Statistics in focus

POPULATION AND SOCIAL CONDITIONS

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POPULATION AND LIVING CONDITIONS

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Low–wage employees in EU countries

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Carried out jointly by Eurostat and the "DARES" Directorate of the French Ministry for Employment and Solidarity, this study analyses the concept of *low wage* in the European Union (EU) on the basis of statistics from the 1996 wave of the European Community Household Panel (ECHP). The results cover the thirteen countries for which the required data are currently available, i.e. all the EU Member States except Finland and Sweden.

This study deals only with employees working at least 15 hours a week. For each of the countries, the low-wage threshold has been set at 60% of the national median monthly wage. In the thirteen countries studied, 15% of employees, or some 16.5 million people, are in the low-wage bracket. This proportion varies considerably from country to country - from 6-7% in Denmark and Portugal to 21% in the United Kingdom.

The greater the earnings gap, the greater the proportion of low wages tends to be. Since we are dealing with monthly earnings, two factors are mechanically involved in this disparity: working hours and the "remuneration rate" (defined here as an "adjusted" monthly wage, i.e. divided by the number of hours worked per week).

With regard to the first factor, the Netherlands and the United Kingdom have a much higher proportion of employees working less than 30 hours per week (referred to in the rest of this study as "part-time") than the "southern" countries. As for the second factor, Greece has the highest proportion of "low- remuneration rates" (national thresholds fixed at 60% of national median remuneration), while Belgium and Denmark have the lowest.

As might be expected, what mostly typifies jobs with low (monthly) wages is a shorter than average working week. By type of activity, these jobs are more common in the services sector and in less skilled areas. Public-sector employees are less affected than those in the private sector. The risk of low wage is greater for employees who have fixed-term contracts.

If we consider the profile of those in low-wage jobs, the first thing that strikes us is the large proportion of women: they account for 77% of low-wage employees, which is almost double the percentage of women in the total number of employees in the EU. This should of course be seen in the context of part-time work, even if it does not explain everything. There is also a higher risk of low wage among young people and people with low educational level. Lastly, a low-wage work is a stage people have often to go through when entering or re-entering employment.

If, in order to neutralise the effect of working hours, we conduct the same analyses on low "remuneration rates" rather than on low monthly wages, these differences are reduced to a greater or lesser extent depending on the categories in question. Nevertheless, low wages and low-remuneration rates are generally concentrated in the same categories.

In almost one in two cases, low wages received by one member of a household are "compensated for" by higher wages received by one or more other members of the household. If we take account of all resources and not only wages, we see that, on average in the EU, 20% of low-wage employees - over twice the figure for employees as a whole - are "poor".

1. Proportion and composition of low wage

15% of employees in the EU[1] are "low-wage employees", i.e. their monthly wage is less than 60% of their country's median wage (*Table 1*). The choice of a national definition of the low-wage threshold is justified by the diversity of the conditions underlying employment markets in the EU countries. This diversity is observed mainly at institutional level (whether or not there is a minimum wage, how wages are negotiated, instruments and orientation of employment policies, etc.) and at structural level (employment behaviour of certain population groups, frequency of part-time employment, structures of economic activity and qualifications, etc.).

Table 1

Proportion of low wages, part-time work, low-remuneration rates and D5/D1 ratio in the EU

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Low wages (%)	9	7	17	17	13	13	18	10	16	16	16	6	21	15
Part-time work (%)	11	9	12	5	6	9	11	8	9	18	11	3	17	11
Low-remuneration rates (%)	4	4	11	16	12	9	13	10	14	6	8	6	9	9
D5/D1 ratio	1.6	1.5	2.4	2.6	1.9	2.0	2.2	1.8	2.0	2.0	2.1	1.5	2.5	2.2

Coverage: Paid employees (working at least 15 hours per week).

Note 1: The ***Methods and concepts*** *used in the tables and figures are defined on pages 10-11.*

