



# Sweden

## In-work poverty and labour market segmentation

### A Study of National Policies

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## 1. Summary

The important dividing line in today's Sweden goes between those who are well integrated at the labour market and those who have a more insecure labour market position – it is unemployment, recurrent unemployment spells, weak labour market attachment, not, in general, low wages that causes poverty and social exclusion. It is this dividing line that has deepened during the past ten year, not primarily the dividing line among the employed. Accordingly, in-work poverty is not a salient issue in the Swedish political debate. It is also the case that minimum wages are not legislated; wages are negotiated between the unions and employer federation. Hence, politicians are not involved in wage setting. During the past three years the government has implemented a series of tax reforms called job-tax-deduction, which basically means that wages are taxed lower than other types of incomes. The reason is to make work pay and increase work incentives. The reform has a regressive profile but has rarely been discussed as a tool to decrease in-work poverty.

An increasing share of the Swedish labour force is employed on temporary contracts (about 10-15 per cent among men and 15-20 per cent among women), which is one reason that we can see a slight increase of in-work poverty in Sweden during the last decades. We want to underline that in-work poverty in itself is a problematic concept. In an earlier study we found that the in-work poverty rate was about 4.3% in the early 2000 (3.2% among employed). In the more inclusive definition used in this report we found that around 5.5% of those who were employed at least six months during a one year period were poor. The figure among fulltime employed was 3.4%. However, as was shown in our earlier analysis (and our ongoing but yet not published research), a substantial part of the working poor are poor because they share household with an unemployed person. The group in which we find the highest risk of in-work poverty is among single parents (which have a high risk of being poor even if they work full time). We also see high rates of in-work poverty among the young but that is mainly caused by recurrent unemployment spells. Nevertheless, in our opinion, at least in Sweden the concept of in-work poverty distract our attention from the real problem, i.e., unemployment and unsecure labour market attachment, to a problem of lesser magnitude, i.e., low wages.

EU-SILC is a main statistical tool for analysis of and comparisons between EU-member states. We therefore want to underline that, because of the way Statistics Sweden have decided to produce EU-SILC data, Swedish EU-SILC data suffers from a series of problems, some of them well known, as the individual sampling, other less well known as for example the mismatch between income data and survey data in the cross-sectional dataset and the way labour market information is reported in the longitudinal dataset.

## 2. Presentation of the current situation – statistical overview

In Sweden, in-work poverty is not a salient issue, not in the public debate, nor in the production of statistics. Statistics Sweden do, for example, not produce any figures on in-work poverty. The reason is partly revealed in Table 1. There is an overall increase of in risk of poverty (henceforth poverty) from 6.7 per cent in year 2000 to 9.4 per cent in year 2007. The increase is mainly driven by rapidly increasing disposable incomes, not by an increasing number of low-income earners. It is also the case that the increase is not observed among the gainfully employed or self employed. It is, not surprisingly, among people with a more or less marginal labour market attachment that faces a high poverty risk. It is also among this group that the increase of poverty mainly has occurred. So what we see is deeper cleavages between those who are excluded from the labour market and those who are included. It is also this discussion that totally dominates the political agenda, political debate, academic research and media reporting.

**Table 1. Poverty rates (<60% of median) divided by labour market position among prime aged (20-64 years of age). Per cent**

	2000	2001	2002	2003	2004	2005	2006	2007
All 20-64	6.7	7.3	8.0	7.7	8.3	8.7	8.2	9.4
Gainfully employed/self employed	3.8	4.0	4.4	3.9	4.1	4.0	3.8	4.0
Blue collar workers	2.9	3.1	4.6	3.7	3.4	4.3	3.5	4.5
Low white collar	1.5	2.2	2.6	1.6	2.8	1.7	2.2	1.6
Middle white collar	1.8	1.7	2.0	1.5	1.9	1.3	1.8	1.6
Upper white collar	0.6	1.0	1.5	1.0	1.3	0.4	1.1	0.9
Self employed / farmers	17.2	17.8	14.2	16.7	15.6	15.9	13.6	14.0
Other employed	11.8	9.8	11.6	9.2	8.2	6.6	12.1	13.6
Not employed/self employed	15.4	17.3	19.0	18.8	21.0	22.7	22.6	28.3
Students	21.9	25.1	29.4	26.5	32.3	35.9	32.9	38.8
Unemployed, sicklisted, early retired	6.6	8.2	8.5	9.1	10.3	10.9	12.3	16.5
Other, not gainfully employed	44.1	47.8	49.7	53.7	53.0	50.5	52.3	57.5

Definitions. Students: are defined as student at the time for the interview and has an annual income from work that is below 141 050 SEK in 2007 prices.. Unemployed, sicklisted and early retired: more than 50% of their annual incomes derives from unemployment benefits, sickness benefits and/or early retirementstmen. Other, not gainfully employed: not students and outside the labour force.

