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In-work poverty

An image of the working poor in the Netherlands

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Publication date

2021

[Link to publication](#)

Citation for published version (APA):

Bekker, S., Evers, M., Houwerzijl, M., & Zekic, N. (2021). *In-work poverty: An image of the working poor in the Netherlands*.

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Tilburg University

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Publication date:
2021

Document Version
Publisher's PDF, also known as Version of record

[Link to publication in Tilburg University Research Portal](#)

Citation for published version (APA):

Bekker, S., Evers, M., Houwerzijl, M., & Zekic, N. (2021). *In-work poverty: An image of the working poor in the Netherlands.*

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WORKING, YET POOR

NATIONAL REPORT Executive summary

NETHERLANDS

Deliverable	D3.2
Deliverable name	National Report Netherlands – executive summary
Dissemination level	Public
Related work package	WP3
Task leader	UNIBO
Author/s	Bekker, S., Evers, A.A., Houwerzijl, M.S., & Zekić, N.

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 870619



In 2021, the authors wrote a National Report for the European project 'Working, Yet Poor', investigating in-work poverty in seven EU countries. This National Report is the result of an examination of the phenomenon of in-work poverty in the Netherlands in relation to four specific vulnerable and underrepresented groups of workers (VUP Groups) identified within the 'Working, Yet Poor' (WorkYP) project: low or un-skilled standard employees; solo or bogus self-employed; fixed-term, temporary agency and involuntary part-time workers; and casual and platform workers. The purpose of the report is to analyze the regulatory structures affecting the working conditions for the VUP Groups and to assess different aspects of regulations that can have a direct and indirect impact on the situation of in-work poverty for such workers. The report also discusses data on poverty risks in relation to various individual and household variables of the four groups, and analyzes the legal framework. This executive summary highlights the main findings.

What is in-work-poverty?

The poverty threshold is calculated by taking 60% of the median household income. As a result, the poverty threshold for a single-person household in the Netherlands was set at € 1090 net per month in 2019. Usually, in the Netherlands, alternative calculations for measuring the poverty threshold are used, which suggest a somewhat higher monthly threshold to provide for a living. The SCP (Netherlands Institute for Social Research) sets two amounts that indicate the minimum budget a household should have at its disposal. They use the *basic needs budget* and the *not-much-but-adequate budget*. The basic needs budget indicates the budget necessary for a household to provide for a living, including food, insurances, and housing. The not-much-but-adequate budget is the basic needs budget plus expenditures for social participation. This latter budget amounted to €1135 per month for a single person household in 2017 (SCP, 2018). The in-work-poverty rates for workers is much lower than for the entire Dutch population, meaning that having a job is still an important factor to move out of poverty (SER, 2021). Still, some groups of workers are more likely to experience in-work-poverty than others, particularly those who have flexible jobs (Bekker et al. 2021).

Characteristics of the Dutch labour market and economy

Compared to other EU countries, unemployment rates did not increase dramatically in the Netherlands, neither during the financial crisis, nor during the Covid-19 pandemic. At present (September 2021), the Netherlands has quite a tight labour market, with an unemployment rate of 3.1% (data Statistics Netherlands). At the same time, the Netherlands has a very flexible labour market. The share of workers with a standard fulltime and open-ended employment contract has been decreasing to about 35% in 2018 (European Foundation, 2020). In this respect, the Netherlands is an outlier within the EU, where all other countries still have a majority of its workers in standard employment. The flexible labour market makes an increasing group of workers vulnerable for economic setbacks. This has become clear during the first phase of the Covid-19 pandemic when it appeared that not all groups of workers had sufficient access to social security (Leschke and Bekker, 2020). The government started improving access of self-employed and other flex workers to social assistance, although these measures were temporary and had

progressively tighter eligibility criteria. Eurostat data shows that workers with part-time jobs, workers with an occupation with a low skill demand and workers with a temporary contract, have a significantly higher risk of poverty. Moreover, 1 million out of the 8.5 million Dutch jobs fall within the scope of 110% of minimum wage or lower, and 2.2 million jobs fall within the range of 130% of minimum wage or lower. These workers do not belong to the group of working poor, yet they still do not earn high wages. In 2020, the number of jobs at minimum wage level decreased by 10% (minus 52 thousand jobs), demonstrating the vulnerability of low wage workers to job loss (CBS, 2021). Furthermore, consecutive generations flowing from school to work have been increasingly confronted with temporary jobs as a first employment relationship and they stayed in this position for longer. They have had to cope with more flexible, but also with more turbulent labour markets where youngster (have to) make frequent transitions to new jobs (Bekker and Pop, 2020). Finally, the data also shows that whereas the level of in-work poverty has clearly increased in the Netherlands from 4.5% in 2013 to 5.5% in 2019, there is a rather low level of material deprivation (1.3% in 2013 and even 1.1% in 2019).