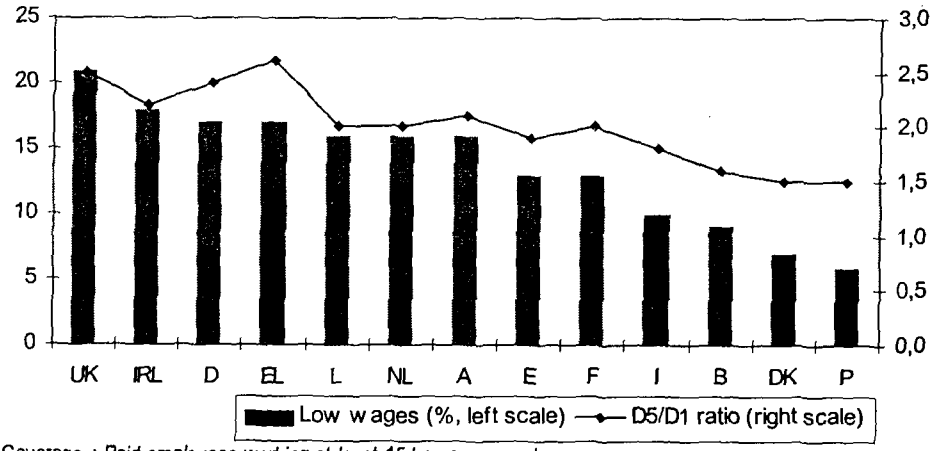
Note 2: The proportions of paid employees working "part-time" (15-29 hours/week) were calculated ***from ECHP data****. For reasons of definition and survey coverage, these figures may differ slightly from those in the Labour Force Survey, which is the official EU source for this type of data.*

Summary: 15% of paid employees in the EU (working at least 15 hours per week) have low wages, 11% work part-time and 9% have a low-remuneration rate. The D5/D1 ratio, which is the ratio of the median wage to the threshold of the first wage decile, is 2.2 for the EU; this value gives an idea of the extent of wage inequalities at the lower end of the wage distribution.

In some countries, the proportion of low-wage employees is well above the European average (Germany, Greece, Ireland and the United Kingdom), while in others it is well below it (Denmark and Portugal). This proportion reflects fairly broadly the size of the wage disparities at the lower end of the wage distribution. If we relate this proportion to the ratio D5/D1 (the ratio of the median wage to the threshold of the first wage decile), we see that it is generally the countries where these disparities are the most marked which have the highest proportion of low wages *(Figure 1)*.

Figure 1

Proportion of low wages and wage disparity



Coverage : Paid employees working at least 15 hours per week.

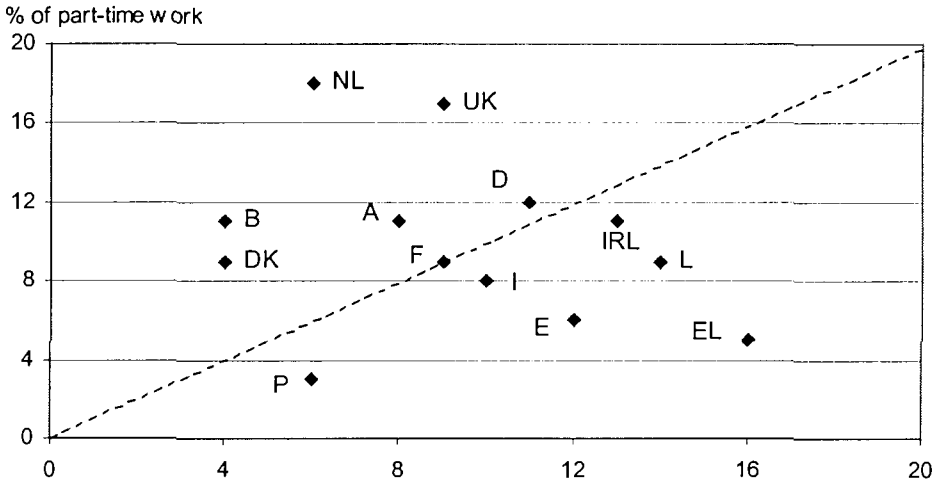
[1]As a reminder, all the results given here are for "EU-13", i.e. all the EU Member States except Finland and Sweden. The study covers employees who, on the survey date, usually work at least 15 hours per week. For definitions of all the "Methods and concepts" used in this study, see pages 10-11.

Readers interested in the type of approach adopted in this study can also refer to "Salariés à bas salaire et travailleurs pauvres: une comparaison France - Etats-Unis", Premières Synthèses n° 02.1, DARES-IRES, January 2000.

Since we are dealing with monthly wages, these disparities may be due to the number of working hours and/or the "remuneration rate", which "standardises" wages by relating them to the number of hours worked per week. As regards the first factor, it can be seen that 11% of employees in the EU work part-time - again with considerable disparities between countries: the proportion is roughly 5% in Greece, Spain and Portugal, while in the Netherlands and the United Kingdom it is 18%. As for the second factor, the proportion of low-remuneration rate for the EU as a whole is 9%, ranging from 4% in Belgium and Denmark to 16% in Greece (*Figure 2*).

Figure 2

Proportion of part-time and low-remuneration rate jobs



Coverage: Paid employees working at least 15 hours per week.

While remuneration rates are linked mainly to the skills associated with the job and the economic sector, part-time work, which mainly affects women, can to a greater or lesser extent be "voluntary" or "involuntary". Thus, at EU level, one fifth of women working part-time state that they do so from choice, while almost half of them state that it is because of family commitments in the broadest sense (domestic work, child-minding, looking after other members of the household, etc.). In 19% of cases, people work part-time because they cannot find full-time employment *(Table 2)*.

