

The household distribution of jobs: Opening up a new perspective on work and poverty in Europe

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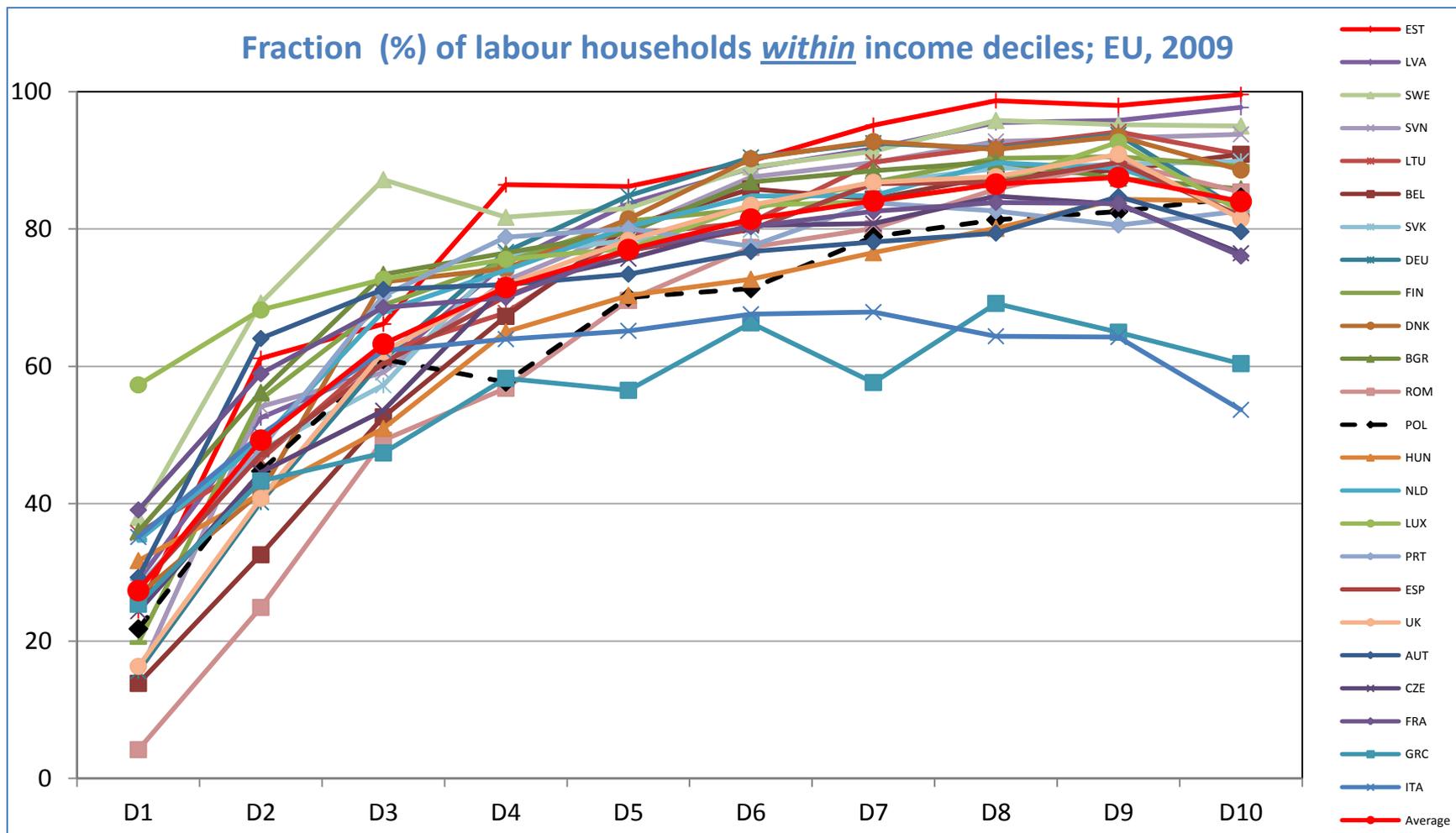
Lay out

- 1. Background of growing inequality
- 2. The concept of in-work poverty
- 3. A growing complexity
- 4. The distribution of workers over households
- 5. Ensuing interhousehold job competition:
Combination scenarios
- 6. Policy implications

