she/he has been worked for over half of the year¹⁹, while is “at risk of poverty” when her/his equivalised net disposable household income²⁰ is below the “poverty line”, fixed at the 60 per cent of the national household median disposable income²¹. Putting together these two definitions, according to EU, the working poor are those who declared to be at work and at risk of poverty, namely with an equivalised disposable income below the 60% of the national median equivalised disposable income (risk of poverty threshold)²².

3. The working poor and the labour market.

As already mentioned, the working poor do not depend on the contractual typology. However, in a juridical perspective, mapping the categories of workers involved can be useful.

The performance’s “time”, intended as working time and duration of the contractual relationship, may play a role in classifying an employee as poor.

About working time, part-timers are more at risk of poverty than full-timers²³, both because their wages are lower than those of the latter – being proportionate to the reduced

¹⁸ Crettaz E., Bonoli G., (5), 9.

¹⁹ Eurofound, (1), 5; Eurostat, *In-work poverty in the EU*, Eurostat-European Commission, 2010, 7; Crettaz E., Bonoli G., (5), 8; Eurofound, (11), 1.

²⁰ The equivalised net disposable household income corresponds to the sum of the income of all household members net of taxes then equivalised using the modified OECD equivalence scale (see *amplius* Decancq K., Goedemé T., Van den Bosch K., Vanhille J., “*The Evolution of Poverty in the European Union: Concepts, Measurement and Data*”, in *ImPRovE Methodological paper No. 13/01*, 2013, 4), which assigns to the first adult member of a household the coefficient of 1, while 0,5 and 0,3 for every additional adults and persons younger than 14, respectively (De Vos K., Zaidi M.A., “*Equivalence scale sensitivity of poverty statistics for the Member States of the European Community*”, in *Review of Income and Wealth*, 43, 3, 1997, 321).

²¹ Eurostat, “*In-work poverty in the EU*”, 2018, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180316-1>, accessed 13 April 2019; Eurofound, (1), 5; Decancq K., Goedemé T., Van den Bosch K., Vanhille J., (21), 4; European Commission, *Communication from the Commission Europe 2020. A strategy for smart, sustainable and inclusive growth*, 2010, 9, fn. 3; Eurofound (11), 1.

²² Eurostat, (21); European Commission, *Social Europe. Many ways, one objective. Annual Report of the Social Protection Committee on the social situation in the European Union (2013)*, Publications Office of the European Union, 2014, 72.

²³ Eurofound, (1), 8; Blagoycheva H., (9), 12; Eurofound, (11), 9; Lohmann H., *The working poor in European welfare states: empirical evidence from a multilevel perspective*, in Andreß H.-J., Lohmann H. (eds.), *The Working Poor in Europe. Employment, Poverty and Globalization*, Edward Elgar, 2008, 61.

working time – and due to two other factors. The first is the difficulty for part-timers to access to social benefits where this is conditioned to working time or wage level²⁴. The second concerns the diffusion of involuntary part-time workers²⁵, namely “Those who normally work part time because of poor economic conditions or an inability to find full-time work”²⁶.

Regarding the contractual duration, temporary jobs are more likely to be poor than permanent, due to the gaps between jobs²⁷ and precariousness²⁸. This category includes fixed-term contracts and temporary agency work²⁹, but also more insecure non-standard jobs as seasonal and casual work³⁰. The occasional character of casual performances and the low wages granted on the basis of daily or periodic agreement put those workers at particular risk of poverty³¹. A case in point is zero-hours contract: although a minimum of working hours is not guaranteed, the worker is obliged, when called by the employer, to fulfil the performance³². Another example is voucher-based work, where the employer pays occasional performances through vouchers purchased from a government authority³³, or the so-called mini-jobs in Germany³⁴, that are part-time jobs to which a specific tax and social security contributions regime is applied if the labour income does not overcome the income ceiling of EUR 450 per month or EUR 5.400 per year, or which benefit of the exemption of social

²⁴ Eurofound, (1), 8; Leschke J., “*Are unemployment insurance systems in Europe adapting to new risks arising from non-standard employment?*”, in *DULBEA Working Papers No. 7*, University of Brussels, 2007, 15. For example, the UK’s Jobseeker’s Allowance is payable when at least 26 weeks of contributions have been paid, or treated as paid, in one of the two years before the claim or at least 100 weeks in the two years before (sections 1, 2, 3 Jobseekers act 1995; Sartori A., *Servizi per l’impiego e politiche dell’occupazione in Europa. Idee e modelli per l’Italia*, Maggioli, 2013, 77).

²⁵ Eurofound, (1), 8; Herman E. (11), 431. According to Eurostat statistics (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfjsa_eppgai&lang=en), the percentage of EU28 involuntary part-time workers were the 27,7 percent in 2016.

²⁶ Glauber R., “*Wanting More but Working Less: Involuntary Part-Time Employment and Economic Vulnerability*”, in *Issue brief No. 64, Summer 2013*, Carsey Institute, University of New Hampshire, 2013, 2.

²⁷ Eurofound, (1), 9; Blagoycheva H., (9), 12.

²⁸ Herman E., (11), 431; Eurofound (11), 9.

²⁹ Miscione M., “*I lavori poveri dopo l’economia ‘a domanda’ per mezzo della rete*”, in *Il Corriere giuridico*, 6, 2018, 822 ff.

³⁰ ILO, *Non-standard forms of employment. Report for discussion at the Meeting of Experts on Non-Standard Forms of Employment*, Geneva, 16–19 February 2015. Indeed, the working poor could be present in any kind of temporary jobs (Balandi G. G., (2), 579).

³¹ This is also due to the absence of Trade Unions in these jobs, so that the employer can set wages, working time and flexibility at her/his discretion (Di Bartolomeo A., Di Bartolomeo G., Pedaci M., “*Chi sono i lavoratori poveri?*”, in *Economia Marche Journal of Applied Economics*, XXX, 2, 2011, 50).

³² Eurofound, *Overview of new forms of employment 2018 update*, Eurofound, 2018, 9; *id.*, *New forms of employment*, Eurofound, 2015, 55 ff. On zero-hours contracts see Adams A., Freedland M., Prassl J., “*Zero-hours contracts in the United Kingdom: regulating casual work, or legitimating precarity?*”, in *Giornale di Diritto del Lavoro e di Relazioni Industriali*, 4, 2015, 529-553.

³³ Eurofound, *New forms of employment*, Eurofound, 2015, 82. Voucher-based work is for example present in Italy, especially in the touristic and agricultural sectors. Introduced by the so-called Biagi Reform (Decreto Legislativo 10 settembre 2003, n. 276) the rules of this contract are today contained in Article 54-*bis* Legge 21 giugno 2017, n. 96, recently amended by Article 2-*bis* Legge 9 agosto 2018, n. 96.