Table 2

Main reasons for part-time work by women in the EU (%)

B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Housework and family commitments (1)													
48	30	69	13	30	29	46	24	70	50	68	15	48	49
Not having found another job (2)													
20	16	10	55	38	44	23	22	10	11	12	30	11	18
Sub-total (1)+(2)													
68	46	79	68	68	73	69	46	80	61	80	45	58	67
Wishing to work part-time													
20	40	13	14	6	14	21	12	13	27	10	9	28	19
Other reasons													
11	14	9	18	26	13	9	42	7	12	10	46	14	14
Total													
100	100	100	100	100	100	100	100	100	100	100	100	100	100

Coverage: Paid employees (working at least 15 hours per week).

Note: "Other reasons" include in particular education and health reasons.

Summary: 49% of EU paid employees who work part-time do so for family reasons, 18% because they have not found a full-time job, 19% because they want to, and 14% for other reasons.

These Community averages conceal major differences between the countries. Thus in Germany, Luxembourg and Austria, part-time work for family reasons accounts for about 70% of cases. In contrast, the impossibility of finding full-time employment is the reason most frequently given in Greece, Spain and France (55%, 38% and 44% respectively). Lastly, it is in Denmark that part-time work appears to be largely a matter of choice.

By combining working hours and remuneration rate, it is possible to identify four groups of low-wage employees, depending on whether the low wage is linked solely to part-time employment, solely to a low-remuneration rate, to a combination of these two factors or, lastly, to none of them.

At EU level, the proportions of these four groups are 43%, 37%, 11% and 8% respectively *(Table 3)*. These proportions vary considerably from country to country. Thus the "working hours" factor affects over 50% of low-wage employees in Belgium, the Netherlands and the United Kingdom (it is worth noting that the last two countries also have the highest proportion of part-time work among women - see Table 6 below). In contrast, it is the "remuneration rate" factor that affects more than 50% of low-wage employees in the "southern" countries and Luxembourg and which heavily predominates in Ireland. In Denmark, Germany, France and Austria, the effects of these two factors are very evenly balanced. Lastly, it is Denmark, Ireland and Luxembourg that have the highest proportions of low-wage employees combining part-time work and low-remuneration rate.

Table 3

Categories of low wages in the EU (%)

B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Part-time work only													
63	41	41	12	32	39	30	28	26	65	44	24	55	43
Low-remuneration rate only													
24	38	42	73	54	39	44	57	53	17	40	52	21	37
Part-time work and low-remuneration rate													
7	18	12	9	7	13	19	10	17	13	9	10	12	11
Neither of the two													
6	4	6	7	7	9	8	4	3	6	7	15	12	8
Total													
100	100	100	100	100	100	100	100	100	100	100	100	100	100

Coverage: Low-wage employees working at least 15 hours per week.

Note: The category "Neither of the two" applies to employees who work exactly or just over 30 hours and/or whose remuneration rate is equal to or slightly above the low-remuneration rate threshold.

Summary: For the EU as a whole, 43% of low-wage jobs are part-time but not low-remuneration rate jobs, 37% are low-remuneration rate jobs but not part-time, 11% combine low-remuneration rate and part-time work, and 8% do not correspond to either of these characteristics.

2. Characteristics of low-wage jobs and low-wage employees

Viewed in relation to categories of jobs and individuals, the composition of low wage seems to be fairly variable in the EU countries (*Tables 4 and 5*). Furthermore, the direct comparison of the shares of one or other category in several countries is soon limited by the influence of structural effects[2]. This problem can be overcome by an analysis based on "concentration indicators". Directly comparable between countries, the concentration indicator can be used to single out groups and categories according to the relative intensity of the risk of low wage. An indicator higher than one shows that the risk of low wage is greater than average for the category in question, and an indicator lower than one shows a smaller risk.

In all the countries considered, the prime characteristic of jobs with low (monthly) wages is, as might be expected, that they are highly concentrated in part-time jobs: from about four times the national average (United Kingdom) to almost ten times (Portugal) (*Table 4*). But the risk of low wage is also unevenly distributed depending on the length of the employment contract (contract of indefinite duration or not), the status (private or public) of the employer, the skills associated with the job, and the economic sector.