The other reason to why in-work poverty has a peripheral position in the debate is that the concept, despite its seemingly straight forward meaning, is a slippery and generally poorly defined concept and before proceeding I want to raise the issue of the definition of in-work poverty, who are the working poor? Most people probably have a rather straightforward understanding of what it means to be working and poor. What we see in front of us is a person who goes to work every day, works full time, but still cannot make ends meet. However, if we look at the ways in which the working poor are defined in the literature, it is easy to see that things are a bit more complex. Poverty typically refers to a person's income situation during a particular time span – usually one year, one month, or in some cases one week. A person is commonly considered to be poor if she or he lives in a household that has an annual income below the

poverty line,<sup>1</sup> while employment usually refers to another time frame. According to Peña-Casas and Latta (2004), a poor person is considered to be working poor if he or she has worked at least one month during the past twelve months (which is their broad definition). A similar definition is used by Kim (1998). A more common approach, also used by Peña-Casas and Latta, is to define a person as working if she or he has worked for at least six months during the past 12-month period (Bardone and Guio 2005, Klein and Rones 1989, Mosisa 2003). There are also examples where a person is defined as working poor if he or she lives in a poor household with one working person (Nightingale and Fix 2004). The different ways in which the working poor are distinguished from the non-working poor reflect a substantial definitional problem – i.e., what kind of phenomenon are we actually investigating?

The most clear-cut example of “working poor” is a person who lives in a single-adult household without children and works full time, but at a wage that is too low to lift him or her above the poverty line. In this case, wage-setting in combination with taxation is both the cause of and the cure for the problem – increased minimum wages and/or lowered taxation will solve it. One can, of course, suspect that such a policy will turn some of the working poor into non-working poor, as their work will be priced out of the market, but it will nevertheless solve the working poor problem. However, the definitions of in-work poverty referred to above also include people who are poor because they are temporarily unemployed, cannot find full-time jobs, have spouses who are unemployed or retired early, etc. Thus, the working poor problem could, after all, be an unemployment problem – which is something that has fundamental policy implications, changing the focus from wage-setting to job creation. In the Swedish context, focus is certainly and for good reasons on the latter aspect.

### **2.1. In-work at-risk-of-poverty rate by gender, age, educational level and household type**

The results in this section are, since it is hard to find secondary data, based on primary analysis of longitudinal EU-SILC data from 2005, 2006 and 2007. Before proceeding with the analysis, some remarks regarding EU-SILC data and Sweden is necessary. To be straight forward: Statistics Sweden more or less obstructs some of the core features of the EU-SILC. First, as is well known, Sweden and the other Nordic countries are using an individual approach, not a household approach as the other countries. Hence, in every household only one person is interviewed. Information relating to spouse or children are, when not derived from registers (as is the case with incomes), based on indirect interviews, which also means that a lot of the family information is missing, simply not collected. However, as opposed to Statistics Sweden’s colleagues in the other Nordic countries, Statistics Sweden is not reporting this way of gathering information as ‘indirect’ which means that the percentages of reported indirect interviews in the Swedish data is grossly underreported (Statistics Sweden only reports indirect interviews in cases when they make an indirect interview with the selected person, which results in just a few percentage, instead of the correct figure of over 50 per cent).

Another problematic feature is that Statistics Sweden keeps its old tradition to ask people about their current situation: ‘what is your current main activity?’, ‘what was your main activity last month?’ etc. So, Swedish EU-SILC data from, say, 2007 gives information about the individual and the household that refers to the same year, i.e., 2007. However, register income data added to the cross sectional EU-SILC comes from 2006. Hence, analysis based on cross sectional EU-

<sup>1</sup> The measurement of income is often confined to a relatively short period such as monthly or weekly income, while poverty is conceptualized in terms of annual income – a fact that further complicates the relationship between employment and poverty.

SILC reports labour market status from one year and incomes from another year. The longitudinal EU-SILC dataset is produced somewhat later by EUROSTAT, which means that Statistics Sweden is able to add income data from the correct year. Therefore, longitudinal EU-SILC data is used in this report. But there are still problems, especially concerning mapping of labour market position. To make a long story short: EU-SILC Variable PL210A gives information about main activity in January. In most countries this means that this information in SILC 2007 relates to January 2006. This is not the case in Swedish data. In the interview Statistics Sweden ask about the current job situation and then they follow up by asking about the situation the month before and continue backward twelve months, starting with the interview month. If the interview was conducted in October 2007, the variable PL210A gives information about main activity in November 2006. Thus, we do not know which months the Swedish data refers to and it is also the case that what could be recorded as May in EU-SILC could in fact be the answer that relates to February etc. Up to 2007 this problem was fairly limited because all the EU-SILC interviews were conducted during the last quarter of the year. But, from 2008 and onwards the interviews are spread over the whole year, which will make Swedish EU-SILC data even more unreliable.

