**Abstract:** Recently, the working poor problem has gained in relevance in most Western European countries and has become a major issue in the social sciences (Lohmann 2009, Andreß/Lohmann 2008). Studies about increasing in-work poverty rates are based on the observation that social and labour policy reforms have substantially changed the institutional context of employment (Clasen 2005, Gilbert 2002). Such reforms in turn are often discussed as a reaction to technological and demographic change and to an increase in international competition (Hurrel/Woods 1995, Byrne 2003). Given this background, this study seeks to contribute to the understanding of the impact of the institutional context on individual in-work poverty risks.

Up to now, cross-national poverty research has used country-specific differences in the social and labour policy framework to explain variation in the absolute level of in-work poverty between countries (Lohmann 2008, Lohmann/Andreß 2008, Pena-Casas/Letta 2004). In contrast to such existing papers, the aim of this study is to explain cross-national differences in the pattern of in-work poverty. Specifically, the hypothesis to be investigated is that powerful unions emphasize the country-specific effect of integration into the labour market and weaken the effect of productivity on the in-work poverty risk.

This hypothesis is based on the assumption that strong unions act as a provider of rents, which are defined as payments above the income that would be paid under perfect competition in an open market. With regard to unions' acting, rents stem from mechanisms of social closure eclipsing the open market: By focussing on a narrow distribution of incomes and bargaining generous systems of protection against dismissal, unions are generating advantageous and protected positions in the labour market.

I argue that the provision of rents and the allocation of closed positions varies strongly across different labour-market groups. Therefore, the acting of unions generates a relevant dimension of stratification, emphasizing differences in the poverty risk between clients and non-clients of unions. This dimension in turn is supposed to be associated with a wide cluster of characteristics, such as company-size, sectoral affiliation and type of employment. Another important characteristic in this context is the degree of integration into the labour market, implying the distinction between core workers on the one hand and entrants and re-entrants to the labour market on the other. Accordingly, it can be assumed that strong unions decrease the poverty risk of core workers while emphasizing the risk of entrants and re-entrants to the labour market.

In contrast, an employment system that is not regulated by unions' influence leaves more room for the laws of a competitive market to unfold. In such systems with weak unions, consequently the influences of productivity and performance are stressed and associated characteristics (especially education) are assumed to be stronger determinants of in-work poverty than in countries with strong unions.
Additionally to assumptions about the main effects of union power on the pattern of in-work poverty, I argue that the strength of these effects depends on the degree of *deregulation* in a given context. This mechanism (which is often discussed under the label *liberalisation*) exposes employees to forces of the market, naturally leading to a more segregated labour market and a stronger dispersion of the wage-distribution. As an umbrella becomes the more important the rougher the weather gets, protective mechanisms mediated by unions gain relevance in a liberalised context. Thus, it can be assumed that the effect of union power on the in-work poverty risk is moderated by the degrees of deregulation and commodification.

These Hypotheses shall be empirically examined on the basis of individual data from the EU-SILC dataset. Data from the EU-25 plus Norway and Iceland will be used. This micro-dataset is expanded by country-specific macro variables (measuring decommodification, deregulation, inclusion and centralisation) of different sources.