[2] *The high proportion of one category in the low-wage bracket may simply reflect the high proportion of this category in the total number of paid jobs and thus may not specifically relate to low-wage employment.*

Table 4

Characteristics of low-wage jobs in the EU

		B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Total (%)		9	7	17	17	13	13	18	10	16	16	16	6	21	15
Composition (%)															
Concentration															
Working time	Full-time	30	41	48	30	61	48	52	62	57	23	47	67	33	45
		0.3	0.5	0.5	0.8	0.7	0.5	0.6	0.7	0.6	0.3	0.5	0.7	0.4	0.5
	Part-time	70	59	52	20	39	52	48	38	43	77	53	33	67	55
		6.1	6.4	4.3	4.2	6.1	5.7	4.2	4.6	4.6	4.3	4.8	9.5	3.8	4.8
Length of contract	Indefinite	75	51	79	44	24	67	53	59	76	75	83	59	72	68
		0.9	0.6	0.9	0.6	0.4	0.7	0.7	0.7	0.8	0.8	0.9	0.7	0.8	0.8
	Fixed	25	49	21	56	76	33	47	41	24	25	17	41	28	32
		2.0	3.4	1.7	2.5	2.1	3.1	2.4	3.3	3.7	2.5	1.6	2.2	2.3	2.2
Type of employer	Private	72	62	73	85	90	72	92	87	84	74	76	97	78	77
		1.1	1.0	1.0	1.3	1.2	1.1	1.3	1.2	1.2	1.0	1.0	1.2	1.0	1.1
	Public	28	38	27	15	10	28	8	13	16	26	24	3	22	33
		0.8	0.9	0.8	0.3	0.3	0.8	0.2	0.3	0.4	0.8	0.8	0.1	0.7	0.7
Employment categories	ISCO 4-5	40	45	40	27	29	45	52	31	37	49	46	33	58	44
		1.4	1.7	1.8	0.9	1.1	1.6	1.7	1.0	1.3	2.1	1.4	1.3	1.7	1.6
	ISCO 8-9	26	30	15	21	42	27	26	24	44	15	25	22	22	22
		1.5	1.7	1.2	1.2	1.8	1.4	1.2	1.3	2.2	1.3	1.4	1.0	1.3	1.3
	Other	34	24	45	52	29	25	22	45	19	36	29	44	20	34
		0.6	0.4	0.7	1.0	0.6	0.5	0.5	0.9	0.4	0.6	0.6	0.8	0.4	0.6
Economic sector	Agriculture	1	6	1	5	9	2	4	10	1	2	2	11	2	3
		0.7	2.8	1.2	3.5	2.3	1.9	1.8	2.5	0.8	1.4	1.3	3.0	1.2	1.8
	Industry	22	16	27	31	30	16	22	27	13	12	14	33	12	20
		0.7	0.6	0.7	0.9	0.6	0.5	0.7	0.7	0.5	0.5	0.6	0.7	0.4	0.6
	Services	77	79	72	64	70	82	74	63	86	86	84	56	86	77
		1.1	1.1	1.2	0.8	1.1	1.1	1.1	0.8	1.1	1.2	1.1	1.0	1.1	1.2

Coverage: Low-wage employees (working at least 15 hous per week).

Note: Employment categories ISCO 4-5 and ISCO 8-9 cover respectively "low-skilled non-manual" and "low-skilled manual" jobs.

Summary: For the EU as a whole, 15% of jobs are low-wage jobs, of which 45% are full-time and 55% part-time. The proportion of low wages in each of these two categories is, respectively, 0.5 and 4.8 times the average proportion.

In general, low wages are relatively less common in fairly "stable" jobs (employees with a contract of indefinite duration, public-sector employees). The risk of low wage in the public sector seems particularly small in the "southern" countries and Ireland: the concentration indicators (0.2 or 0.3) show that, in these countries, public-sector employees are three to five times less affected by low wage than employees as a whole. The concentration of low wage in jobs of fixed duration is confirmed for all EU countries, with national indices ranging from 1.6-1.7 (Germany and Austria) to over 3 (Denmark, France, Italy and Luxembourg).

Furthermore, the highest concentrations of low-wage jobs are in less skilled jobs. There is, of course, a considerable structural effect - in particular in non-manual jobs, where part-time work is more common.

Lastly, by economic sector, the risk of low wage in the EU as a whole seems to be highly concentrated in agriculture, although this sector accounts for only a small proportion of paid employment in most of the countries except Spain, Italy and Portugal and, to a lesser extent, Denmark, Greece and Ireland. The highest concentration of low-wage jobs is in the services sector, again with a marked structural effect, since this sector often has high proportions of less skilled non-manual jobs.

With regard to the personal profiles of the employees who occupy these low-wage jobs, there seems to be a high proportion of women, young people, those with relatively low educational level and, in general, those who have recently entered or re-entered employment (*Table 5*).