Dutch labour law, social security and collective bargaining: main features and challenges

The coverage of workers by labour law and social security law is different for employees and self-employed. In the Netherlands employees are in a highly protected position, while the solo-self-employed worker is subject to the general rules of contract law (see the national report for more details: Houwerzijl et al. 2021). Some Dutch policies and measures have a *direct* impact on in-work poverty. One concept that explores this connection to in-work-poverty is the concept of fair and adequate wages in relation to a decent standard of living.

Social partners and collective bargaining are highly relevant when setting wages. Conversely, the minimum wage is set at the national level, and is usually adjusted twice a year. The Netherlands has multi-employer bargaining with high coverage. Collective bargaining coverage has been relatively stable since the 1970s, at around 80 per cent of workers, largely through sectoral agreements and mechanisms to extend these. Union density is relatively low and has been decreasing substantially, from 35 per cent in 1980 to 16 per cent in 2018 (Keune, 2021). Generally, the level of wages has lagged behind the growth of production (De Beer & Keune, 2018). This is particularly valid for the level of the minimum wage. Nevertheless, the high coverage of collective agreements of 80% assures that the vast majority of workers has a decent protection both in terms of decent wages and supplementary protection in case of unemployment, sickness, and other situations of suspension of work. However, even if hourly wages are reasonably adequate when having a fulltime job, the high incidence of parttime work in the Netherlands begs the question whether monthly incomes are sufficient, and whether people have enough opportunities to access jobs with enough working hours per week. The same question may be posed for workers with irregular working hours per week due to on-call contracts, who thus have an irregular income (SER, 2021). Another group of workers who are more likely to experience in-work-poverty are the solo self-employed (see data below). The Dutch system of tax credits creates (too) strong incentives to become self-employed and the number of solo self-employed has been growing strongly the past decade. The group of self-employed is far from homogenous, with many genuine entrepreneurs that successfully operate within their

market. However, others struggle to make ends meet, particularly if they are reliant on one client or operate in markets with fierce competition on price (e.g. in the creative sector; Been and Keune 2020).

Looking at social security, this not always fits the needs of workers, particularly those who have low wages and/or irregular income. For instance, the unemployment benefit (UB) scheme is not accessible to self-employed, while access to social assistance (welfare) might be constrained because this is means tested. UB does provide a relatively easy access for employees with the most common types of non-standard contracts. However, since the height of UB is proportional to the amount of hours of previous employment, it does not always provide substantial income security for them. Moreover, UB duration is based on tenure, which might pose obstacles to newcomers at the labour market with temporary jobs. In addition, the duration of UB was strongly reduced in recent years, which, together with some other changes to the legal framework, might worsen the income security, particularly of older workers (Houwerzijl et al., 2021). Moreover, an expert meeting with people experiencing in-work-poverty in the Netherlands demonstrated that processes of accessing and getting social security does not always match with volatile incomes from flexible jobs, creating difficult periods of getting not enough or getting too much income support, the latter resulting in needing to pay back part of income support (stakeholder meeting observations, organized for WorkYP, Netherlands, 2021). Next to this, the flexibilisation of the labour market impacts the sustainability of newly created jobs, particularly in jobs which require a low skill level. Compared to 2003, the amount of low-skilled workers with a flexible contract or in self-employment was twice as high in 2019. It contributes to the existence of groups of workers who get caught in a constant cycle of being in-work and out-of-work.

Lastly, policies have an *indirect* impact on in-work poverty, which include factors going beyond the scope of labour law protection and (collective) wage formation, such as affordability of housing and increased costs of health care. A harmonized system of social-fiscal allowances which makes no distinction between working and non-working people and which is based on broad income limits, is of special significance for working poor, however also for many other households. By using broad income limits, the average amount of allowances has for some households even doubled and reaches a significant portion of the middle class. About 7.5 million allowances are given to over five million households, which is almost 60% of Dutch households (Vonk, 2021). The system of social-fiscal allowances benefits thus actually contributes to a balanced income distribution, ensuring that the gap between poorer and richer households does not widen further (Vonk et al. 2021). As social-fiscal allowances are not taken into account in establishing the official social minimum income, in practice, for people living on the social minimum, the fiscal-social allowances represent on average 20% of disposable income. This might at least partly compensate for the modest wage growth vis-à-vis a less affordable housing market, increased prices of healthcare, and other factors on the expenditure side. At the same time, the design of payments in advance and related retrievals, increases income insecurity and debt problems in particular for people most in need of the allowances. The system is now broadly discredited because of its disproportionate application.