³⁴ Duell N., *Case study – gaps in access to social protection for mini-jobs in Germany*, European Commission, 2018, 27; Eurofound, *Overview of new forms of employment 2018 update*, Eurofound, 2018, 9.

security contribution if the worker does not perform for more than 70 days a year (so-called short term marginal employment)³⁵.

Poverty is diffused also in self-employment. Here the working poor are overall self-employed workers not employing staff³⁶ but also dependent self-employed, who, unless their formal status, perform under the directive and economic power of one or few clients³⁷. Regardless their substantial juridical status, these workers are generally low paid because of the strong economic dependence on clients.

Even gig-economy workers are working poor, due to the casual nature of their jobs, performed on-demand and in exchange of low wages, and to the possibility they perform as dependent self-employed³⁸.

In the light of this, flexibility seems to cause in-work poverty. Indeed, flexible contracts and dependent self-employment, giving life to vulnerable jobs characterised by precariousness, low wages, lack of labour and social protections, increase the risk of poverty, which is particularly high in the agricultural and domestic sectors where informal and unpaid family work are common³⁹.

But in-work poverty is present also among full-time and permanent workers⁴⁰. For this reason, in-work poverty cannot be explained only considering the nature of the labour relationship, making necessary to seek for additional causes.

4. The individual and collective causes of in-work poverty.

As seen above, poor labour protections and low wages can lead to in-work poverty but they cannot explain exhaustively this phenomenon. Indeed, economists and sociologists consider individual and collective factors which combined would be able to affect the worker's income. To identify those individual factors, understanding who the most at-risk-of-poverty people on the labour market are is necessary.

According to the most recent researches, the risk of poverty is higher for women, migrants and youths, as those are often employed in precarious and low-paid jobs⁴¹.

In particular, the situation of women deserves specific attention. The pay gap in respect of men and the high presence of involuntary part-time and temporary contracts epitomise the poverty risk for women⁴². One of the causes of this is the so-called "horizontal and vertical gender segregation", namely the concentration of women in specific sectors and in discredited jobs characterised by low wages⁴³. More generally, poverty for women results

³⁵ On mini-jobs see the recent report carried out by Duell N., *Case study – gaps in access to social protection for mini-jobs in Germany*, European Commission, 2018.

³⁶ Eurofound, (1), 8.

³⁷ ILO, (30), 2.

³⁸ De Stefano V., "The rise of the just-in-time workforce: on-demand work, crowdwork, and labor protection in the gig-economy", in *Comp. Lab. L. & Pol'y J.*, 37, 3, 2016, 471-504.

³⁹ Herman E., (11), 428; Eurofound (11), 11; Lohmann H., (23), 61.

⁴⁰ The 5 percent and the 6 percent of workers respectively (Eurofound, (1), 9).

⁴¹ Eurofound (1), 8; Blagoycheva H., (9), 14.

⁴² Eurofound, (34), 9; Herman E., (11), 430.

⁴³ Di Bartolomeo A., Di Bartolomeo G., Pedaci M., (31), 51, fn. 20.

from their weakness on the labour market as their careers depending often on having children and on the interruptions of their jobs connected to childcare⁴⁴.

Also, migrants and youths are at particular risk of in-work poverty, because employed with temporary, part-time and training contracts and involved in informal work.

Another category framed in the working poor are disables, as in some countries⁴⁵ they are paid lower than those without disabilities having the same level of qualification and because employed with short term and low-skilled jobs⁴⁶.

An additional in-work poverty individual factor is the low educational level⁴⁷. Indeed, low-skilled workers are more vulnerable than high skilled⁴⁸. This could affect the position of the categories mentioned, as women, young people and migrants⁴⁹ appear to be less educated and skilled than other workers.

These factors seem to make the working poor coincide with outsiders. However, a similar perspective cannot explain why some insiders, as full-time and permanent workers, are poor. Undoubtedly, the existence of poor workers among the insiders can be connected to the competition of non-standard jobs, able to reduce the contractual power of standard workers⁵⁰ but this explanation seems not fully exhaustive.

Therefore, we have to consider collective factors, external to the labour market.

Among these, the household composition is pivotal.

Generally, the more the household is large, the more the risk of in-work poverty increases⁵¹. The number of household members must be also combined with its work intensity, namely the members who work. Thus, the higher risk of in-work poverty could be found in single earner households, where only a person works while the others depend economically on her/his work income⁵². For this reason, even standard workers may be poor, if single earners. Conversely, although weaker categories of workers, such as women, are often low-paid, they may be not poor when they are not single earners, as they could contribute to the household income, helping in overcoming the poverty threshold⁵³.

Finally, it is worth noting that also the geographical context where the worker lives or works is important. Here, the causes linked to the labour market structure and those external to it are mixed together because poverty is affected by the social and economic characteristics and policies as well as by the effectiveness of the welfare services present in the specific area⁵⁴.

⁴⁴ Di Bartolomeo A., Di Bartolomeo G., Pedaci M., (31), 51.

⁴⁵ See MacInnes T., Tinson A., Gaffney D., Horgan G. and Baumberg B., *Disability, long term conditions and poverty*, New Policy Institute, 2014, for the UK.

⁴⁶ MacInnes T., Tinson A., Gaffney D., Horgan G. and Baumberg B., *ibid*.

⁴⁷ Eurofound, (1), 10; Herman E., (11), 430; European Commission, (22), 77.

⁴⁸ Coval C., Cutuli G., (5), 143-144; Di Bartolomeo A., Di Bartolomeo G., Pedaci M., (31), 51.

⁴⁹ Blagoycheva H., (9), 14; Eurofound (11), 10.

⁵⁰ Di Bartolomeo A., Di Bartolomeo G., Pedaci M., (31), 43.

⁵¹ Crettaz E., Bonoli G., (5), 13; Eurofound (11), 8-9; Lohmann H., (23), 61.

⁵² Eurofound (1), 7, 10; Coval C., Cutuli G., (5), 149; European Commission, (22); Lohmann H., (23), 61.

⁵³ Eurofound (1), 8; European Commission, (22), 76. In 2012, Women (8,4 percent) were less exposed to in-work poverty than men (9,7 percent) in the EU27 (Herman E., (11), 430).

⁵⁴ Di Bartolomeo A., Di Bartolomeo G., Pedaci M., (31), 51.