Table 5

Individual characteristics of low-wage employees in the EU

		B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Total (%)		9	7	17	17	13	13	18	10	16	16	16	6	21	15
Composition (%)															
Concentration															
Sex	Men	21	36												
		0.4	0.7	0.3	0.8	0.5	0.4	0.5	0.6	0.4	0.3	0.2	0.4	0.4	0.4
	Women														
		1.9	1.4	2.0	1.4	1.9	1.7	1.7	1.6	2.0	2.2	2.0	1.8	1.7	1.8
Age group	16-24 yrs	13	39						25	16					
		2.2	4.8	1.7	2.5	2.9	2.7	2	2.9	2.2	3.0	1.2	1.9	2.0	2.2
	25-49 yrs														
		1.0	0.6	2.0	0.8	0.8	0.9	0.7	0.8	1.0	0.9	1.0	0.7	0.8	0.8
	50-64 yrs														
		0.5	0.7	0.9	0.9	0.9	0.9	0.7	0.8	0.6	1.0	0.8	1.3	1.1	1.0
Educational level	High	18	15												
		0.4	0.3	0.3	0.6	0.5	0.3	0.3	0.5	0.3	0.4	0.5	0.1	0.3	0.4
	Medium	37	43												
		1.1	1.0	1.0	1.0	1.0	1.0	0.9	0.8	0.6	1.1	0.9	0.5	1.0	1.0
	Low														
		1.6	1.8	1.5	1.3	1.3	1.5	1.4	1.3	1.6	1.5	1.9	1.2	1.5	1.4
Main situation previous year	Employed	86	81	86	69			62	75				77	74	
		0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.9	:	0.9	0.8	0.8	0.8
	Unemploy.														
		3.2	1.4	2.6	2.7	2.8	3.9	2.0	4.5	3.5	:	2.3	3.6	1.6	2.8
	Inactive														
		2.9	5.2	2.4	3.2	2.3	2.9	3.5	4.1	2.3	:	2.0	2.3	3.3	3.1

Coverage: Low-wage employees (working at least 15 hours per week).

Note: "Main situation in the previous year": see Methods and concepts on pages 10-11. This question is not included in the Dutch questionnaire.

Summary: For the EU as a whole, 15% of jobs are low-wage jobs, of which 23% are occupied by men and 77% by women. The proportion of low wages in these two categories is, respectively, 0.4 and 1.8 times the average proportion.

In the thirteen countries studied, there is a high concentration of low wage among women. It is particularly marked in the Netherlands, where the concentration index for women is 2.2 (compared with 0.3 for men). Furthermore, the Netherlands is the country with the largest proportion of women in part-time jobs, and here, too, there is a marked structural effect, namely the distribution by sex of part-time work *(Table 6)*. More generally, for the EU as a whole, women represent 77% of low-wage employees, almost double the proportion of women among EU employees as a whole (42%).

Table 6

Distribution of paid employees and proportion of part-time work by sex in the EU

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Distribution of paid employees														
Men	59	54	59	63	65	54	59	63	64	63	58	55	54	58
Women	41	46	41	37	35	46	41	37	36	37	42	45	46	42
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Men	2	3	1	2	2	3	3	3	1	3	1	1	3	2
Women	25	17	28	9	14	17	24	17	23	42	24	7	34	24
Both	11	9	12	5	6	9	11	8	9	18	11	3	17	11

Coverage: Low-wage employees (working at least 15 hours per week).

Note: The proportions of paid employees working "part-time" (15-29 hours/week) were calculated ***from ECHP data****. For reasons of definition and survey coverage, these figures may differ slightly from those in the Labour Force Survey, which is the official EU source for this type of data.*

Summary: For the EU as a whole, 58% of paid employees are men and 42% women. 2% of the men have part-time jobs; the figure for women is 24%.

A second characteristic, also common to all the countries analysed, is the concentration of low wage among the youngest employees. This is hardly surprising, since wages tend to increase with length of service and/or experience. With regard to this criterion, Austria stands out clearly from the other countries, since the age-related concentration indices vary within a very narrow range (0.8-1.2) *(Table 5)*, which shows that the age effect is less pronounced in Austria than in the other Member States.

On the whole, wages also tend to increase with the level of education, and in all the countries there is in fact a higher concentration of low wage among those with lower educational level.

Lastly, low-wage work seems everywhere to be a frequent stage in the process of entering or re-entering employment (entering the job market for the first time or returning to employment after a period of either unemployment or inactivity). On average for the EU[3], the "ex-unemployed"[4] are 2.8 times more likely to be in low-wage jobs than employees in general; the figure for "ex-inactive" employees is 3.1.

All these results therefore show that the risk of low wage tends everywhere to be concentrated on the same employment categories and the same groups of individuals, even if the proportion of low wage varies greatly from one EU country to another.