I'm sorry for this digression but it is deply problematic that Statistics Sweden is uncapable, or simply unwilling, to produce EU-SILC data according to standard. It also means that interpretation of the data below should be careful.

Definitions:

**Total** – total adult (16+) population

**Working** – have been working (employed or self-employed, fulltime or part-time) at least six months during a one year period

**Employed** – have been employed at least six months during a one year period. OBS! self employed not included

**Fulltime working** – have been working (employed or self-employed) fulltime during the past year

**Fulltime employed** – have been fulltime employed during the past year. OBS! self employed not included

Table 2 shows the poverty rates estimated from longitudinal EU-SILC data. There is a slight increase of overall poverty between 2005 and 2006 but not much is happening between 2006 and 2007. The poverty rate among the working is about half the size of the overall rate, which reflects the fact that poverty is most prevalent among the non-working. The poverty rate is further decreasing if we exclude the self-employed (which means that we probably exclude some that actually are poor but to a larger extent that we exclude a measurement problem (Halleröd and Larsson 2008)).

**Table 2. Poverty rates by year different employment categories.**

	2005	2006	2007
Total	10.8	12.5	12.9
Working	5.4	7.0	6.2
Employed	3.9	5.8	5.5
Fulltime working	4.3	5.4	4.3
Fulltime employed	2.4	4.0	3.4

Source: un-wegited EU-SILC longitudinal data set.

The poverty rate is, as expected, lower if we look at fulltime workers and especially among fulltime employed. Observe that the reason to why fulltime employees are poor very well could be that they are sharing household with an unemployed person, which often is the case (Halleröd and Larsson 2008). This is important because if this is the case, in-work poverty is either an unemployment problem, or, alternatively, a problem for the single breadwinner family idea.

In the tables 3 – 7 data from three longitudinal EU-SILC waves are merged. This is not totally unproblematic but we do nevertheless believe that data will provide a reliable picture of the structure of in-work poverty.

The poverty rate is somewhat higher among women but the differences is very small among the working (all four categories). The difference we can observe is basically related to single mothers. In-work poverty is mainly a youth problem that decreases with age. There is an expected relation to education but differences are moderate. Table 6 show poverty in different employment categories by household type. As expected, the poverty rate is much higher among single adult household.

**Table 3. Poverty rates by sex in different employment sub-categories (aggregated 2005-2007).**

	All	Men	Women
Total	12.1	11.1	13.2
Working	6.3	6.4	6.2
Employed	5.2	5.0	5.5
Fulltime working	4.7	4.7	4.8
Fulltime employed	3.4	3.0	3.9

Source: unweighted EU-SILC longitudinal data set.

**Table 4. Poverty rates by age in different employment sub-categories (aggregated 2005-2007).**

	All	16-25	26-30	31-40	41-55	56-65	65-
Total	12.1	25.8	13.7	8.0	7.9	5.7	18.6
Working	6.3	15.1	9.0	5.9	5.9	3.1	-
Employed	5.2	15.2	7.9	4.6	4.6	2.0	-
Fulltime working	4.7	7.7	6.1	4.9	4.9	2.2	-
Fulltime employed	3.4	7.2	4.7	3.5	3.3	1.4	-

Source: unweighted EU-SILC longitudinal data set.



**Table 5. Poverty rates by education in different employment sub-categories (aggregated 2005-2007).**

	All	Primary	Lower secondary	Secondary	Post secondary	Tertiary
Total	12.1	15.8	13.7	10.6	14.4	7.5
Working	6.3	5.6	7.6	7.1	5.2	4.7
Employed	5.2	3.7	7.1	6.1	4.3	3.7
Fulltime working	4.7	6.0	4.8	5.4	3.8	3.6
Fulltime employed	3.4	3.4	4.3	4.0	2.3	2.3

Source: unweighted EU-SILC longitudinal data set.

**Table 6. Poverty rates by household in different employment sub-categories (aggregated 2005-2007).**

	All	Single adult without child(ren)	Single adult with child(ren)	Married/Cohabiting without child(ren)	Married/Cohabiting with child(ren)
Total	12.1	27.3	23.0	5.9	9.1
Working	6.3	10.4	20.7	3.4	5.0
Employed	5.2	9.2	20.3	2.8	3.6
Fulltime working	4.7	5.0	16.7	2.9	4.3
Fulltime employed	3.4	4.0	15.6	2.0	2.5

Source: unweighted EU-SILC longitudinal data set.