5. The anti-in-work poverty instruments.

Some studies related to in-work poverty⁵⁵ have highlighted that the factors presented could be summarised in two phenomena, namely “de-commodification” and “de-familialisation”, which are considered as “institutional factors” of in-work poverty, able to affect the individual and collective causes above mentioned.

On the one hand, “de-commodification” is the degree to which workers depend on the labour market to provide for their welfare⁵⁶ and, obviously, the more a worker depend on the labour market, because she/he is employed with precarious jobs, the higher the risk of poverty is. Therefore, the possibility of finding working poor is higher in labour markets with a considerable level of flexibility/precariousness⁵⁷.

Similarly, the number of working poor can depend on “de-familialisation”, that is how workers rely on households to provide to their welfare⁵⁸. The higher a worker relies on her/his household income, the higher is the risk of being poor.

In the light of this, the labour market and welfare structure affect the quantity of working poor, having an impact on “de-commodification” and “de-familialisation”⁵⁹.

Taken into account all of this, it has to be verified which policies can be useful in order to increase the degree of “de-commodification” and “de-familialisation” to combat consequently the proliferation of in-work poverty.

According to some socio-economic researches, “de-commodification” is firstly affected by wages’ levels and inequalities. This happens especially in systems where the decentralised collective bargaining is widespread⁶⁰ and unionisation is low. However, the latter factor mentioned is neutralised where the collective bargaining system is centralised and if collective agreements have *erga omnes* effects⁶¹, due to the relevance of wage coordination - namely the degree of harmony achieved in the wage-setting process by the players involved, such as Trade Unions, employers and Governments⁶² – for the distribution of wages⁶³. As a consequence, the following are considered useful anti-in-work poverty instruments: a centralised collective bargaining, because associated with less wage dispersion and less

⁵⁵ Eurofound, (1), 10-11; Lohmann H., Marx I., *The different faces of in-work poverty across welfare state regimes*, in Andreß H.-J., Lohmann H. (eds.), *The Working Poor in Europe. Employment, Poverty and Globalization*, Edward Elgar, 2008, 17-46; Lohmann H., (23).

⁵⁶ Esping-Andersen G., *Social Foundations of Postindustrial Economies*, Oxford University Press, 1999; *id.*, *The Three Worlds of Welfare Capitalism*, Polity Press, 1990.

⁵⁷ Eurofound, (1), 11; Lohmann H., Marx I., (55), 19-20; Lohmann H., (23).

⁵⁸ Esping-Andersen G., *Social Foundations of Postindustrial Economies*, Oxford University Press, 1999.

⁵⁹ Eurofound, (1), 10-11; Lohmann H., Marx I., (55), 19 ff.; Lohmann H., (23).

⁶⁰ Lohmann H., Marx I., (55), 18-19; Lohmann H., (23), 50.

⁶¹ Lucifora C., *Wage inequalities and low pay: the role of labour market institutions*, in Gregory M., Slaverda W., Bazan S. (eds.), *Labour Market Inequalities: Problems and Policies of Low-Wage Employment in International Perspective*, OUP, 2000, 9-34.

⁶² Kenworthy L., “Wage Setting Measures. A Survey and Assessment”, in *World Politics*, 54, 1, 2001, 75.

⁶³ Lohmann H., (23), 50.

income inequality⁶⁴; the introduction of a legal minimum wage⁶⁵, as able to face the problems related to Trade Union's representation and collective agreement effectiveness⁶⁶; the adoption of tripartite negotiations involving the Government and the social partners, with the aim of improving the coordination of employment and wages' policies⁶⁷.

About "de-familialisation" active policies directed to the social inclusion of vulnerable people, as women, youths and disables, can be useful in order to let such people, when depending on their families, to produce a labour income which contributes to the household income, as this latter can overcome the poverty line. In this perspective, on the one hand, the increasing use of work-life balance instruments is suggested⁶⁸, with special reference to women, while, on the other hand, the adoption of care services is recommended with the aim of helping the individual in providing assistance to dependant family members⁶⁹. Also flexible hour arrangements are considered important, together with training and job search measures, which are pivotal policies especially for young and low-skilled workers⁷⁰.

Some measures are then able to increase both "de-commodification" and "de-familialisation".

Firstly, policies directed to reduce the labour market segmentation, introducing stronger protections and a higher stability of labour relationships, would make workers less dependent on the labour market. However, these instruments should be rationed to avoid that a rigid regulation of protections for specific categories, such as women, youths and disables, negatively affects the possibility to find a job⁷¹, discouraging employers to hire those people and consequently increasing "familialisation".

The most popular policies aimed at guaranteeing independence from the labour market and from the household – thus to reduce in-work poverty – are deemed without doubt social transfers both in the form of in-work and unemployed benefits because the latter help the household income to overcome the poverty threshold⁷².

Among social transfer minimum income deserves to be mentioned, being its rationale to reduce poverty and guarantee the so-called *ius existetiae*, namely the right of a person to have

⁶⁴ Moller S. et al., "Determinants of Relative Poverty in Advanced Capitalist Democracies", in *American Sociological Review*, 68, 1, 2003, 27.

⁶⁵ Lucifora C. et al., (17); Boeri T., Lucifora C., "Salario minimo e legge delega", 2014, <https://www.lavoce.info/archives/30187/salario-minimo-e-legge-delega/>, accessed 21 April 2019; Lohmann H., (23), 51.

⁶⁶ Treu T., "Protezione sociale ed equilibrio intergenerazionale", in *WP CSDLE "Massimo D'Antona".IT – 374/2018*, 12.

⁶⁷ Lohmann H., (23), 50; Moller S. et al., (64).

⁶⁸ Recently also the European Parliament resolution of 24 October 2017 on minimum income policies as a tool for fighting poverty (2016/2270(INI)), whereas K, has underlined the fundamental role of work-life balance, especially with reference to single parents.

⁶⁹ Eurofound, (1); Lucifora C. et al., (17), 99-100.

⁷⁰ Eurofound, (1), 41-42.

⁷¹ Lohmann H., Marx I., (55), 20.

⁷² Lohmann H., Marx I., (55), 19; Lohmann H., (23), 63.

a decent existence⁷³. Some researches refer more precisely to basic income⁷⁴, that is a universal social transfer, addressed to all the citizens, although subjected to a means test, in order to be granted to people with low incomes, but also unconditional⁷⁵. Indeed, the recent interest for basic income is linked with the increase of atypical jobs, digital technologies and work-life balance⁷⁶ that are factors able to affect the numbers of working poor.

Furthermore, also housing support measures are pivotal to cope with in-work poverty⁷⁷, as a significant proportion of labour income is often employed to afford these costs, if we only take into account that in 2014 the 29 percent of EU workers have spent at least a quarter of their incomes in housing costs⁷⁸.

