

The Working Poor in Urban Areas: Effective policy initiatives

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Abstract

In-work poverty is increasingly an issue in the urban context and recognized by policymakers as a vulnerable group that requires attention. However, linked to its broad definition, data on this group is complex. Policy initiatives are challenged by the overlapping, but separate needs of those in poverty and working poor as well as the diverse characteristics of households and individuals. As part of a larger project, this paper maps the Dutch working poor at national and city level. Preliminary findings show that this group agglomerates spatially and has distinct features that cannot be tackled by general poverty measures.

Keywords – Working poor; poverty; cities; The Netherlands; policy

1 In-work Poverty

Socioeconomic segregation is an increasing problem in European cities. This has to do with both economic development and government action (Tammaru et al. 2016). One segment of the population that is affected by this trend is the so-called ‘working poor’ (Hanzl-Weiß and Vidovic 2010). Current estimates show that in-work poverty affects 9.5% of the EU workforce (aged 18 and over) (EUKN 2014). This group includes those people employed in the labour market whose disposable income puts them at risk of poverty because they earn less than 60% of the national median (Hesselink 2010). In-work poverty is defined differently across studies; however both Eurostat and the OECD use the national household median as a reference point for defining this group. This is a rather arbitrary cut-off point (Horemans and Marx 2013), but poses a compromise between including all those looking for work during 27 weeks in a year, as done in the US, and a definition that only includes people with employment during all 12 months of the reference period (Halleröd and Larsson 2008). Recent research has further shifted from

household level measurements to individual levels with the goal of uncovering gender-based issues and highlighting potential generational trends of children growing up in low pay and working poor families also ending up in this group (Meulders and O’Dorchai 2013). Some of the characteristics associated with the working poor include employment features, such as self-employment, working part-time and employment instability. Personal characteristics point towards gender differences and education levels as relevant factors, whereas a household attribute is a single-parent home.

In-work poverty has however been largely overlooked by government. Among other things, this has to do with the limited data available on this group and measurements that are hard to compare, because its collection varies throughout cities and parameters remain vague. The working poor concept further syndicates two levels of analysis: the employment status and wage of individuals and the household context for defining the poverty-level (Hesselink 2010). In addition, most of the microsimulations presented in the literature are static, not taking into account the possibility of dynamic feedback effects. The heterogeneity of this group also makes it more difficult for policymakers to identify why citizens move into the category of working poor and which factors are relevant to reduce the risk of poverty for those with work. For these and other reasons, it is difficult to identify other factors potentially underlying in-work poverty, such as:

- Low (household) work-intensity
- Inadequate out-of-work benefits
- Inadequate earnings
- Inadequate earnings supplements
- Number of dependent people (children) relative to income. (Marx and Nolan 2014, 134-5)

In connection to this, identifying effective policy initiatives reducing in-work poverty levels is a complex task (McKnight et al. 2016). In order to successfully target the group of the working poor, policymakers need to know the

nature of the phenomenon. In Europe, lack of work is linked to poverty, which results in policy initiatives focusing on paid work. However, ‘because of the way in-work poverty is typically defined, we do not know whether the working poor are poor because they have too low hourly wages, experience recurrent unemployment spells, work too few hours or are experiencing a mix of all of these conditions’ (Halleröd et al. 2015, 474). In fact, Marx and Nolan (2014) find that in-work poverty is strongly associated with single-earnership and low work intensity at household level rather than low hourly pay. This shows that the working poor group is more heterogenous and harder to target for policy than assumed. In short, policy would ideally support higher incomes for low-earning households as well as promote employment by those able to work.