The multivariate analysis shows that gender differences are insignificant among the working population, that age differences largely is attributable to lack of employment (i.e., not fulltime), that education differences are fairly stable in all sub categories and that household situation is of importance, It especially single adult household that suffers from a high in-work poverty risk.

**Table 7. Multivariate logistic regression model (odds ratios) on poverty in different employment groups**

	Total	Working	Employed	Working fulltime	Employed fulltime
Sex (ref=men)	1.17**	1.01	1.20	0.99	1.28
Age (ref=41-55)					
16-25	2.95***	1.85***	2.22***	1.23	1.63
26-30	1.74***	1.59***	1.81***	1.42	1.73**
31-40	1.02	1.06	1.14	1.11	1.34
55-65	0.65***	0.52***	0.42***	0.42***	0.39**
65+	1.30**	0.84	0.54	1.85	2.16
Education (ref=tertiary)					
Primary education	3.14***	2.16***	2.14**	3.20***	3.31**
Lower secondary	1.21	1.59**	1.88***	1.45	2.16**
Secondary education	1.33***	1.38***	1.46***	1.48**	1.67**
post-secondary (not tertiary)	1.74***	1.03	1.10	1.04	1.07
Household (ref=married/cohabiting without child(ren))					
Single adult without child(ren)	5.72***	3.15***	3.33***	1.70**	1.98**
Single adult with child(ren)	3.82***	6.25***	7.19***	6.55***	8.65***
Married/Cohabiting with child(ren)	1.86***	1.49***	1.29	1.49**	1.29
Constant	0.03***	0.03***	0.02***	0.02***	0.01***
Observations	10,986	7,462	6,853	5,263	4,740

Significance: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1  
 Source: EU-SILC longitudinal data set.

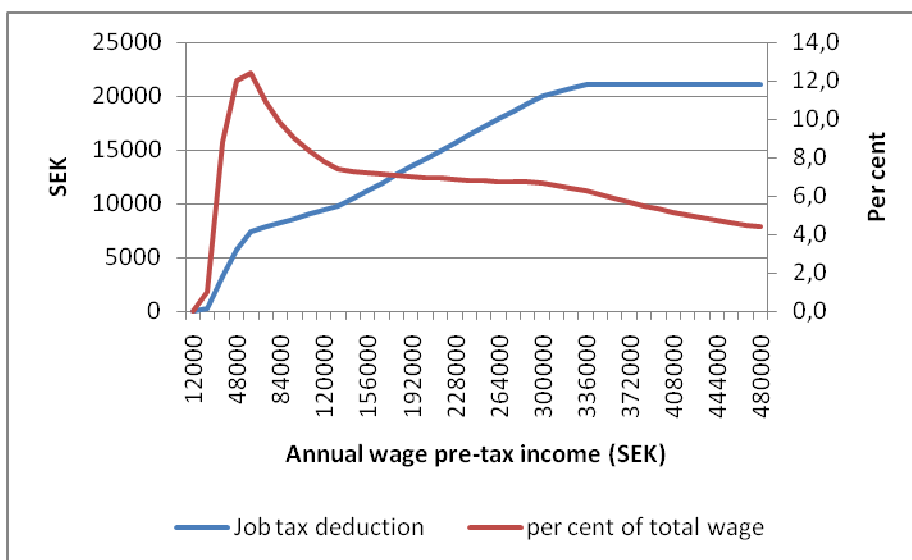
## 2.2. Tax rate on low wage workers: low wage traps

Sweden has three taxation levels:

- 0 % tax on incomes from 0 till 18 200 SEK (the so called 'grundavdrag'(basic tax deduction))
- About 31 % flat rate local tax (county council approximately 7 % and municipalities approximately 24 %), the taxation level differs somewhat between county councils and municipalities. So, for incomes between 18 200 to 380 200 SEK, this is the only tax.
- About 31 % flat rate local tax + 20 % state tax on incomes between 380 200 SEK to 538 800 SEK.
- About 31 % flat rate local tax + 25 % state tax on incomes above 538 800 SEK.

The current government has, as a part of their ‘making work pay’ effort introduced a so called job-tax deduction scheme. Basically it means that income from work is taxed lower compared to other incomes as for example pensions and other transfers. The blue line in Figure 1 shows the annual job-tax deduction in relation to income from work. The absolute value of the deduction increases up to an annual income of approximately 350,000 SEK and is thereafter a flat rate sum. However, the red line shows the deduction as percentages of the income, which highlights the regressive impact of the reform.