But the adoption of social transfers and unconditional measures could have collateral effects because they could discourage the job search and encourage the so-called free riding⁷⁹. For this reason, it is generally suggested to use conditional social transfers, which make working more profitable than being unemployed, guaranteeing that the labour income is higher than social transfers, according to the “Making Work Pay” model⁸⁰.

Finally, fiscal measures, such as taxes’ and social contributions’ reductions are recommended with the aim of cutting on labour costs and consequently increasing the net labour income but also to encourage employers to hire new workers⁸¹. This objective could be achieved through tax credits and special social transfers named “negative taxes”, which decrease when incomes increase⁸².

6. The EU anti-in-work poverty policies.

The European Union did not always cope with in-work poverty directly.

Indeed, the working poor phenomenon has been studied mostly in the United States where for decades, at least since the Sixties, scholars faced the problem of working household in financial poverty⁸³. Actually, the European Commission begun paying attention to this

⁷³ Ravelli F., *Il reddito minimo. Tra universalismo e selettività delle tutele*, Giappichelli, 2018, 74. As noted by Treu T., “*Trasformazioni del lavoro: sfide per i sistemi nazionali di diritto del lavoro e di sicurezza sociale*”, in *WP CSDLLE “Massimo D’Antona”.IT – 371/2018*, 18, although the minimum income has been initially conceived to combat the poverty in general, later it has gained the role of anti-in-work poverty tool involving wide categories of working poor.

⁷⁴ Eurofound, (1), 40.

⁷⁵ Ravelli F., (73), 37.

⁷⁶ Bronzini G., “*Il reddito di base e le metamorfosi del lavoro. Il dibattito internazionale ed europeo*”, in *Rivista del Diritto della Sicurezza Sociale*, 4, 2018, 705 ff.; OECD, *Basic income as a policy option: Can it add up?*, 2017, <https://www.oecd.org/els/emp/Basic-Income-Policy-Option-2017.pdf>, accessed 30 April 2019, 1.

⁷⁷ In particular, for young people (Treu T., (66), 13).

⁷⁸ Eurofound, (1), 43.

⁷⁹ Ravelli F., (73), 66.

⁸⁰ Eurofound, (1), 40; Lucifora C. et al., (17), 97.

⁸¹ Eurofound, (1), 40. More generally, Treu T., (66), 13 speaks of measures directed to promote the youths’ autonomy and, consequently, to reduce their familialisation.

⁸² Lucifora C. et al., (17), 97.

⁸³ Andreß H.-J., Lohmann H., (2), 1. According to Eurofound, Peña-Casas R., Latta M., (3), 6, the US have been the first country to give an official definition of the working poor, that is the following: “[...] persons who have devoted at least half of the year to labour market efforts, being either employed or in search of a job during that period, but who still lives in poor families”.

issue only in the context of the Lisbon Strategy and, in particular, mentioning it specifically in the Employment Guideline on “Making Work Pay” and in the Guidelines for the employment policies in the Member States on “Improving quality and productivity at work”⁸⁴, although conceiving the “working poor” as “low-paid workers”⁸⁵.

In-work poverty was not mentioned explicitly even in Europe 2020. Here, the targets of increasing the quality and quantity of jobs, with the inclusion of vulnerable categories in the labour market, as well as of reducing poverty are considered interrelated⁸⁶. In particular, Europe 2020 has provided a specific policy to face poverty in general and in-work poverty specifically, named the “European platform against poverty”⁸⁷. Underlining the increase in working poor, in-work poverty is considered related both with the labour market and the household composition and work intensity. The solution given is again to interconnect employment, social and poverty policies. Moreover, the Agenda for New Skills and Jobs is recalled, because intended to create less segmented labour markets and improving the quantity and quality of jobs. In this context, the inclusion of people furthest from the labour market is pivotal, helping also through “well-designed income support schemes [...] adequate social services”, integration policies for migrants and anti-discrimination law⁸⁸.

Only with the European Pillar of Social Rights the EU has referred explicitly to in-work poverty. Chapter II, paragraph 06, b), proclaims that “In-work poverty shall be prevented”⁸⁹. Also other principles of the Social Pillar deal with in-work poverty, although not exclusively. Chapter II, paragraph 06 itself proclaims “the right to fair wages provid[ing] for a decent standard of living”, together with the adoption of an “adequate minimum wages [...]”. We can also mention: “the right to quality and inclusive education, training and life-long learning” (Chapter I, paragraph 01); the right to gender equality and opportunities (Chapter I, paragraphs 02 and 03); the fight against precariousness (Chapter II, paragraph 05, d); the social protection of all workers regardless the typology of contract (Chapter III, paragraph 12); the proposal of a minimum income for workers (Chapter III, paragraph 14); the social inclusion of disable people (Chapter III, paragraph 17). These remedies, however, are likely to remain just “a declaration of principles or good intentions”⁹⁰, not only due to the soft-law nature of the Pillar, but also because of the limited competences of the EU in some fields touched by the Pillar itself, as especially wages⁹¹.

⁸⁴ European Council, *Council Decision of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC)*, European Council, 2005.

⁸⁵ Group of Experts on Making Work Pay, *Making Work Pay. Facts, figures and policy options. Report to the Employment Committee*, 1 October 2003; European Commission, *Joint report on social inclusion 2004*, Office for Official Publications of the European Communities, 2004.

⁸⁶ European Commission, (21).

⁸⁷ European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion*, European Commission, 2010.

⁸⁸ European Commission, *ibid.*

⁸⁹ European Parliament, European Council, European Commission, *European Pillar of Social Rights*, Publications Office, 2017.

⁹⁰ Giubboni S., “*Appunti e disappunti sul pilastro europeo dei diritti sociali*”, in *Quaderni Costituzionali*, 4, 2017, 960.

⁹¹ As it is known, the EU cannot legislate on wages, because the subject of “pay” is explicitly excluded from its competences by Article 153, paragraph 5, TFEU. Neither the European Social Partners can negotiate on wages, as Article 155, paragraph 2, TFEU restricts Social Dialogue to the subjects of Article 153 TFEU. For these

7. The minimum wage and the minimum income in the EU.

Although, as we have seen, the EU has directly paid attention to the working poor only in the last years, two of the most important anti-in-work poverty measures mentioned in the Social Pillar, namely the minimum wage and the minimum income, have found space before in the European debate.

