Introduction to the Low-wage Work reviews

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Introduction to the Low-wage Work reviews.

Extensive new research on low-wage jobs was conducted in five EU countries and the US over recent years. Economists in these six countries cooperated in a project aiming to examine and compare the incidence of low-wage work as a follow-up to the smashing Russell Sage book, *Low-Wage America* (2003). The results were officially presented at a conference and discussed during an expert workshop on April 18 at the ARTIS Zalencentrum in Amsterdam. Nobel Laureate Robert M. Solow (Economics 1987) highlighted the importance of the studies. He stressed the importance of training and retraining as part of an overall strategy of social innovation. We have asked a group of experts to review the set of studies from their perspective. The country-specific articles in this issue of CLR-News will focus on the respective findings in Denmark, France, Germany, the United Kingdom and the Netherlands.
A ‘low-wage worker’ is anyone who earns less than two-thirds of the national median wage, according to the OECD standard definition used. The measure for ‘median wage’ in the studies is the gross hourly wage; not a perfect standard, but one that does not have an exaggerating effect on the data. Moreover, the studies not only emphasise the material side but also the quality of the jobs, the development of the incidence of low-wage work, plus the market and institutional settings for labour conditions observed.

Five low-paid target jobs were chosen as the object of study; the same five in each country. The contributions are based on case studies, desktop research and expert interviews. The research was conducted over four years by national teams from the EU-countries at the request of and with the financial support of the US-based Russell Sage Foundation as part of its Future of Work Research Program. This programme aims to understand how poorly educated, unskilled workers cope with an economy in which most jobs are technologically advanced.

The Foundation has published the findings in a series of five books, one for each country. The last stage of the project has not yet been completed; the authors will prepare a comparative volume.

According to the research, one in four of those working in the most developed economies of the western hemisphere may soon be low paid and find themselves at increased risk of poverty. EU-countries, especially Germany and the UK – the Netherlands in their wake –, seem to follow in the footsteps of the US. In the US the proportion of those working at low wages has already been stable for quite some time, at around 25 percent of the working population.

Based on some 200 case studies in call centres, hospitals, retail, food processing, and catering and an economic analysis of the labour market, the research shows stable rates of low pay among employees in Denmark at 8.5 percent, France at around 12 percent, a UK rate recently stabilised close to 23 percent and rapidly growing rates in both Germany and the Netherlands, already surpassing 20 percent. The EU’s leading economy Germany is even at risk of exceeding the notoriously high rate of the US, especially taking into account the (growing) number of German self-employed with low earnings.

Low-wage jobs appear to exhibit much uniformity across the European countries as they often take the form of a non-standard employment relation. The studies illustrate another important
example of communality, the noticeable increase in the intensity of competition. Low cost German retail chains compete with Dutch food retailers and put pressure on meat processing. The spread of international hotel chains has made the hotel business very competitive. Companies respond to this intensified competition by trying to lower their unit costs and by putting pressure on wages. The studies show higher risks for low skilled workers, part-timers, women, immigrants, young workers and a concentration in hotels, catering and retail. Moreover, with some exceptions, these jobs are found to be of persistently poor quality in all the five countries studied. The fact that some of them are not low-wage jobs is significant. A key issue is the degree of mobility out of low-wage work. The Danes appear to have the shortest residence times in low-wage work. The Danish report also describes the success of vocational training in ‘classical’ low wage sectors such as retail and cleaning.

In general, the authors found that low-wage workers in the EU are significantly better off than in the US, thanks to their social embedding through social insurance, including health care. With these findings the authors confirm that Europe’s more interventionist institutional arrangements in the four continental countries, characterised by a certain degree of income redistribution and the common notion of a ‘European social model’, have a positive effect on the quality of the working lives of millions of men and women in the bottom segment of our labour markets. The UK falls somewhere in between that approach and the more individual-responsibility oriented approach of the United States.

From a political point of view, in my opinion, this leads to the conclusion that Europe has to return from the slow but steady dismantling of our social insurance and other social protection provisions. Otherwise the price of erosion of income security and job quality as a consequence of intensified competition will be very low incomes and a poor standard of living for a meaningful length of time. Low-wage work tends to reproduce itself from generation to generation and thus limits access to good education, good health care and other basic living conditions. It contravenes the political goal of equal opportunity. This is in itself already a good reason for a recommendation to read these studies.
Low-Wage Work (in Denmark, France, Germany, the United Kingdom and the Netherlands) Case Studies of Job Quality in Advanced Economies


- Low-Wage Work in Germany - Gerhard Bosch, Claudia Weinkopf (editors), March 2008.
- Low-Wage Work in the Netherlands - Wiemer Salverda, Maarten van Klaveren, Marc van der Meer (editors), March 2008.