

Rising employment and stagnant poverty rates in the EU – a puzzle revisited

András Gábos², Barbara Binder¹, Réka Branyiczki², István G. Tóth²

The relationship between employment and poverty is of great importance in policy debates and social policy research, but can be viewed quite differently. While one perspective stresses that employment is the key to poverty reduction and advocates strengthening the social investment state through activating social policies, the other emphasizes the key role of benefits, arguing that employment alone is not enough to ensure prosperity for all: Not everyone should be required to work the obligation to work, and even people in employment can be affected by in-work poverty.

We aim to revisit the relationship between employment and relative income poverty rates in the EU among the working age population. We analyse the extent to which (i) the dynamics of overall employment trends, (ii) the distribution of employment change across households with different levels of work intensity, and (iii) the effectiveness of social welfare systems contributed to relative income poverty change in the post-recession period compared to the years during and preceding the economic crisis. The decomposition of changes in poverty rates suggests that the distribution of jobs created during recovery across households benefited the jobless, which contributed strongly to a decline in poverty rates in most EU member countries during the post-crisis recovery period. At the same time, the poverty risk of individuals in jobless households increased, pointing to the deteriorating adequacy of benefits targeting this group. However, this may be either because social safety nets have been cut during this period or because the group of jobless households is becoming an increasingly selective group that poses new challenges to social benefit systems. In this sense, it may be that social benefit systems are becoming more inadequate not because of retrenchment but because of a change in the composition of the most vulnerable in society.

Fixed effects regression analysis shows that increases in employment were associated with reductions in poverty in EU countries between 2005 and 2017, and that this relationship strengthened during the recovery. Social transfers reduce poverty levels, but preliminary results suggest that their post-crisis retrenchment prevented a larger decline in poverty. Understanding the relationship between employment, redistribution and poverty dynamics in different macroeconomic periods is of considerable importance in light of the recent economic downturn and we would be happy to discuss the results of this ongoing work.

¹ GESIS Leibniz Institute for the Social Sciences, Mannheim, corresponding and presenting, barbara.binder@gesis.org

² TÁRKI Social Research Institute, Budapest