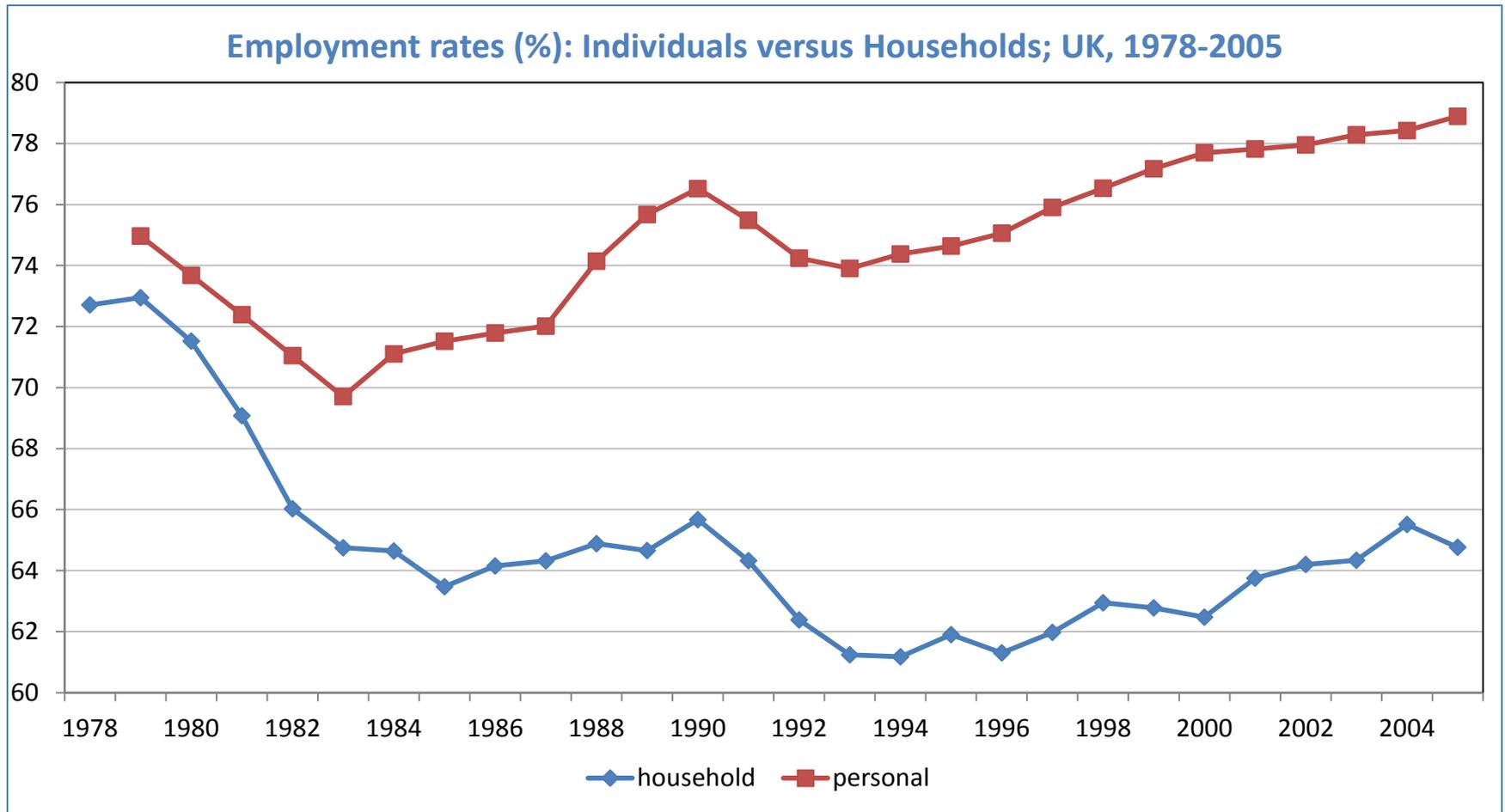
1. Growing inequalities

- The top-incomes project, the OECD, and the GINI research project all find growing inequality in many countries
- Below the surface of inequality there are also significant tectonics (irrespective of inequality growth): labour incomes are important at the top, and they also seem to be moving upwards over the distribution
- Household joblessness needs to be taken into account (drawing zeros in the jobs lottery)