On the one hand, it is precisely for the increase of the workers at risk of poverty in the aftermath of the financial and economic crisis of 2008 that the discussion around the proposal for a common European minimum wage policy has been revitalised⁹². In particular, the issue was discussed by the European Parliament⁹³, in documents of the European Commission⁹⁴, as well as in the public declarations of its President, Jean-Claude Juncker⁹⁵ and among the Social Partners⁹⁶. Indeed, although the EU has not legislative competence on “pay”, it would be always possible to recommend the increasing of minimum wages across Europe in accordance to a standard to be agreed at EU level, following the same technique used by the EU to cut or freeze *de facto* wages, in the scope of the European austerity policies⁹⁷. This could happen, for example, in the framework of the European Semester or

reasons, the adoption of hard law instruments, such as a Directive, requires the amendment of Article 153 TFEU or to negotiate “a brand-new treaty”, but at the moment the political consensus around this solution seems to lack (Menegatti E., *Il salario minimo legale. Aspettative e prospettive*, Giappichelli, 2017, 24; *id.*, “Challenging the EU Downward Pressure on National Wage Policy”, in *International Journal of Comparative Labour Law and Industrial Relations*, 33, 2, 2017, 195 ff.; Delfino M., *Salario legale contrattazione collettiva e concorrenza*, ES, 2017, 123 ff.; Ales E., “Transnational Wages Setting as a Key Feature of a Socially Oriented European Integration: Role of and (Questionable) Limits on Collective Action”, in WP C.S.D.L.E. “Massimo D’Antona”.INT – 63/2008, 5; Schulten T., Müller T., “Back on the agenda: a European minimum wage standard”, in *ETUI Policy Brief*, 8, 2014, 5.

⁹² Menegatti E., “Challenging the EU Downward Pressure on National Wage Policy”, in *International Journal of Comparative Labour Law and Industrial Relations*, 33, 2, 2017, 195.

⁹³ European Parliament, *Resolution of 15 November 2011 on the European Platform against poverty and social exclusion*, 2011, points 46 and 49.

⁹⁴ European Commission, *Employment and Social Developments in Europe 2011*, Publications Office of the European Union, 2012; *id.*, *Employment and Social Developments in Europe 2012*, Publications Office of the European Union, 2012.

⁹⁵ Campanella P., “Salari e contrattazione collettiva nel governo della crisi europea”, in *Cultura giuridica e diritto vivente, Special issue*, 2015, 189; Ballistreri M., “La nuova contrattazione collettiva e il salario minimo legale in Italia”, in *Revista de Estudios Económicos y Empresariales*, 25, 2013, 195; Kostaki I., “Juncker urged companies to adopt a minimum wage to help counter “social dumping””, 24 January 2017, <https://www.neweurope.eu/article/juncker-minimum-salary-country-european-union/>, accessed 30 April 2019.

⁹⁶ ETUC, *Solidarity in the crisis and beyond: Towards a coordinated European trade union approach to tackling social dumping*, 2012, 5; Leonardi S., “Salario minimo e ruolo del sindacato: il quadro europea fra legge e contrattazione”, in *Lavoro e Diritto*, 1, 2014, 185.

⁹⁷ See *amplius* Campanella P., (95); Giubboni S., “I diritti sociali alla prova della crisi: l’Italia nel quadro europeo”, in *Giornale di Diritto del Lavoro e di Relazioni Industriali*, 2, 2014; Ricci G., “La retribuzione in tempi di crisi: diritto sociale fondamentale o variabile indipendente?”, in WP CSDLE “Massimo D’Antona”.INT – 113/2014; Marocco M., “Il salario minimo legale nel prisma europeo: prospettive per l’Italia”, in *Giornale di Diritto del Lavoro e di Relazioni Industriali*, 2, 2017; Menegatti, *Il salario minimo legale. Aspettative e prospettive*, Giappichelli, 2017, 31 ff.; *id.*, “Challenging the EU Downward Pressure on National Wage Policy”, in *International Journal of Comparative Labour Law and Industrial Relations*, 33, 2, 2017, 200.

through soft law instruments⁹⁸, in the context of the “Open Method of Coordination”⁹⁹ or by means of the “voluntary” and “autonomous” agreements¹⁰⁰ concluded by the Social Partners, according to the “first route” designed by Article 155, paragraph 2, TFEU. In the light of this, it has been proposed to coordinate national minimum wages at EU level, setting a level of wages equal to the 60 percent of the median in each Member State¹⁰¹, namely the threshold below which an individual, as we have seen above, is considered a low-wage worker (see §2). This measure would be able to combat the spread of poverty-level wages as well as the cross-borders wage dumping and to reduce the pay gender gap, but also, from a macroeconomic point of view, to stabilise private demand and restrict deflationary tendencies¹⁰². In other words, the European economic integration and the European Social Model would benefit from the introduction of an EU minimum wage¹⁰³. The proposal, however, has been rejected by national Trade Unions of Member States where the minimum wage is collectively agreed¹⁰⁴, because giving the State the power to set minimum wages could result in depriving Trade Unions of a fundamental function, undermining the national system of industrial relations and, more generally, the existing national institutions and traditions¹⁰⁵. Indeed, if collective bargaining lost its traditional function in setting minimum wages, Trade Unions would have less authority with negative consequences on their membership’s rates. Moreover, some of these countries have low average wages so that a similar solution would have additional depressing effects¹⁰⁶ and would damage the competitive position of the Member States, especially for those goods and services requiring low-skilled labour¹⁰⁷. Furthermore, also employers do not agree with the coordination of wages at EU level, claiming that a similar intervention would be against the subsidiary principle¹⁰⁸ while it is difficult that the EU Member States can reach an agreement on what they consider an appropriate level of minimum wage¹⁰⁹.

On the other hand, the debate around the necessity of introducing a minimum income in the Member States dates back to the early Nineties. Specifically, before the conclusion of the Maastricht Treaty the President of the European Commission at the time, Jacques Delors, proposed unsuccessfully the approval of a European Directive providing for the adoption of a minimum income in each Member State with the aim of combating social dumping in

⁹⁸ Schulten T., Müller T., (91), 5.

⁹⁹ Eldring L., Alsos K., *European Minimum Wage: A Nordic Outlook*, Fafo, 2012, 16; Schulten T., “*Towards a European Minimum Wage Policy? Fair Wages and Social Europe*”, in *European Journal of Industrial Relations*, 14, 4, 2008, 431 and 435.

¹⁰⁰ Fernández-Macías E., Vacas-Soriano C., “*A coordinated European Union minimum wage policy?*”, in *European Journal of Industrial Relations*, 22, 2, 2016, 100.

¹⁰¹ Fernández-Macías E., Vacas-Soriano C., (100), 103. For other proposals about an EU minimum wage see Schulten T., (99).