**Figure 1. Job tax deduction by income classes in 2009. SEK and percent of income**

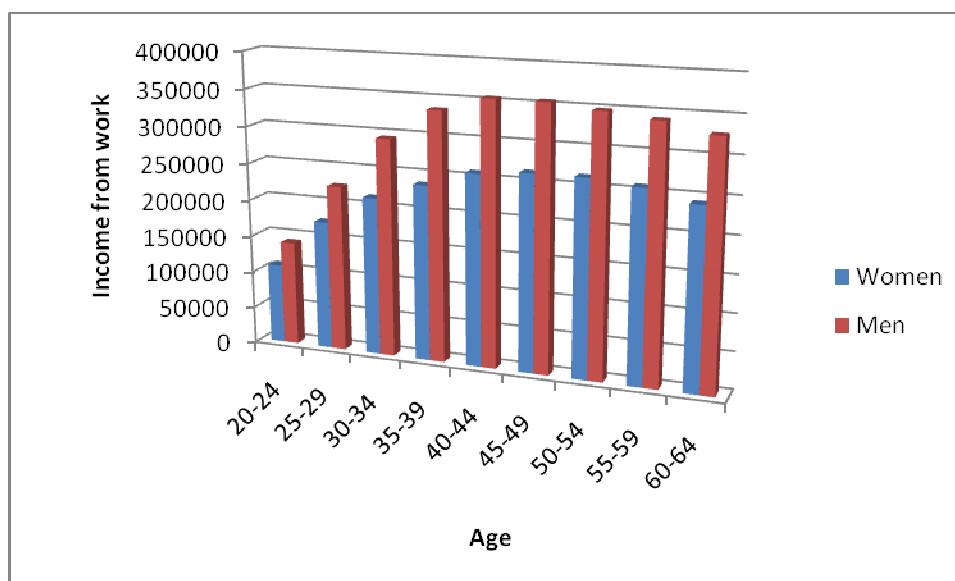


Even though poverty traps exists it is important to remember that the Swedish welfare state is, in essence, individualistic and almost every single transfer, both taxes and different kind of positive transfers and benefits, are linked to the individual, not to the household. Social assistance is one, and the most important, of very few exceptions from this rule. Most transfers are also earning related, which means that they increase if the income increase.

### 2.3. Gender pay gap

Sweden has a considerable gender pay gap, which is something that in Sweden, as in most other countries, explains the low correlation between low income from work and in-work poverty, i.e., a lot of low paid part time working women share household with a full time reasonable well paid man. Figure 2 show the average mean income from work for men and women in different age group. The gap is fairly stable in all age groups and women’s salary is about 25-30 per cent lower than men’s salaries.

**Figure 2. Annual mean income from work among men and women by age in 2008**



Source: Statistics Sweden

This gap declines to about 15 per cent if we look at full timers only, hence the wage gap is partly a part-time gap.

**Table 8. Salaries among fulltime employed women and men**

Age	Women	Men	Women's salary as % of men's salary
All	268500	321200	83,6
20-24	221600	248000	89,4
25-34	253100	302700	83,6
35-44	272000	336000	81,0
45-54	278800	339900	82,0
55-64	279200	341200	81,8

Source: Statistics Sweden

If we also take into account the fact that the Swedish labour market is highly gender segregated the wage gap is, as can be seen in

Table 9, further declining but it is still there. More detailed studies that take into account more fine graded educational differences, experiences et cetera manage to explain even a larger part of the wage gap. However, it is important to realize that these kinds of analysis manage to explain why women earn less, that is, the process through which a gendered labour comes about. But again, in relation to the issue of in-work poverty the gender wage gap might to minor extent explain why single adult women have a higher in-work poverty risk, but we think that the impact is modest.

**Table 9. Number of employed and mean salary by sex in the 10 largest employment groups in year 2006**

	Number (in 1000)		Per cent		Mean monthly salary (SEK)		Gender ratio
	Wom.	Men	Wom.	Men	Wom.	Men	
Care	397	59	87	13	19600	19700	99
Salesclerk	112	65	63	37	20300	21900	93
Seller, purchaser, broker	60	104	37	63	27600	33700	82
engineers, technicians	20	98	17	83	26100	29300	89
Driver of vehicles	6	86	7	93	20600	21100	98
Other office staff	72	20	78	22	20900	23100	90
Business economist,	44	43	51	49	31100	39100	80
Craftsmen (construction)	4	81	5	95	19200	22500	85
Construction workers	1	83	1	99	19000	23700	80
Teachers (compulsory school)	62	20	76	24	23500	23500	100

Source: Statistics Sweden

## 2.4. Gender segregation

Sweden, together with the other Scandinavian countries, used to have one of the most gender segregated labour markets. This picture has lately gradually changed but the labour market is nevertheless highly gender segregated (EGGE 2009).