As stated above, part-time work often leads, of course, to significant structural effects. In order to neutralise the effect of working hours, the above analyses can be applied to the low "remuneration rate" rather than to low monthly wages. If we adopt this approach, we note that most of the differences already highlighted still exist but are reduced to a greater or lesser extent depending on the criteria considered (*Table 7*).

Table 7

Characteristics of low-remuneration rate jobs and employees in the EU

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Total (%)	4	4	11	16	12	9	13	10	14	6	8	6	9	9
Concentration														
By hours worked per week														
Full-time	1.0	0.8	0.9	0.9	1.0	0.9	0.9	1.0	0.9	0.8	0.9	0.9	0.9	0.9
Part-time	1.3	2.9	1.4	2.1	1.2	2.1	2.2	1.3	2.1	1.9	1.5	2.8	1.5	1.6
By length of employment contract														
Indefinite	0.9	0.5	0.8	0.7	0.4	0.7	0.7	0.6	0.9	0.6	0.9	0.8	0.8	0.7
Fixed	2.1	3.7	2.1	2.1	2.1	3.2	2.2	3.6	3.1	4.5	1.9	2.1	2.2	2.5
By type of employer														
Private	1.1	1.2	1.2	1.1	1.3	1.2	1.2	1.4	1.2	1.4	1.2	1.2	1.2	1.2
Public	0.6	0.7	0.4	0.7	0.3	0.5	0.3	0.1	0.3	0.3	0.2	0.1	0.7	0.4
By employment category														
ISCO 4-5	0.9	1.3	1.4	1.0	1.2	1.3	1.6	0.7	1.4	1.5	1.3	1.5	1.4	1.2
ISCO 8-9	1.4	1.4	1.5	1.2	1.5	1.4	1.2	1.4	1.8	2.1	1.0	0.8	1.5	1.4
Other	0.9	0.7	0.8	0.9	0.7	0.7	0.6	1.0	0.5	0.6	0.8	0.8	0.6	0.7
By economic sector														
Agriculture	2.6	5.1	2.2	3.7	3.4	2.4	3.4	3.3	1.8	3.6	2.3	3.2	2.7	3.2
Industry	0.9	0.8	0.8	1.0	0.7	0.7	0.8	0.8	0.7	0.9	0.7	0.7	0.8	0.9
Services	1.0	0.9	1.0	0.8	1.0	1.0	1.0	0.7	1.1	1.0	1.0	1.0	0.9	1.0
By sex														
Men	1.0	1.0	0.7	0.9	0.8	0.8	0.7	0.8	0.6	0.8	0.5	0.6	0.8	0.7
Women	1.0	0.9	1.5	1.2	1.5	1.3	1.4	1.3	1.7	1.4	1.7	1.5	1.2	1.3
By age group														
16-24 yrs	3.7	6.2	3.1	2.7	3.1	3.3	2.6	3.2	2.9	7.8	1.6	2.4	2.8	3.1
25-49 yrs	0.9	0.5	0.9	0.8	0.7	0.8	0.6	0.8	0.9	0.6	1.0	0.7	0.7	0.8
50-64 yrs	0.2	0.6	0.7	0.7	0.8	1.0	0.6	0.8	0.6	0.7	0.6	1.0	1.0	0.8
By educational level														
High	0.5	0.3	0.4	0.6	0.5	0.3	0.3	0.4	0.2	0.2	0.8	0.1	0.3	0.4
Medium	1.0	0.9	1.1	1.0	0.8	1.0	0.8	0.7	0.8	1.0	0.9	0.6	1.0	1.0
Low	1.3	2.1	1.3	1.3	1.4	1.5	1.4	1.4	1.5	2.0	1.0	1.2	1.5	1.4
By main situation in the previous year														
Employed	0.8	0.8	0.9	0.8	0.8	0.8	0.7	0.8	0.9	:	1.0	0.9	0.8	0.8
Unemployed	6.5	0.8	3.6	2.9	2.9	3.2	2.5	5.0	4.1	:	2.0	2.4	2.5	3.3
Inactive	2.8	6.2	2.7	3.3	2.2	3.2	3.8	3.7	2.4	:	1.8	1.7	3.4	3.0

Coverage: Low-remuneration rate employees (working at least 15 hours per week).

Note: "Employment category": see Table 4. "Main situation in the previous year": see Table 5.

Summary: See Tables 4 and 5.

[3] *Excluding the Netherlands, for which the information is not available.*

[4] *cf. "Methods and concepts", pages 10-11.*

Thus, to take as an example two dimensions for which the differences in concentration are very apparent among low monthly wages (men and women, full-time and part-time), the difference in concentration is less when we consider low-remuneration rate rather than low wage. With regard to the difference between men and women, this phenomenon is particularly marked in Denmark, where women seem to be very slightly less affected than men by low-remuneration rate (0.9 compared with 1.0), while they are affected much more by low monthly wages (1.4 compared with 0.7).