Labour households concentrate towards the top of the income distribution



Individual employment growth benefits households less



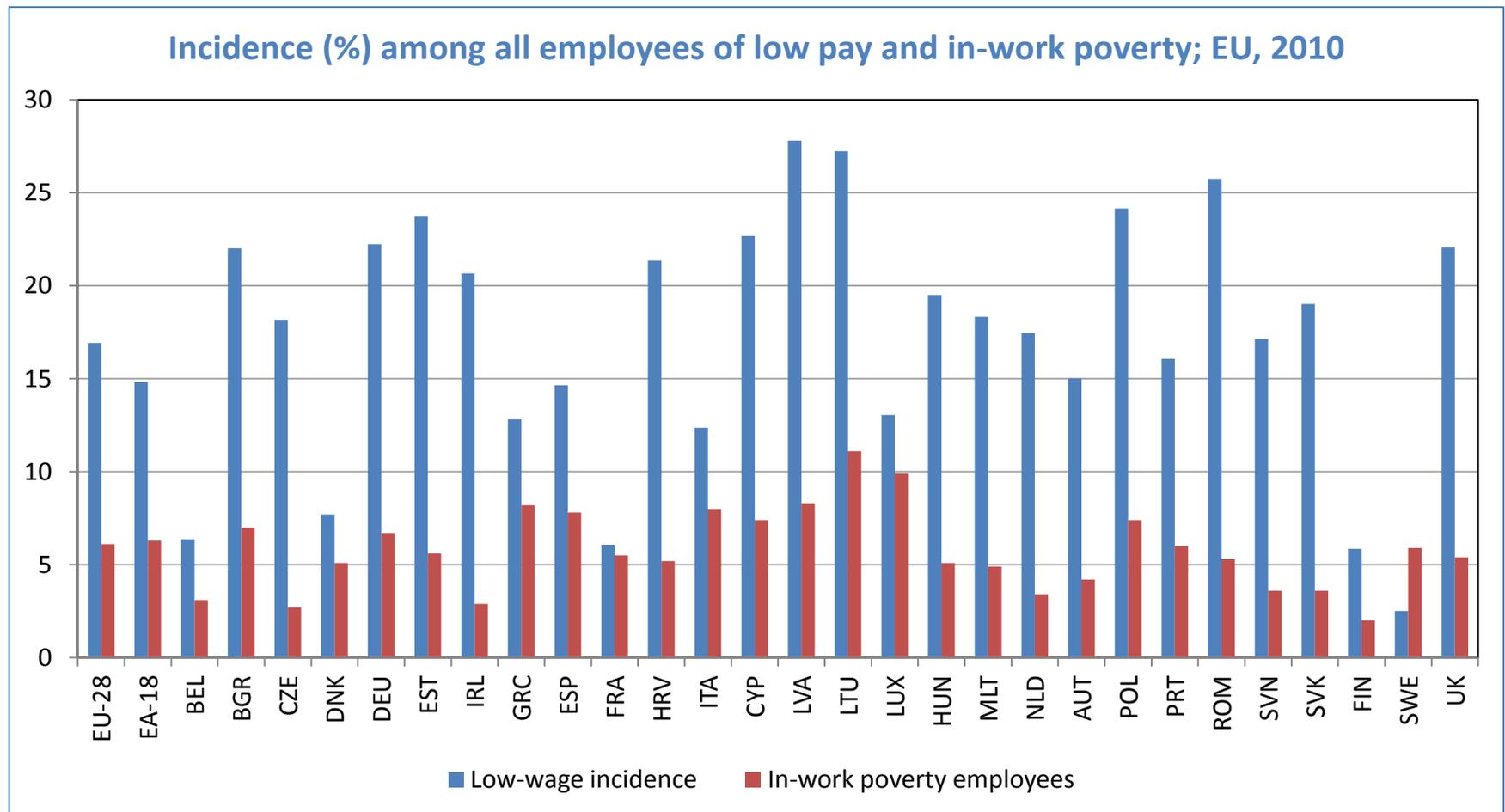
2. Concept of in-work poverty

- Poverty is leading; it is defined by needs of the worker's household, depending on household composition
- There are different definitions of poverty – here the standard 60% of the median will be used; it is annual, after tax and equivalised
- Earnings are before tax and shall be annual and summed over individual household members
- Annual earnings result from the level of (hourly) pay times the hours worked during the year
- Individual earnings are not necessarily low, and in-work poverty \neq low pay (US max k\$52)

3. Growing complexity

- Households are changing: Increasing shares of singles in many countries
- Tax treatment is (always) subject to change
- Individual pre-tax hourly pay gets more unequal
- Growth in part-time work affects the distribution of working hours over individuals
- The distribution of hours & earners shifts over households: Demise of the single breadwinner and rise of jobless households
- Individual (hourly) earnings and household (annual) incomes: A tale of two literatures