¹⁰² Schulten T. et al., “*Theses for a European minimum wage policy*”, in *Transfer*, 2, 2005, 258.

¹⁰³ Fernández-Macías E., Vacas-Soriano C., (100), 100.

¹⁰⁴ In particular by the Nordic (Eldring L., Alsos K., (99), 20) and Italian Trade Unions (Leonardi S., (96), 187).

¹⁰⁵ Fernández-Macías E., Vacas-Soriano C., (100), 100.

¹⁰⁶ Leonardi S., (96), 187.

¹⁰⁷ Fernández-Macías E., Vacas-Soriano C., (100), 100.

¹⁰⁸ Schulten T., (99), 435.

¹⁰⁹ As noted by these authors the OECD, for example, recommends to set the EU minimum wage not higher than the 40 percent of the median wage (Schulten T., Müller T., (91), 4).

the European Community¹¹⁰. Anyway, a specific Recommendation was adopted in 1992¹¹¹ so that the Member States recognised “the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity as part of a comprehensive and consistent drive to combat social exclusion”¹¹². The principles of the 1992 Recommendation were reiterated and enhanced during the crisis with the Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market. Then, in 2009 and 2010, two Resolutions specifically dedicated to the adoption of a minimum income in the EU were carried out¹¹³. For the 2009 Resolution the inclusion in the labour market must be not a “precondition” to be entitled to the minimum income which has to be “available regardless of a person’s ability to participate in the labour market” so that is the minimum income a “precondition” to access the labour market¹¹⁴. In other words, the Member States should assess carefully to introduce conditioned or unconditioned forms of minimum incomes, as conditionality could negatively affect the most vulnerable people at the edge of the labour market¹¹⁵ and, in any case, if the choice is for a conditioned minimum income, not every kind of work offered is appropriate to combat social exclusion but only a “sustainable, high-quality work, which is adequately remunerated”¹¹⁶. Moreover, one of the reasons why a minimum income should be adopted by the Member States is explicitly “to tackle the growing number of ‘working poor’ and make work a viable prospect for those distant from the labour market”¹¹⁷. For these reasons, the “EU target for minimum income schemes and contributory replacement income schemes [is to provide] income support of at least 60 % of national median equalised income”¹¹⁸, that is considered, as we have seen above, the EU poverty threshold. The 2010 Resolution reiterates these principles emphasizing the importance of the minimum income in including vulnerable people, such as women, immigrants, disables and youths, in the society and the labour market and taking note that poverty, social exclusion and the increasing number of the working poor have a multidimensional nature¹¹⁹. As a consequence, the Resolution underlines the necessity to put in action a system of coordinated policies in order to combat poverty with particular reference to the relation between minimum income and minimum wage¹²⁰ but also to set the

¹¹⁰ Bronzini G., “*Reddito minimo garantito*”, 2014, http://www.treccani.it/enciclopedia/reddito-minimo-garantito_%28Diritto-on-line%29/, accessed 28 April 2019.

¹¹¹ Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems (92/441/EEC) (so-called Recommendation on minimum income).

¹¹² Article I, A, Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems (92/441/EEC).

¹¹³ European Parliament resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe (2010/2039(INI)); European Parliament resolution of 6 May 2009 on the active inclusion of people excluded from the labour market (2008/2335(INI)).

¹¹⁴ See whereas A and D European Parliament resolution of 6 May 2009 on the active inclusion of people excluded from the labour market (2008/2335(INI)).

¹¹⁵ *Ivi*, whereas H.

¹¹⁶ *Ivi*, whereas I.

¹¹⁷ *Ivi*, point 10.

¹¹⁸ *Ivi*, point 6.

¹¹⁹ European Parliament resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe (2010/2039(INI)), *passim*.

¹²⁰ See points 18 and 21 European Parliament resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe (2010/2039(INI)).

minimum income level not below the poverty threshold, neither in general nor for specific categories, such as children or young people, as this would result in a discriminatory measure¹²¹. More recently, in 2017, the President Juncker encouraged again the adoption of a minimum income in the EU¹²² and the European Parliament approved a further Resolution for this purpose, not containing relevant novelties¹²³.

Anyway, taking an overall look at the Resolutions mentioned, the most important emerging aspect is the qualification of the minimum income as a fundamental right required in order to guarantee a dignified existence¹²⁴. This principle is actually rooted in the broader provision of Article 34, paragraph 3, Charter of fundamental rights of the European Union which states that “In order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Community law and national laws and practices”. In this sense, the minimum income is one of the most important instruments to guarantee the *ius existantiae*, extended to all those people permanently living in the EU who are, as individuals, in a situation of need¹²⁵. However, the effectiveness and implementation of Article 34, paragraph 3 is questioned because, although, according to Article 6 TUE, the principles of the Charter have the same value as the Treaties, the latter has been used until now as an interpretation tool at EU level and the European Institutions has given more priority to austerity than to social policies in the last years. Indeed, the theme of minimum income has been treated, as seen above, only with soft law tools, the last of which is the Pillar of Social Rights, and Article 34, paragraph 3 must respect “the rules laid down by [...] national laws and practices”, leaving in fact the regulation of this instruments to the Member States, even due to the unanimity required by Article 153 TFEU to take actions in social security at EU level¹²⁶.

8. Some national answers to in-work poverty.

Looking at the national policies of Member States, we can observe that in-work poverty was not always treated as a priority by them. Only some Member States have addressed explicitly it, taking actions on the labour market, the social security and the tax systems. Some measures as legal minimum wage, minimum income or flexible working time arrangements have been adopted by several Member States and are considered anti-in-work poverty tools¹²⁷ even if established to cope with a plurality of problems (e.g. low wages, poverty in general and work-life balance). Furthermore, separating working poor policies from those about

¹²¹ *Ivi*, points 40-41.

¹²² Kostaki I., (109).

¹²³ European Parliament, (68).

¹²⁴ This principle is stressed especially in European Parliament resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe (2010/2039(INI)), *passim*.

¹²⁵ Bronzini G., “Il reddito minimo garantito nell’Unione Europea: dalla Carta di Nizza alle politiche di attuazione”, in *Giornale di Diritto del Lavoro e di Relazioni Industriali*, 2, 2011, 229-230.

¹²⁶ Ravelli F., (73), 72.

¹²⁷ Eurofound, (1).

poverty in general and social exclusion is hard¹²⁸. Given the difficulty to mention all the policies related to in-work poverty, some national examples of recent tools closely connected to this issue are listed.