Programs along these lines exist, such as the EITC (Earned Income Tax Credit) program in the US and the UK’s ‘in-work benefit’ (IWB) or ‘employment-conditional earnings subsidy’ (Marx and Nolan 2014). These programs support low-income working families by reducing the income tax and giving them the opportunity to claim a refund. Current discussions also focus on providing more stability to the working poor by giving advanced payment options or offering parts of the credit throughout the year – something that is currently being piloted in the City of Chicago (Murray and Kneebone 2017). By moving away from a once a year, lump-sum payment, Chicago has the goal of giving families more financial stability and the opportunity to save for the future. Corak et al. (2005) conclude that those countries successfully targeting in-work poverty are those with universal child benefits and tax concessions.

1.1 The Urban Dimension

The urban dimension of this issue shows that the majority of the working poor live in cities (EUKN 2014). Some of the factors contributing to this trend include the disappearance of industrial sectors that largely provide employment for low-income workers. In addition, demographic changes alter the demographic profile of cities, which now harbour more single-parent, elderly and childless households (EUKN 2014). The greater volatility of employment in combination with less predictable domestic arrangements challenges local policymakers in their efforts to tackle poverty more generally and reduce in-work poverty in particular. Urban scholars further argue that even though racial and ethnic differences vary widely across cities, they reinforce fundamental class divide and affect in-work poverty (Wills and Linnecker 2014).

Wills and Linnecker (2014) further point towards structural processes in urban areas that drive uneven allocation of

resources. This draws attention to spatial processes that generate poverty and inequality as well as potential place-based policy initiatives focusing on community-based resources. The heterogeneity of the working poor group additionally requires an understanding of the context in which this group is situated. This can differ by geographic location and population segment (Corluy and Vendenbroucke 2014). Geographers have increasingly looked at area-based policy interventions (Lawless 2006; Lawless et al. 2010), which enables researchers to make a geographical argument about potential causes and solutions for poverty in general and working poor in particular (Wills and Linnecker 2014).

1.2 The Dutch Context

The Netherlands has relatively high levels of part-time workers compared to the OECD average, which is a group defined by low wage employment and at risk for in-work poverty. Mobility of low paid workers to move into higher paying employment is limited and further contributes to that risk (Pavlopoulos et al. 2012). Another characteristic of the Dutch context is the underutilization of existing worker skills as well as the growing risk of in-work poverty for single-earner households (Marx 2007; Knight et al. 2016). In The Netherlands, municipalities are responsible for the administration of Dutch social security, which enables those living on the social minimum to receive additional income supply (Hesselink 2010). There is further a complex system of income-supply regulations, such as subsidies, tax regulations and childcare provision. Continental European countries, including the Netherlands, are further characterized by ‘high spending on both investment-related and compensatory social policies (unemployment benefits and old age insurance)’ (Halleröd et al. 2015, 477). The Dutch case is particularly interesting, because there have been quite a few efforts in the last 15 years to create policies specifically targeting poverty and to create an infrastructure that is able to track successes and failures (Vrooman and Hoff 2004). A preferred instrument is the one-off social assistance, a benefit to cover additional expenses, as well as the ‘remission scheme’, which supports households with an income around or below the social assistance level by exempting them from local taxes (Vrooman and Hoff 2004). More generally speaking, the policy focus is on employment policy to tackle poverty.

In this context, the study aims to answer the question *how effective are existing urban policy initiatives targeting poverty for decreasing in-work poverty levels?* We thereby look at the Dutch context and the City of The Hague more specifically. We focus on three points that are highlighted in the literature and will be used for further study:

- *The distribution of the working poor population in the Netherlands:* This offers a spatial overview of agglomeration of working poor in largely urban areas and highlights potential country-wide differences.
- *The agglomeration of the working poor population within cities:* This builds on the argument made by Wills and Linneker (2014) to map the distribution of poverty in cities in order to potentially see an effect of location on poverty and to think about policy initiatives that are place-based, focusing specifically on community-based resources.

Similarities and differences among households: This aspect tries to tackle some of the criticism that policy initiatives are coming at in-work poverty from the wrong angle by making assumptions about its characteristics that might be inaccurate or only apply to a small portion of workers.