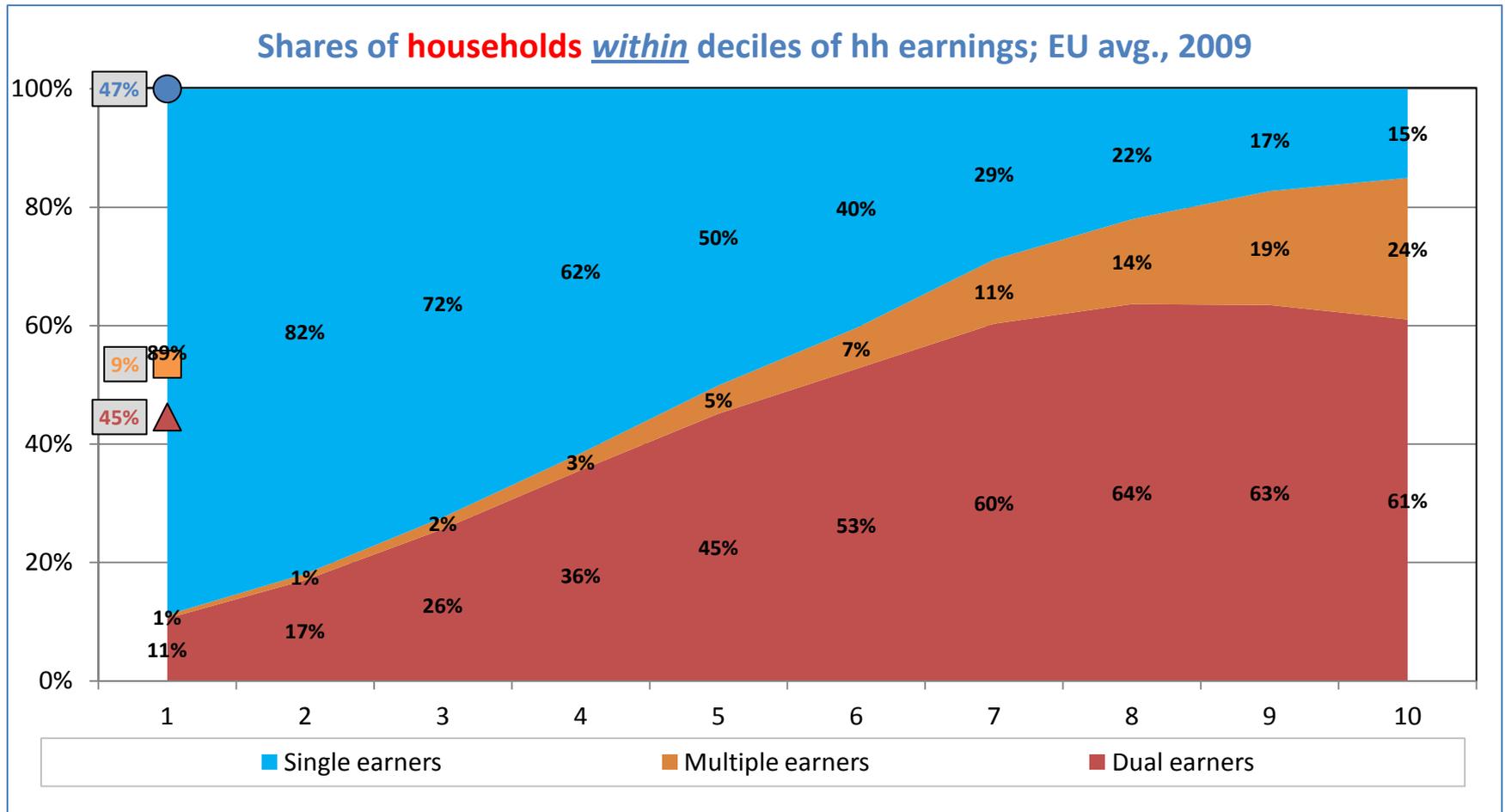
Individual low pay is more frequent than in-work poverty, implying low pay in other households



4. Workers and households

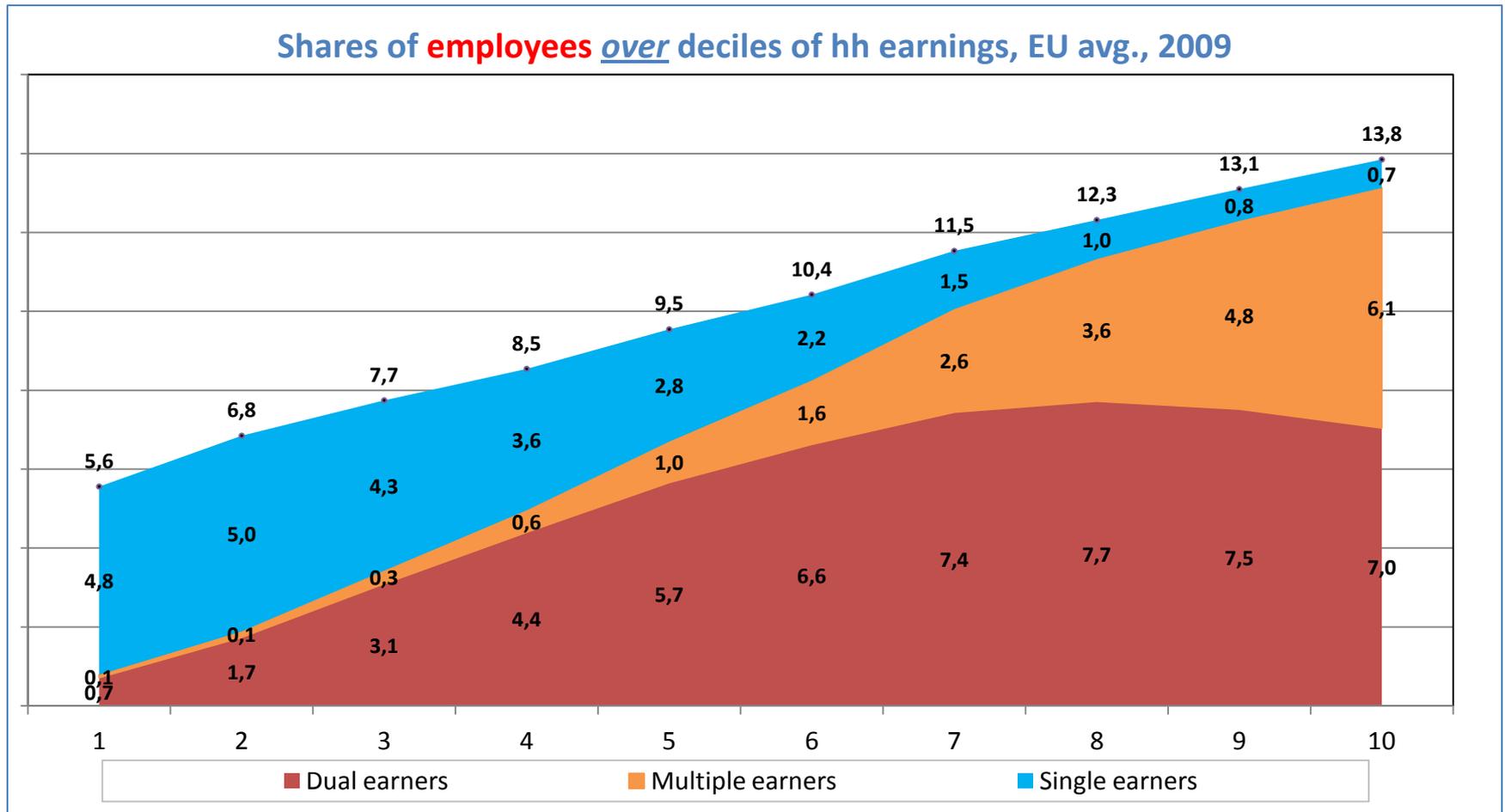
- Workers scatter over single-, dual- and multi-earner households
- This distribution is strongly skewed over annual household earnings
- Tectonics of (labour in) the income distribution depend on the combining of earnings