A first group of countries used fiscal measures. In Austria tax reforms adopted in 2015 and 2016 reduced the taxation of labour with advantages for poor workers¹²⁹. The same happened with the Hungarian Job Protection Act as social contribution tax allowance and vocational training contribution tax allowance have been available, since 2013, for employers in relation to five targeting groups: employees under 25 or over 55, the low-skilled, long-term unemployed and mothers with small children¹³⁰. Moreover, the Government and social partners agreed in 2016 that social contribution taxes will be gradually decreases in the next years¹³¹. Also, Latvia has reduced the tax burden on low-paid workers, acting as well on social contribution rates since 2013¹³². In particular, in 2013 an agreement between the Government and social partners acknowledged the importance of reducing income inequality and supporting employees with children, so that in 2014 social contribution rates were lowered while personal income tax basic allowance and allowances for dependants were increased¹³³. Then in May 2017 a new proposal to reform the labour taxation system was approved and implemented in July 2017, on the basis of the suggestions of the social partners, the EU Commission, the World Bank and the OECD, which highlighted the necessity to lower more the tax burden, with specific regard to low-income earners¹³⁴. Even in Luxembourg there were some interventions aimed at improving the situation of low-income earners. On 14 December 2016 the Parliament approved the bill on tax reform no. 7020, doubling the tax credit for wage earners and single-parent households with children¹³⁵. Still, a unique tax credit called Universal Credit was introduced in 2013 in the UK for low-income workers (or unemployed)¹³⁶. This allowance is granted to singles or members of couples¹³⁷, proportionate to the number of dependants¹³⁸, the housing costs¹³⁹ and other circumstances¹⁴⁰. Universal Credit is conditioned to the so-called Claimant Commitment¹⁴¹, an agreement between the claimant and the workcoach, tailored on her/his individual

¹²⁸ European Commission, (22), 88; Eurofound, (11), 14.

¹²⁹ Eurofound, (1), 54.

¹³⁰ Eurofound, (1), 54; Svraka A., Szabó I., Hudecz V., "Employment stimulating tax incentives in the Hungarian labour market", in *Public Finance Quarterly*, 4, 2013, 388.

¹³¹ Government of Hungary, *National reform programme 2017 of Hungary*, April 2017, 7.

¹³² Eurofound, (1), 55.

¹³³ Šņucins I., Kondoliņa-Miglāne I., *Reform of labour taxes in Latvia 2011-2013*, in *Financial Theory and Practice*, 39, 4, 2015, 384.

¹³⁴ Lace T., "Latvia is struggling to reduce the tax wedge for low income earners and to reduce the tax burden on labour", in *ESPN Flash Report 2017/64*, European Commission, July 2017.

¹³⁵ Eurofound, (1), 55; IFAdvisory, "2017 Tax reform for individuals and new social parameters", in *IFAdvisory Newsletter*, IFGroup, Luxembourg, 16 January 2017.

¹³⁶ Welfare Reform Act 2012 enacted with The Universal Credit Regulation 2013.

¹³⁷ Section 1 Welfare Reform Act 2012.

¹³⁸ Section 10 Welfare Reform Act 2012.

¹³⁹ Section 11 Welfare Reform Act 2012.

¹⁴⁰ Section 12 Welfare Reform Act 2012.

¹⁴¹ Section 14 Welfare Reform Act 2012.

situation¹⁴². If the Claimant Commitment conditions are not met by the claimant – as to take up an offered job - the benefit is reduced¹⁴³.

Some other Member States have focused their actions mainly on the labour market. This is the case of Bulgaria. In 2003-2006 the Government carried out a National strategy and two national plans against poverty and social exclusion. In particular, for the years 2007-2009 an official monthly poverty line was linked to minimum wages and social welfare¹⁴⁴. Also recently, Bulgaria coped with the working poor phenomenon mainly increasing the legal minimum wage, following a system where the government's primary criterion in determining the minimum wage is that the net amount should be higher than the official poverty threshold¹⁴⁵.

The fight against in-work poverty can be conducted also through social security tools. Italy has recently adopted the *Reddito di cittadinanza* (Rdc)¹⁴⁶, a sort of minimum income¹⁴⁷ directed to combat poverty and to reduce the number of working poor. This instrument is basically constituted by an allowance granted to claimants depending on the household income and composition, which integrates the household income of the sum needed to overcome the poverty threshold¹⁴⁸. Like the UK Universal Credit, the Rdc is conditioned: the household members have to conclude with social services an agreement (“*patto per il lavoro*” or “*patto per l’inclusione sociale*”) identifying their needs, specific social actions and a plan which they have to enact. In addition, the unemployed beneficiaries have to accept one of the job's offers received when the Rdc is provided and to perform community services, under penalty of losing the allowance¹⁴⁹. Moreover, Rdc can be granted also to retired people in poverty (the so-called “*Pensione di cittadinanza*”) but without the rules on conditionality mentioned. The Rdc has been inspired by the German so-called *Hartz IV* or *Arbeitslosengeld II*, a means-tested allowance granted to poor unemployed people or low-wage workers between 15 and 65 years and conditioned to the active research of a job and to training activities¹⁵⁰. However, the Hartz IV has not been sufficient to combat efficiently in-work poverty thus, in 2014, a legal minimum wage was introduced in Germany¹⁵¹.

Some other States have used social security and labour law instruments. Two recent measures taken in France are worth mentioning: the “*prime d'activité*” and the “*contract d'avenir*”. The “*prime d'activité*” is an in-work benefit, introduced by Article 57 LOI n° 2015-994 du 17

¹⁴² UK Department for Work & Pensions, “*Guidance. Universal Credit and you*”, 2018, <https://www.gov.uk/government/publications/universal-credit-and-you/universal-credit-and-you-a>, accessed 15 April 2019.

¹⁴³ Section 26 Welfare Reform Act 2012.

¹⁴⁴ Tomev L., Eurofound, “*Working poor in Europe – Bulgaria*”, 2010, <https://www.eurofound.europa.eu/publications/report/2010/working-poor-in-europe-bulgaria>, accessed 15 April 2019.

¹⁴⁵ Eurofound, (1), 54.

¹⁴⁶ Through Decreto Legge 28 gennaio 2019, n. 4, converted in L. 28 marzo 2019, n. 26.

¹⁴⁷ Actually, before Rdc there was in Italy another kind of minimum income called *Reddito di inclusione* (Rei), introduced by D.lgs. 15 settembre 2017, n. 147.

¹⁴⁸ Article 3 L. n. 26/2019. In particular, the allowance is calculated according to an equivalence scale and other conditions, such as the fact that the beneficiaries live in a rented accommodation or have to pay a mortgage.

¹⁴⁹ Article 4 L. n. 26/2019.