With regard to other dimensions, we see, for example, that the "advantage" offered by the public sector appears considerably more marked if we consider the remuneration rate instead of wages. In contrast, the "disadvantage" of fixed-term contracts tends to be more pronounced if regarded from the remuneration rate angle, particularly in Denmark, Germany, Italy, the Netherlands and Austria. These differences illustrate, of course, not only the interplay of numerous structural effects but also, because they do not affect all the EU countries equally, the diversity of the structural and institutional conditions which typify the labour markets in the EU countries.

3. Low wage and standard of living: some exploratory elements

For various reasons, an employee's standard of living is only partly determined by his/her wage. Indeed, in a given household, a low individual wage may be "compensated for" by a relatively higher wage received by another member of the household. Similarly, the household may receive income other than wages (income from self-employed work or other types of income such as social benefits, income from property, etc.). Lastly, the standard of living depends not only on the resources available but also on the size and economic (number of persons in employment, etc.) and demographic (number of children and other dependants, etc.) characteristics of the household.

All low-wage employees do not, therefore, live in "low-income" households[5]. Inversely, employees whose wages are above the low-wage threshold may - e.g. if they have a number of dependants - be in households with a low standard of living.

Various factors can change an individual's relative situation, when we move from the scale of wages to that of the standard of living. If there are two or more paid employees in the same household, one such factor is the wages received by any other member of the household. In order to assess the impact of this factor, an "average household wage" (defined as the sum of wages in relation to the number of employees) was calculated in order to evaluate the proportion of employees living in "low-wage" households, i.e. households with an average wage below the low-wage threshold (see "Methods and concepts", page11).

In all the EU countries, the proportion of employees living in low wage households is smaller than the proportion of low-wage employees *(Table 8)*. This illustrates the possibility of a "compensatory" effect of wages.

Table 8

Low wages and poverty in the EU (%)

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	UK	EU-13
Proportion of low-wage employees														
	9	7	17	17	13	13	18	10	16	16	16	6	21	15
Proportion of employees living in low-wage households														
All employees	4	3	9	14	9	9	10	8	12	7	8	3	12	9
Low-wage employees	44	49	45	73	57	57	50	66	56	45	41	42	48	51
Proportion of low wages among employees living in low-wage households	94	93	86	88	81	84	91	85	75	93	82	82	84	85
Proportion of employees with low equivalised income ("poor employees")														
All employees	6	4	10	9	9	7	6	10	8	7	6	5	7	8
Low-wage employees	18	13	24	27	19	21	14	25	18	15	16	18	15	20
Proportion of low wages among employees with low equivalised income	26	21	41	52	28	38	38	27	38	33	40	21	44	37
Proportion of people with low equivalised income (poverty rate)														
	17	11	16	21	18	16	18	19	12	12	13	22	19	17

Coverage: Paid mployees (working at least 15 hours per week), except "poverty rates", which are calculated for the population as a whole.

Summary: For the EU as a whole, 9% of paid employees live in low-wage households; this figure is 51% for low-wage employees. 85% of paid employees living in low-wage households are low-wage employees. 8% of paid employees are "poor" in that they have a low equivalised income; the figure is 20% for low-wage employees. 37% of poor employees are low-wage employees. Lastly, 17% of all EU citizens are poor.

[5] *cf. "Methods and concepts", pages 10-11. See also "Low income and low pay in a household context (EU-12)": Statistics in focus N° 1998/6, Theme 3 "Population and social conditions" (Office for Official Publications of the EC, Luxembourg, 1998).*

On average in the EU, 9% of all employees live in a household with a low average wage. This proportion is 51% for low-wage employees; it varies from about 40% (Austria and Portugal) to 65% and above (Greece and Italy). These disparities may reflect not only differences in the composition of households (e.g. the proportion of employees living alone or raising their children alone, for whom there is of course no possibility of "wage compensation") but also differences in employment behaviour (participation of women in the labour market, proportion of women working part-time, etc.).

To move on from this analysis, which takes account only of income from wages, to an approach based on the standard of living, the investigation must be based on total household income[6] and take account of the size and composition of the household. In order to do this, the "low-income threshold" or "poverty threshold" is first of all determined for each country. The proportion of employees whose equivalised income is below this threshold (see "Methods and concepts", page 11) is then calculated; this proportion gives the poverty rate among employees or the percentage of "poor employees".