2 Data Sources and Characteristics

In order to assess the issues described, we use microdata collected by the Central Bureau of Statistics (CBS) of Netherlands. These datasets include all the people living in the Netherlands that are registered. We use a combination of different datasets, in particular:

- *Integral Household Income:* information about households, notably including their income (brutto, netto and standardized), and their composition (how many people live in the household, how many work, type of family).
- *Register of addresses* (GBAADRESOBJECTBUS): links people to the building where they live.
- *Register of buildings* (VSLGWBTAB): reveals the location of the buildings (city, district and neighborhood).
- *Personal information* (GBAPERSOONTAB): general information about individuals (age, parents, gender).

For the results presented in this paper, we focus only on the last year of data available, 2015.

3 Results

Based on the descriptive analysis, we draw three preliminary findings for the Netherlands:

- The working poor are mostly found in urban areas;
- There is a spatial dimension to the working poor distribution within cities, which is linked to Non-western minorities;
- Household characteristics differ among cities.

The first finding is based on the geographical distribution of the working poor across the whole of the Netherlands. The map

shows that the working poor population agglomerates in urban areas with high numbers particularly in Groningen.

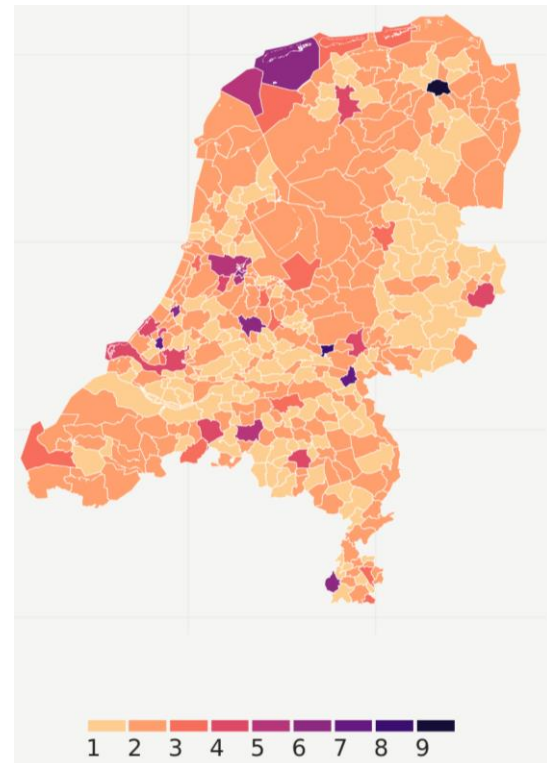


Figure 1. Working poor percentages across the Netherlands.

For the spatial dimension of in-work poverty, the map of The Hague (Figure 2) reveals that there is some linkage among those that fall into the working poor category and those that are of non-Western descent (Figure 3), which is defined as people where one parent was born in a non-Western country. This however requires a more detailed analysis of the micro data, because the overlap does not necessarily imply a causal relationship between Non-western background and being in the group of working poor.

Finally, the stacked bar-chart of Groningen and Almere (Figure 4) shows that the household characteristics of those in the working poor category differ per city. This is important, because it implies that policies developed require a place-based dimension of the city in question. It also gives the opportunity to develop targeted measures for, for example, single households or those with children under 18.

To summarize, the preliminary analysis of the Dutch data draws attention to both the spatial distribution of the working poor and the type of household affected. These two aspects will guide future work linked to the micro data available for the City of The Hague. This will include individual-level data, such as education, health and criminal data as well as community-based support, such as participatory initiatives.