Household-earner types distribution is skewed; dual- and multi-earners trump single earners



Calculations on SILC 2010 Poland: 11% multi-earners; 22% single-earners at top-10%

Employees distribution by household-earner types is strongly skewed



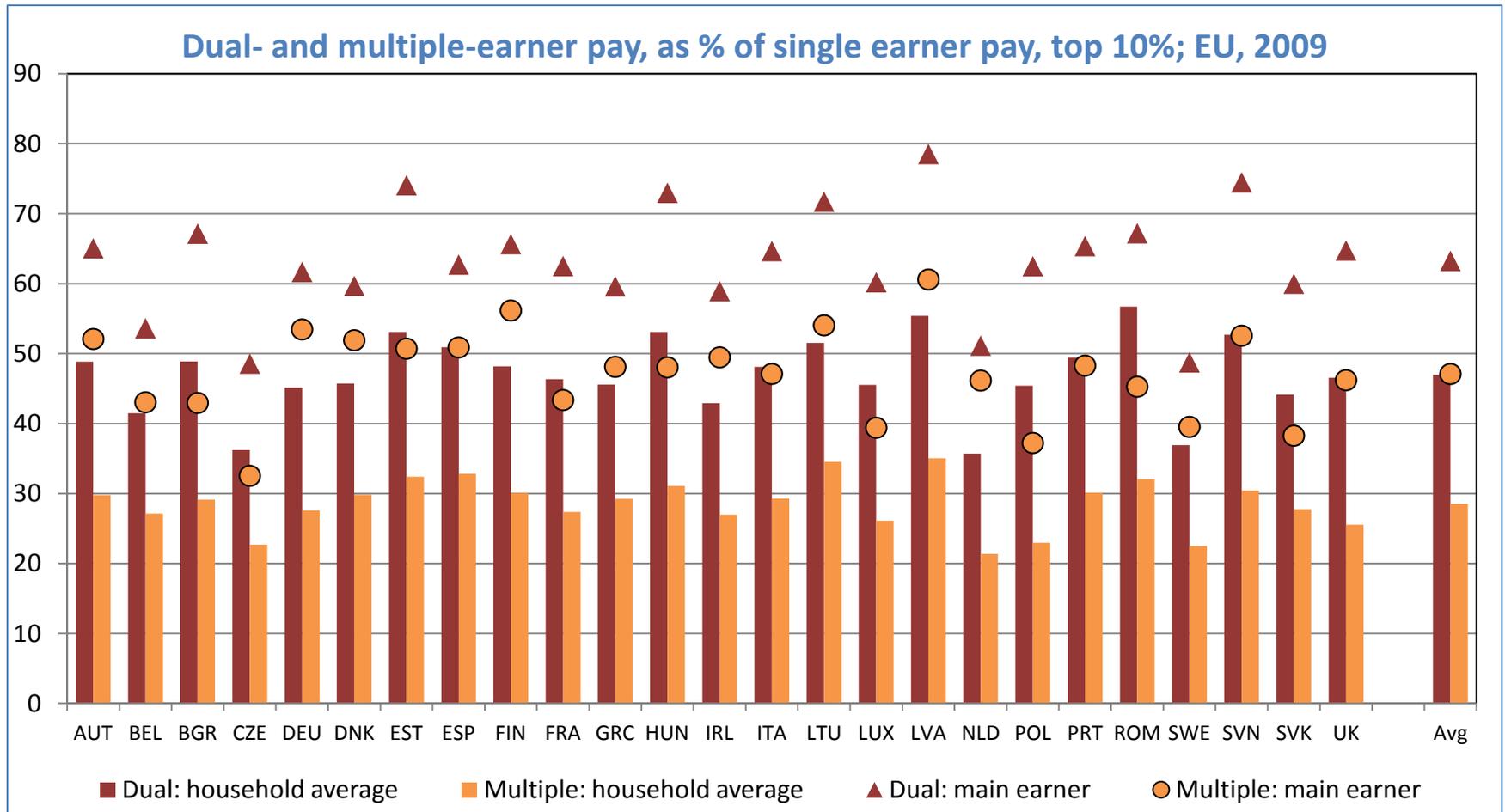
Calculations on SILC 2010

Single 27%, dual 52%; multi 21%; Poland very similar

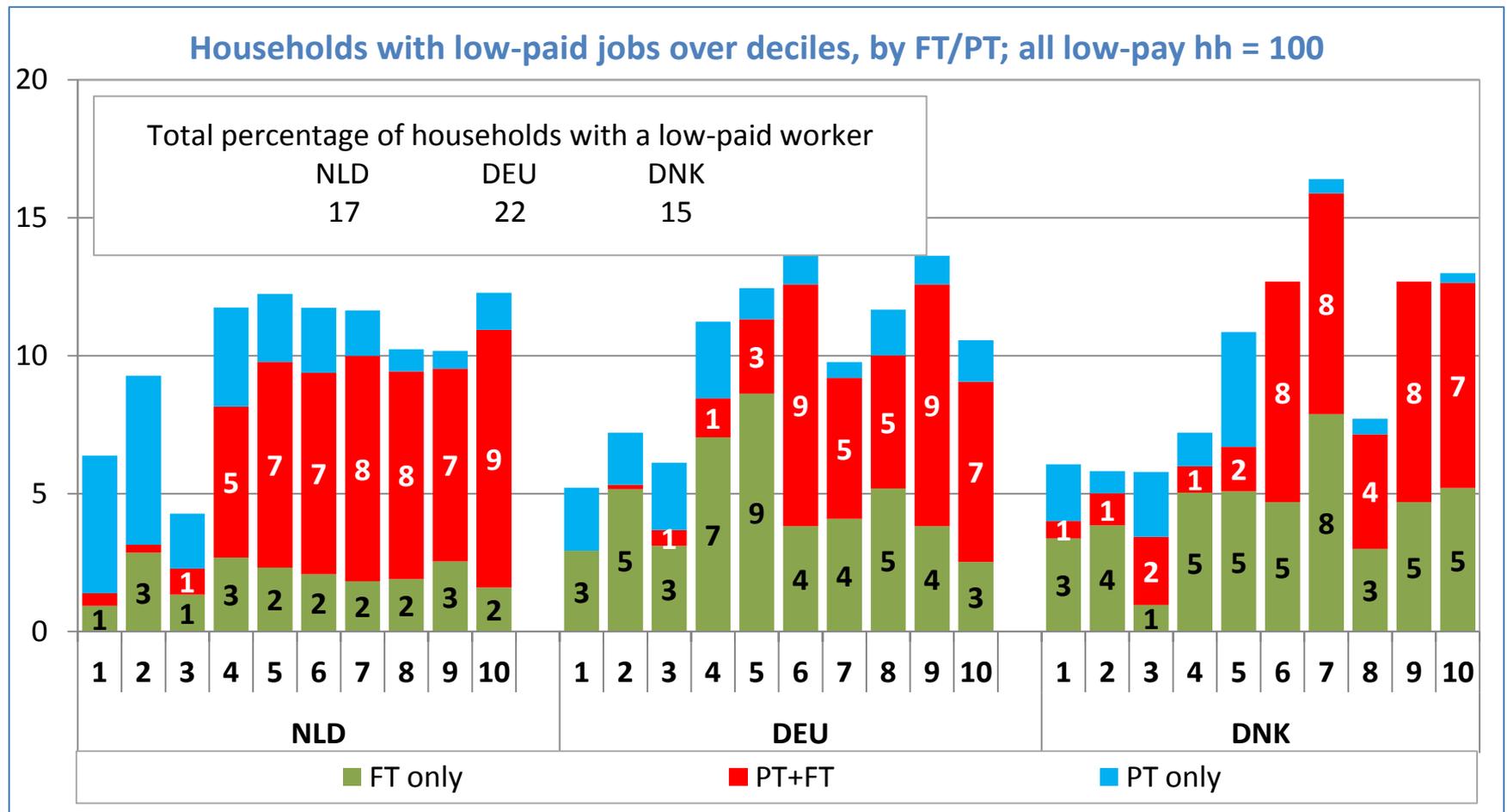
5. Interhousehold job competition

- Additional earners in households pursue combination scenario(s), holding part-time and/or low-paid jobs, and competing on different terms
- Such jobs are often found at low occupational levels, where low-skilled labour supply needs full-time employment for a living – thus stimulating in-work poverty or joblessness
- At same time additional earners also reduce in-work poverty, for their own types