In-work poverty among specific groups of workers

Within the scope of the WorkYP project, four vulnerable groups of workers are explored in-depth: (1) low wage workers; (2) solo self-employed; (3) flexible work contracts (fixed-term, agency work, involuntary part-time); (4) casual/zero-hours/gig-economy workers. Based on data from Eurostat, in the Netherlands solo self-employed and flex workers (so the VUP Groups 2 & 3) are most often at risk of in-work poverty (due to them not being able to work sufficient hours). Also, in-work poverty is especially an issue (across all VUP groups) for persons in a single-person household or a household with only one in-work person, in particular with children in the household.

Table 1: In-work at risk of poverty, all employed persons (including employees and self-employed) and separate VUP-groups, NL 2019

	% of in-work population	In-work at risk of poverty
In-work population	100%	5.5%
VUP 1	14.4%	4.4%
VUP 2	9%	14.3%
VUP 3	22.5%	6.9%
VUP 4	7%	Unknown

In the more specific analysis for the different VUP groups, the situation for standard workers in low-wage and low-skilled occupations (VUP group 1) is firstly assessed. Some specific individuals at risk of in-work poverty within VUP 1 are identified as being persons who live in a household of more than two persons, and persons who have more than one dependent child at home. An important take away from the data on VUP 1 is furthermore that, broadly speaking, having a 'normal' permanent and full-time contract helps against the negative financial effects of having a very low income. However, this is not valid for households with more than one dependent children living at home.

The analysis of the solo/bogus self-employed (VUP group 2) shows that these workers face certain challenges and risks at in-work-poverty, however, partly due to the amount of hours they can work. Moreover, solo self-employed are often not covered by labour law and collective agreements and, as a consequence, have less access to (supplementary) benefits, protection in terms of wage regulation, social security insurances and pension provisions. The group of solo self-employed is, however, heterogeneous, meaning that individual circumstances differ widely. Moreover, whereas solo self-employed have high rates of at risk in-work poverty, these workers have quite low risks of severe material deprivation. This indicates that for this group of workers the in-work poverty measurement might not always be suitable for assessing their actual standard of living. This is supported by national data showing that despite the 14.3% poverty rate, only 2.1% of self-employed face long term poverty (CBS, 2018). However, if the self-employed individual is the only person in the household, there seems to be an increased risk of in-work poverty. Also self-employed who are 50 years or older and self-employed who are working part-time are significantly more at risk of poverty.

VUP Group 3 are the flex workers, comprising fixed-term, temporary agency and involuntary part-time workers. Remarkably, the data show that male flex workers have a much higher risk of poverty (12.3%, versus 5.3% for women). Also flex workers working less than 12 months a year have a high risk of poverty (13.3%). Specific categories of households at risk of in-work poverty within VUP 3 further are identified as being flex workers in a single-person household and/or flex workers who are the only working person in the household.

Finally: VUP Group 4, consisting of various forms of casual and platform workers. For this group it is difficult to assess the extent of the problem of in-work poverty since no information on these workers is available in Eurostat. We used national data sources (data from CBS from 2019 on on-call and zero-hour workers, and a report from the SEO from 2020 on platform workers) to gain insight into the number of casual and platform workers in the Netherlands and their financial situation. What can be concluded is that VUP 4 concerns a relatively small group (7% of the in-work population). There is also a lot of overlap with the other VUP groups, for instance, because people combine different employment statuses, or because some platform workers are considered to be solo self-employed. Workers of VUP 4 face a very low monthly income (below the poverty threshold), but for both the casual and the platform workers it is likely that they have these jobs to supplement their main income. Even though the number of persons that is dependent on platform work for their living is likely to be small, those who are dependent on this form of work are quite vulnerable due to the lack of regulation on wages and unclear legal status in relation to social security schemes.

To end on a positive note, there are promising developments such as increasing attention for the issue of in-work poverty in the Netherlands. For instance, in September 2021, the Dutch Social and Economic Council has written an advice to the government how to create work without poverty (SER, 2021). This advice includes ensuring that people can generate sufficient income from their jobs, have enough working hours, and have a stable income. Moreover, it advises to increase the minimum wage (and compensate for higher expenditure on wages in order to prevent the loss of jobs). Lastly the advice is to improve services to workers, combining digital services with reliable and personal support, and reducing the complexity of rules. Both the national government, municipalities, employers and trade unions should jointly work towards an improved system.

Concrete and widely endorsed plans for diminishing the amount of flexible employment and self-employment exist, and may form valuable steps in the right direction. The Dutch government has to 'practice what it preaches' in its Constitution by balancing a high level of employment with adequate wages and income protection, as well as distribution of wealth among all its residents, in particular for those groups at the labour market who were increasingly employed under non-standard contracts in the last two decades.

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