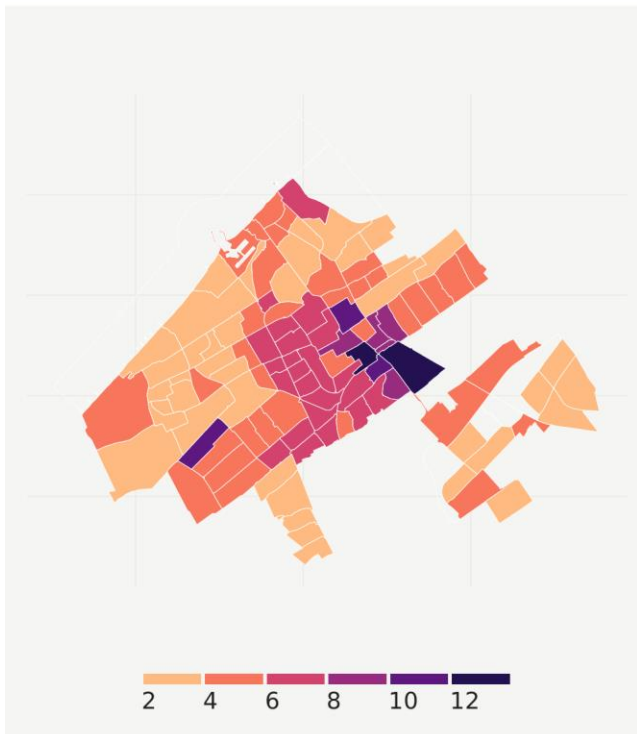


Figure 2. Working poor percentages in The Hague.

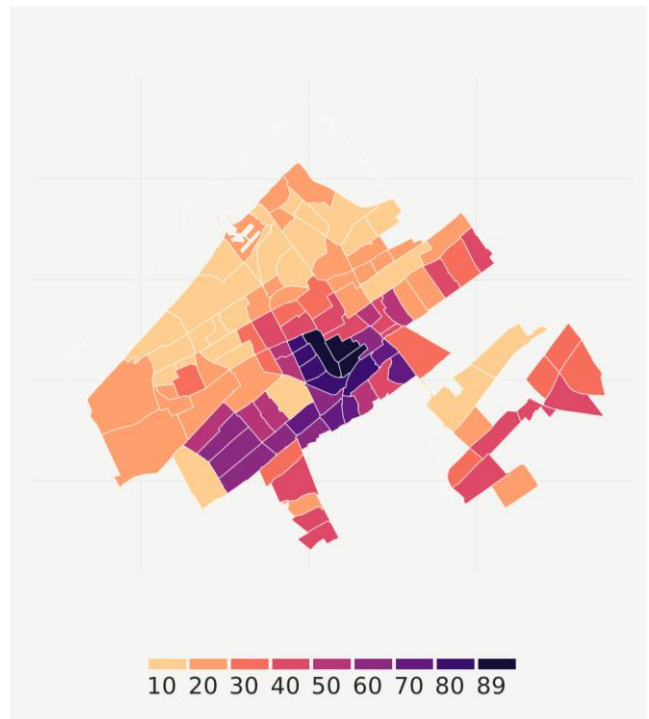


Figure 3. Population of Non-western origin in The Hague.

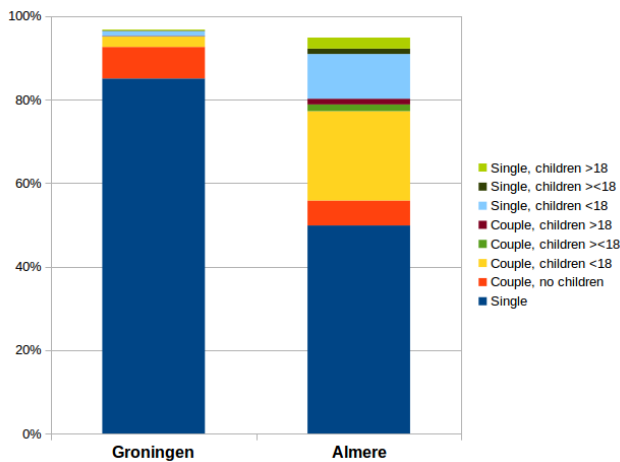


Figure 4. Working poor household composition in Groningen and Almere.

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