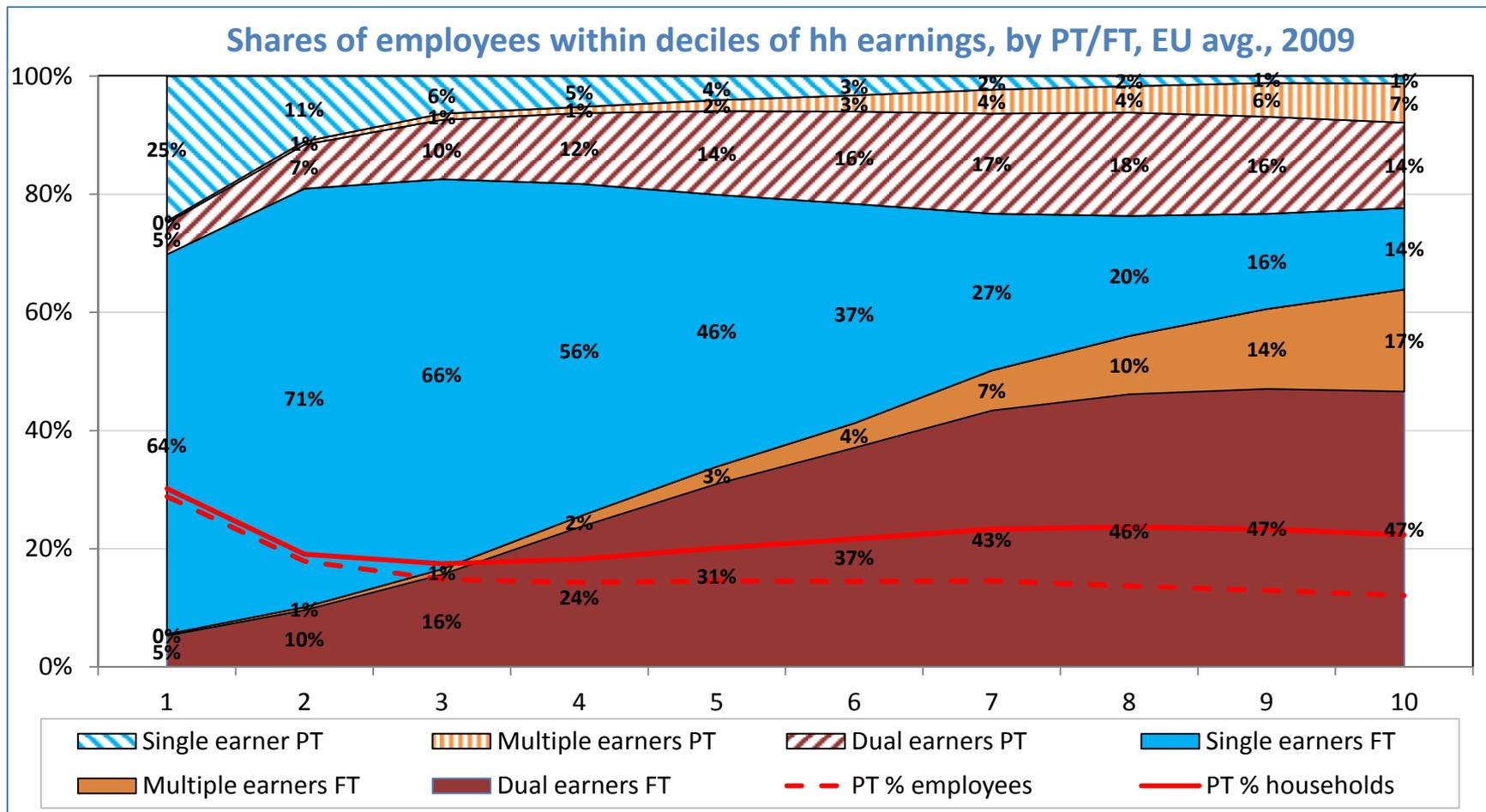
More-earners link to lower individual earnings than single earners (here at the top)



Low-paid (hourly) workers found up to the top (10-year older figures, unfortunately)