¹⁵⁰ Sartori A., (24), 270.

¹⁵¹ Menegatti, (93), 52.

août 2015¹⁵², aimed at encouraging poor workers to work and supporting their purchasing power¹⁵³. The general conditions of eligibility are: to be over 18; to be French or to have an at least five-year residence permit allowing to work (with the exception of EU, European economic area and Swiss citizens, as well as regular refugees); to be not in a training contract¹⁵⁴. The benefit is proportionate to the household composition, the dependent children, and the household members' incomes¹⁵⁵. The “*emploi d'avenir*”, introduced with LOI n° 2012-1189 du 26 octobre 2012, is a subsidised contract with the purpose of facilitating the professional integration and access to qualifications of unemployed unskilled and poor qualified youths between the ages of 16 and 25, through their recruitment in activities of social or environmental utility or with a high potential for job creation¹⁵⁶. Also in Romania¹⁵⁷ the policies have been oriented to the labour market and the social security system. Here the minimum income, regulated by Law 416/2001 and proportionate to the household composition, results to be the principal tool against in-work poverty. Another important measure is legal minimum wage¹⁵⁸. Furthermore, the National Strategy on Social Inclusion and Poverty Reduction provides specific social policies for working poor, such as those living in rural areas, mainly employed in the agricultural sector¹⁵⁹. In other cases, labour, social security and tax policies have been combined. A case in point is Ireland where since 2010 tax credits, increasing the national minimum wage, maximising job creation and providing social welfare benefits have been used, often directly to contrast in-work poverty¹⁶⁰.

9. Conclusions.

The analysis carried out shows how in-work poverty has not been faced organically in the EU. The policies explicitly directed to working poor vary according to the Member State and some of them have not considered the problem yet.

Undoubtedly in-work poverty depends on the labour market structure. As seen above, flexibility (and precariousness) creates high levels of de-commodification, so that policies aimed at reducing the labour market segmentation would be necessary.

However, in-work poverty is related to multiple factors. In this sense, labour law and social security tools, such as minimum wage, minimum income and flexible work arrangements, can help but should be combined with other measures. This means that social

¹⁵² Article L841-1-L847-1 Code de la sécurité sociale.

¹⁵³ Article L841-1 Code de la sécurité sociale.

¹⁵⁴ Article L842-2 Code de la sécurité sociale.

¹⁵⁵ Article L842-3 Code de la sécurité sociale.

¹⁵⁶ Article L5134-110 Code du travail.

¹⁵⁷ Romania is the in-work poverty highest risk EU country, with 18.9 percent in 2016 (Eurostat, (21).

¹⁵⁸ Ciutacu C., Eurofound, *Working poor in Europe – Romania*, 2010, <https://www.eurofound.europa.eu/publications/report/2010/working-poor-in-europe-romania>, accessed 16 April 2019; Articles 164-165 Romanian Labour Code.

¹⁵⁹ Romanian Ministry of Labor Family, Social Protection and Elderly, *National Strategy on Social Inclusion and Poverty Reduction 2015-2020. Romania*, Ministry of Labor Family, Social Protection and Elderly, 2015, 35.

Dobbins T., Eurofound, *Working poor in Europe – Ireland*, 2010, <https://www.eurofound.europa.eu/publications/report/2010/working-poor-in-europe-ireland>, accessed 20 April 2019; Eurofound, (1), 54.

policies cannot follow only one direction but should be built adopting a multidimensional approach, considering many profiles such as poverty, the labour market, the social security and the fiscal system¹⁶¹.

Also, household factors are pivotal in determining in-work poverty. This element should be well taken into account in building anti-working poor instruments, as the labour market structures, the social security systems and social policies influence the degree of defamilialisation. Thus, social inclusion policies, promoting the access to the labour market and the economic independence of vulnerable people (such as women, youths or disables) are fundamental. So, institutional factors, particularly the welfare regime adopted, cannot be underestimated in this debate¹⁶².

However, if we look at the national experiences analysed, different approaches to the problem of in-work poverty emerge recently. Indeed, some countries have intervened mostly on the tax systems, while others tried to face the issue through the traditional way of reforming the labour market. Some other Member States have opted to interconnect different kinds of social policies, mixing labour law instruments with social security and fiscal measures. Among the others, it is also quite spread the use of social security instruments in national contexts, often combined with active labour law policies, aiming at support incomes and create work at the same time. This objective has been recently persecuted, as we have seen, with the adoption of two main tools, the minimum wage and the minimum income, whose fundamental role in fighting in-work poverty is well-established throughout the European countries. Although the variety of European anti-in-work poverty policies proves that the Member States are aware of the problem – regardless of the introduction of specific measures – the national framework is quite fragmented and a common project against the increase of the working poor clearly lacks. For this reason, coordinated actions at EU level would be necessary¹⁶³. Actually, even if the EU has not projected specific in-work poverty policies yet, a multidimensional approach has been proposed in the last decade as showed also by the EU Social Pillar which, for the first time, mentioned explicitly in-work poverty as a theme to be coped with at supranational level. Furthermore, the two principal instruments discussed at national level to combat in-work poverty, namely the minimum wage and the minimum income, are undoubtedly central in the European debate, having found space in the EU sources, in the public declarations of the President of the European Commission, as well as in the Charter of fundamental rights of the European Union. Nevertheless, the EU action seems to be still too weak, because taken, both for in-work poverty in general and regarding minimum wage and minimum income, only through soft law. This choice is certainly due to the lack of competence of the EU in some fields, such as pay. However, we have also seen, on the one hand, that the EU have substantially influenced wages with its austerity policies¹⁶⁴ and, on the other hand, that intervening in social security is hard because

¹⁶¹ European Commission, (22), 96-97.

¹⁶² See Andreß H.-J., Lohmann H. (eds.), *The Working Poor in Europe. Employment, Poverty and Globalization*, Edward Elgar, 2008; European Commission, (22); Crettaz E., Bonoli G., (5).

¹⁶³ Blagoycheva H., (9), 15-16.

¹⁶⁴ Further, it could be noted that these policies invited the Member States to reconsider the centralisation of collective bargaining (see European Council, *The Euro Plus Pact. Stronger economic policy coordination for competitiveness and convergence*, 24-25 March 2011), so that today decentralisation is quite spread in the EU, while one of the

of the “unanimity rule” required by Article 153 TFEU. In other words, it appears that the EU prefers at the moment to leave the initiative about in-work poverty to the single Member State, proposing a soft coordination which confirms how the promotion of social rights in the EU is definitely left to the “good will” of the Member States without precise obligations for themselves.

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