Table 9 gives several examples of the degree to which men and women are employed in different occupations and Table 10 shows the amount of segregation depending on labour market sectors. Women are clearly overrepresented within municipalities, which basically means that they predominantly work with care (children, older people etc) while two thirds of the employed in the private sector are men. But again, this has probably very little impact on the issue of in-work poverty.

**Table 10. Number and proportions of employed women and men in different sectors.**

Sector	Women		Men		Per cent women	Per cent men
	Number of employed	Per cent of all employed	Number employed	Per cent of all employed		
Municipalities	653,000	34	177,000	9	79	21
County council	198,000	10	50,000	3	8	20
State	117,000	6	122,000	6	49	51
Private	943,000	49	1 567,000	82	38	62
Other	18,000	1	30,000	2	37	63
Total	1 929,000	100	1 946,000	100	50	50

Source: Labour market survey, Statistics Sweden.

## 2.5. Inactivity and part-time work due to lack of care services for children and other dependants

Child care is offered for all children between 1 and 12 years of age. There could of course be cases when child care is delayed or there are some sorts of problems. For, example, child care is generally not offered during night time. However, child care is a basic right and lack of child care is not distinguished as a major cause to inactivity. There is growing concern that lack of elderly care will create a problem among the older labour force (basically daughters that takes care of elderly parents) but as yet it does not seems to be a major cause to inactivity. As far as we can judge, lack of services is not a major cause to in-work poverty. But, the question does, in itself, raise the issue about the concept of in-work poverty. We would argue that poverty caused by inactivity is not and in-work poverty problem, it is an out-of-work poverty problem.

## 2.6. Transitions

Table 11 shows in-work poverty mobility rates between 2006 and 2007. The general picture reveals that there is a substantial transition out of poverty, particular among the working (less so in the total population. Among full time employed only one per cent are poor during two years in a row.

**Table 11. Poverty mobility rates (2006 – 2007) by employment status.**

	Not poor – not poor	Poor – not poor	Not poor – poor	Poor - poor
Total	82.5	4.7	5.7	7.1
Working 2006	90.6	3.7	2.7	3.0
Employed 2006	91.7	3.3	2.6	2.4
Fulltime working 2006	92.9	3.0	2.1	1.9
Fulltime employed 2006	94.5	2.5	1.9	1.1

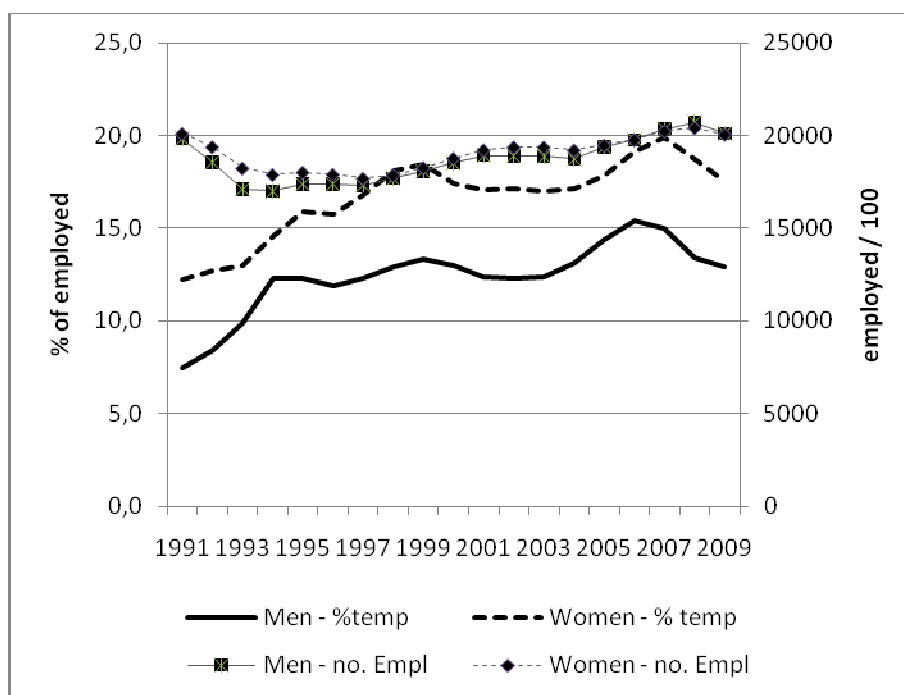
Source: EU-SILC longitudinal data set.