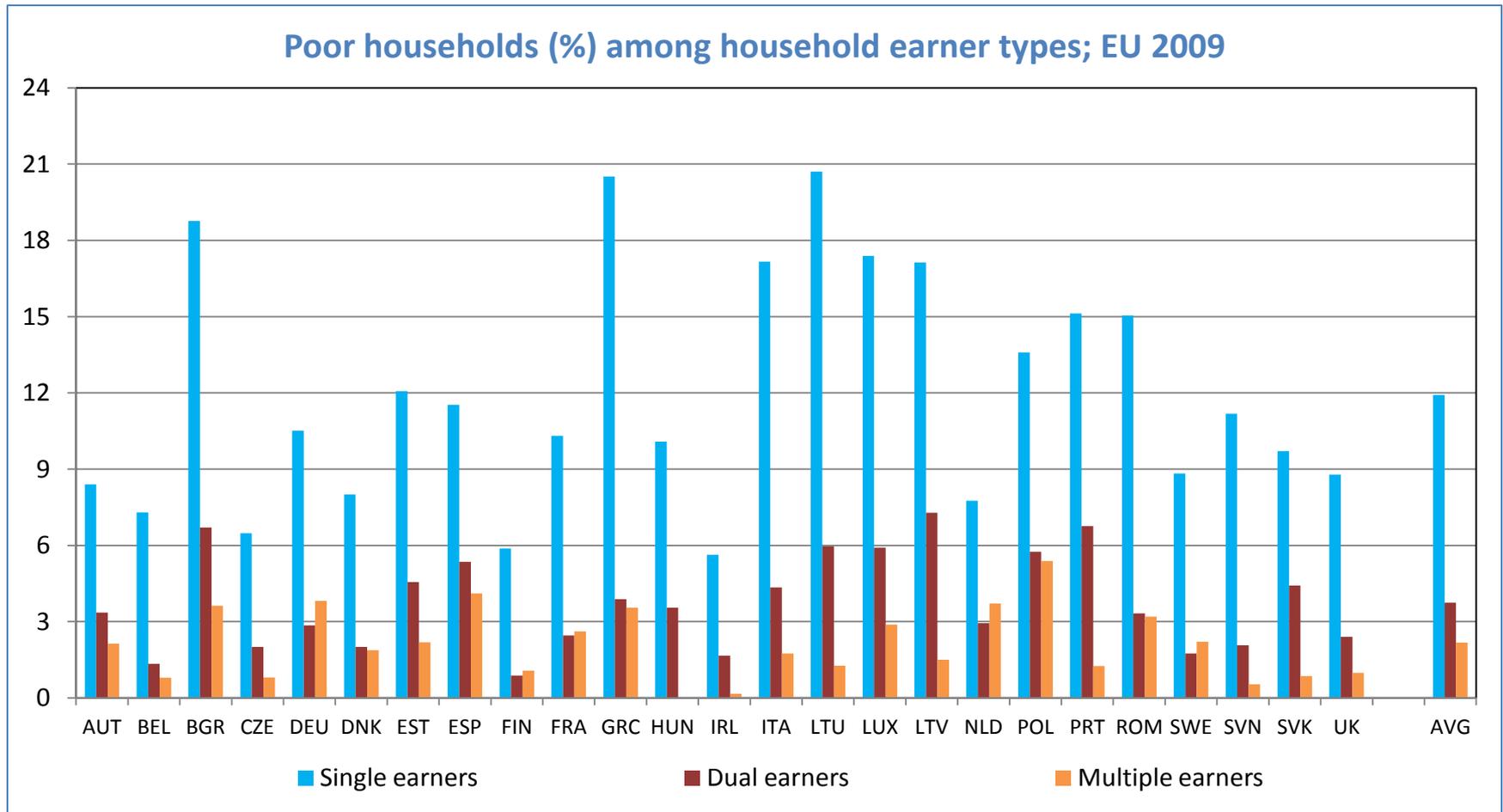
Part-time employees are found up to the top



Calculations on SILC 2010

Poland less part-time (at bottom) but rest equally spread

Poverty is very high among single earners but much reduced among dual- and multi-earners



Calculations on SILC 2010

6. Policy implications (1)

- To the extent that low-paid workers are present all over the income distribution, augmenting the minimum wage or lowering its taxation as a social policy, will not reduce inequality
- As taxation is on annual earnings, similar effects may result from part-time employment, even if it is better paid by the hour
- This blunts redistributive tools aimed at lowering (in-work) poverty – which may have worked in a single-earner world; money spent will be substantial and largely ineffective

6. Policy implications (2)

- ‘Additional’ low-wage /part-time work diminishes employment (hours) chances for low-skilled
- To mend this an *Earned Income Tax Credit* (EITC, USA) is cheaper and more effective, as it focuses directly on households in need that may get a part-time job or a too-low-paid job only
- An adequate minimum wage will keep the costs of EITC in check, and can still also serve fairness in the labour market and at the work place.
- Now is the chance for EU, with a MW in Germany

Further reading

- Eric Crettaz. *Fighting Working Poverty in Post-industrial Economies: Causes, Trade-offs and Policy Solutions*. Edward Elgar, 2011.
- Salverda and Haas. “Earnings, Employment and Income Inequality”. In: Salverda, Nolan et al., editors. *Changing Inequalities in Rich Countries: Analytical and Comparative Perspectives*. Ch.3. Oxford University Press, 2014.
- Salverda and Checchi. “Labour-market Institutions and the Dispersion of Wage Earnings”. In: Atkinson and Bourguignon, editors. *Handbook of Income Distribution*. Volume 2B, Ch. 18. Elsevier/North Holland (forthcoming).
[<http://ftp.iza.org/dp8220.pdf>]
- GINI project: www.gini-research.org