## 2.7. Diversity and reasons for contractual and working arrangements

Figure 3 shows the percentages of temporary contracts among employed men and women between 1991 and 2009. As can be seen for men there was an increase during the early 1990s and mid-2000. For women the proportion with temporary contracts increased during the whole of 1990s and also in the mid-2000. There are diverse reasons behind this development, for example, more insecure employments in the public sector and what can be summarized as lean production within the private sector (less stock-keeping and faster reactions to change of demand leads to a demand of a more flexible work force). The consequence is that a larger share of the employed are temporary employed and used as a labour force buffer that can be easily employed, laid off and re-employed. The fact that the percentages with temporary contracts decrease in 2008 and 2009 can possibly be interpreted as an example of the buffer hypothesis, that is, when the financial crisis was transformed into a labour market crisis it first and foremost affected temporary employed. From an in-work perspective it means that people that, because of

insecure labour market position were in risk of in-work poverty now faces a risk of out-of-work poverty.

**Figure 3. Per cent of employed with time limited contracts and number of employed by sex 1991-2009.**



Source: Labour force survey.

## 2.8. Undeclared work

Without saying anything specific on the relationship between undeclared work and in-work poverty it is reasonable to assume that there is a relationship, a relationship that work both ways. First, undeclared work leads to an overestimation of in-work poverty in the groups that are included in register data and survey data. How much is, given our current knowledge, not possible to say but it makes a peripheral problem slightly more peripheral. Second, the truly working poor are people that do not show up in register or in surveys and who work in the black sector. We are here predominately talking about immigrants without any legal papers and citizens that lives at the margins of society. It is hard to estimate the sizes of these groups, there are perhaps 30 to 50 thousands immigrants without papers in Sweden. Qualitative studies indicates that a large share of these people are working but at wages that are far below what is accepted at the legal white labour market (Socialstyrelsen 2010).

## 3. Main causes of in-work poverty and labour market segmentation: literature review

The most recent and comprehensive analysis of in-work poverty in Sweden is Halleröd and Larsson's study from 2008 (Halleröd and Larsson 2008). Three periods were studied: the first representing a booming economy with extremely low unemployment (1988/89); the second, an economy in crisis with skyrocketing unemployment and a changing labour market (1994/95); and

the third, a period of economic recovery and stabilization, but with a labour market that was markedly changed compared with the first period (2002/03). We used data from the Swedish Survey of Living Conditions and we empirically defined the working poor as those who received any wage income during the year and who were working when interviewed, but nevertheless had an annual equivalent disposable household income below the poverty line.

The basic assumption was that a transformation of the labour market took place during the period under investigation, implying segmentation between core positions and peripheral positions on the labour market, and that the extent of in-work poverty largely can be explained by this development. Our results show that in-work poverty in Sweden is an increasing but relatively uncommon phenomenon. The in-work poverty rate in the late 1980s was about 3.5 percent. In the mid-1990s, the figure had increased to 4.5 percent; and in the early 2000s, the figure was marginally lower, 4.3 percent. These figures included the self-employed – a group with an extremely high in-work poverty rate but also one that is, at least to some degree, attributable to measurement problems. If we looked solely at employees, we saw that only 1.8 percent was among the working poor in the late 1980s. The corresponding figure in the mid-1990s was 2.6 percent, and in the early 2000s, 3.2 percent. Thus, there was a trend towards increasing in-work poverty, but the figures were on a very low level.

Our analysis revealed a close connection between low hourly wages and in-work poverty. We also saw a connection between temporary employment contracts and in-work poverty that was growing stronger over time. In addition, part-time work was related to in-work poverty – but only among women (very few men were working part time). The connection between blue-collar service jobs and in-work poverty also strengthened over time. Overall, these results indicate that the transformation of the labour market – with greater wage dispersion, more temporary work contracts and a growing low-skilled service sector – has resulted in the growth of in-work poverty. The central issue in relation to these results is whether this development has led to an increase in low-paid jobs, and also, therefore, to increased in-work poverty – or whether a more insecure labour market has led to more unemployment and, in turn, to increased poverty. This issue is of great policy importance, since the first option should reasonably lead to a policy that focuses on increased wages among low-wage earners, while the second option ought to lead to a policy focusing on the fight against unemployment, which could possibly be facilitated through lower minimum wages.

In our empirical analysis, we did our utmost to define the working population as strictly as our data allow. Ideally, we wanted a situation in which we could analyse poverty among people who had been employed during the whole year, without any unemployment spells or any longer periods out of work (due to, for example, long-term illness or parental leave). This ideal situation would enable us to be certain that in-work poverty, whenever it occurs, is caused by low hourly wages or by too few working hours. However, this ideal situation was not achieved, which means that some of the working poor might simply be poor because they were out of work. Nevertheless, our conclusion was that the majority of the working poor were poor because they had been partly out of work during the observation year, and that in-work poverty as a consequence of low wages, by all measures, was a very small problem in Sweden. Instead, we saw an increase of poverty caused by less secure labour market conditions. If we look at those who are working there are, on any given day, a number of people who have recently been or are about to be without work. This group is increasing as unemployment increases and it is among this category that we predominantly find those who were defined as the “working poor” at the outset of the study. This result suggests that, at present, Swedish policy makers should be more concerned about unemployment than about low wages.



## 4. Presentation and analysis of policies

### 4.1. In-work poverty

In-work poverty is, as said above, not perceived as a major problem in the current political or, for that matter, scientific debate. Poverty is, and rightly so we will argue, seen as an out-of-work problem.

#### 4.1.1. Low net wage

Sweden does not have any minimum wage legislation – wages are negotiated between unions and employers federation. There is today almost political unity that this is a functioning model, although there now and then are critics that argue that the system generates de facto minimum wages that are too high and hold back employment. But, since both the government and the opposition are in favour of the system the system will not change within a foreseeable future. There is, nevertheless, a political discussion, and attempts, to lower payroll taxes and thereby lower the costs for employer to employ. But, this will not give low paid worker more money in the pocket, but it might give more people a job. Hence the discussion reflects the identification of the problem, which is unemployment, not in-work poverty.

The government's job-tax-deduction is a reform that gives low wage earner relatively more money in the wallet. However, the reform has rarely been discussed as a measure to address in-work poverty; it is mainly seen as measure that ideally should have a positive effect on labour market supply, again reflecting that unemployment is identified as the problem.

#### 4.1.2. Low work intensity

Part time work (long part time work 50 – 75 of full time) is common, especially within the public sector and, as can be seen in Table 12 and Table 13 among women. Very few men, especially 'middle aged men', are working part-time but more than 30 per cent of employed women are part timers, which is one explanation to why Halleröd and Larsson (2008) found an increased risk of in-work poverty among women living in single adult households. Part time and generally lower wages in female dominated occupations is also a driving force behind unequal intra-household distribution of incomes, which not necessarily is connected with in-work poverty but nevertheless contribute to gender inequality.

**Table 12. Employed (16-64 years of age) men and women by average weekly work time 2005 – 2009**

	Men			Women		
	1-19 hours	20-34 hours	35+ hours	1-19 hours	20-34 hours	35+ hours
2005	3.5	7.9	88.4	6.4	29.6	63.9
2006	3.4	7.9	88.6	6.2	29.6	64.0
2007	3.3	7.9	88.6	6.4	29.3	64.1
2008	3.5	7.8	88.6	6.6	28.6	64.6
2009	3.7	8.3	87.9	6.6	28.3	64.9

Source: labour force survey

**Table 13. Employed (35-54 years of age) men and women by average weekly work time in 2009**

	Men	Women
1-19 hours	1.1	2.8
20-34 hours	5.5	28.1
35+ hours	93.3	69.0

Source: labour force survey

#### 4.2. Labour market segmentation

Work in the periphery is typically characterized by low skill levels, short-term contracts, part-time work and, consequently, low pay (Kalleberg 2003). A trend towards a more segmented labour market – which also implies the growth of what we can call peripheral jobs – ought to have consequences for in-work poverty, because a growing share of the workforce will have low wages and at the same time be exposed to unemployment, labour market insecurity and part-time jobs. Considering the fact that the development of the Swedish labour market has led to greater wage dispersion, higher unemployment and a larger share of temporary employment positions, we can expect a trend towards increasing in-work poverty.

However, we can also assume that the effect of labour market segmentation on in-work poverty is influenced by business cycle changes and changes in the demand for labour power. If we assume that the peripheral sector is characterized by numerical flexibility, then we can also assume that it is first and foremost these types of jobs that disappear when unemployment goes up. Increasing unemployment should therefore typically reduce the kind of jobs that are associated with in-work poverty, which in turn should lead to a decrease in in-work poverty (Peña-Casas and Latta 2004). Hence, when unemployment goes up, it is possible that the working poor will be transformed into non-working poor.

In-work poverty is closely related to gender in two ways. First, the division between a primary and a secondary labour market is related to gender inequality, such that men are more likely to be on the primary and women more likely to be on the secondary labour market (Ellingsaeter 1998, SOU 2004). Hence, women are more often found in low-wage occupations, and are more likely to work part time, and should therefore be more exposed to in-work poverty. However, this should primarily be a problem for women living in single-adult households. Households with more than one adult usually have more than one wage earner – especially in countries like Sweden which have a comparatively high female employment rate. This is one of the main reasons why the relationship between low wages and in-work poverty is so surprisingly weak (Bardone and Guio 2005; Peña-Casas and Latta 2004). It can also be argued that it has become more important for families to have dual earners in order to prevent in-work poverty, especially when the main provider is in the low-paid service sector (Gallie et al. 1998). Thus, the family situation is important for the in-work poverty risk, and we can expect that single-adult households and couples with only one wage earner will be most exposed to in-work poverty.

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