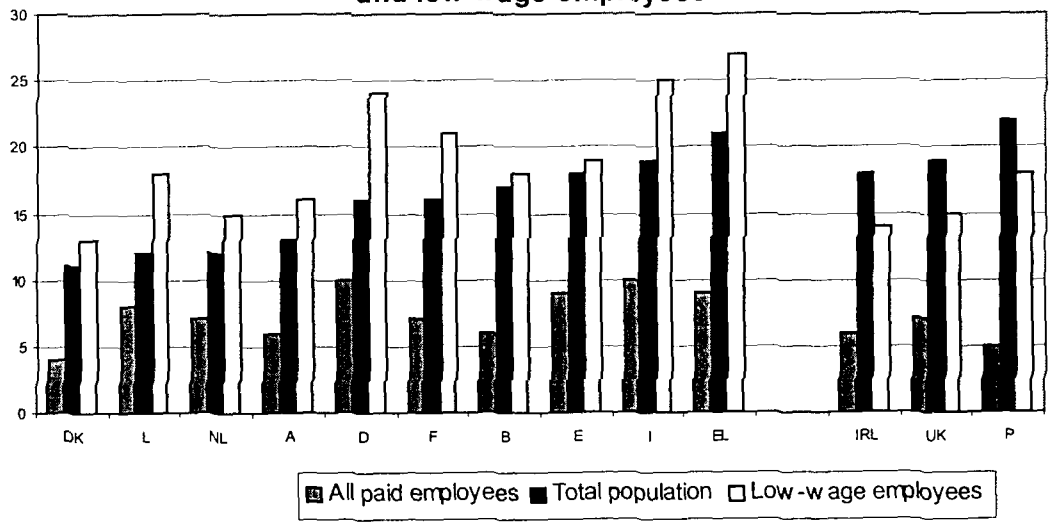
For the EU as a whole, the proportion of "poor" employees is about 8% (or approximately 9 million people). It is considerably higher in Germany, Greece, Spain and Italy, and lower in Denmark and Portugal (*Table 8*).

In all the countries analysed, the poverty rate among employees is – as might be expected - lower than the poverty rate among the population as a whole. Furthermore, it is not necessarily the countries with the highest poverty rates that have the highest proportions of poor employees. As an extreme example, Denmark has the lowest poverty rates both for the population as a whole and for employees, while Portugal, where the poverty rate of employees is also very low (only 1 percentage point more than Denmark), has the highest poverty rate among the population as a whole.

Lastly, in 37% of cases in the EU, low-income employees ("poor employees") are low-wage employees. The majority of low-income employees (63%) is therefore made up of employees who are not in the low-wage bracket. However, 20% of low-wage employees - more than twice the average (8%) - are poor. This over-representation of low income among low-wage employees can be seen in all the countries. In addition, with three exceptions (Ireland, the United Kingdom and Portugal), the poverty rate among low-wage employees is higher – in some cases considerably higher - than the poverty rate for the population as a whole *(Figure 3)*.

Figure 3

Poverty rate among paid employees, the population as a whole and low-wage employees



Coverage: *See Table 8.*

Note: *The Member States were first classified in two groups: a) the three countries for which the poverty rates for the population as a whole are higher than those for low-wage employees (Ireland, Portugal, United Kingdom), and b) the remaining ten countries. Within each of these groups, the countries were then classified in increasing order of the poverty rate for the population as a whole.*

[6] *Taking account of all income introduces the factor of social benefits, whose corrective effect on the initial income distribution is more or less pronounced depending on the country. This study does not deal with this aspect, but interested readers can refer to "Statistics in focus" 9/2000: "Social benefits and their redistributive effect in the EU": Theme 3 "Population and social conditions", Office for Official Publications of the EC, Luxembourg, 2000.*

➢ METHODS AND CONCEPTS

- **The European Community Household Panel (ECHP)** is a survey based on a standardised questionnaire that involves annual interviewing of a representative panel of households and individuals in each country, covering a wide range of topics: income including the various social benefits, health, education, housing, socio-demographic characteristics including employment, etc. The longitudinal structure of the ECHP makes it possible to follow up and interview the same households and individuals over several consecutive years. The first wave of the ECHP was conducted in 1994 in the then twelve EU Member States. The survey was based on a sample of some 60 500 households (about 170 000 individuals). Since then, Austria (in 1995) and Finland (in 1996) have joined the project. Sweden does not take part.
  Those interested in other ECHP findings may refer to the **first major ECHP publication**: "European Community Household Panel (ECHP): Selected indicators from the 1995 wave" (Office for Official Publications of the EC, Luxembourg, 1999), which covers income, housing and employment.

- The **results** set out in this study were calculated from the ECHP **"users' database"**, which contains longitudinal microdata on the households and persons interviewed, harmonised and interlinked as the various survey waves are completed. For more details of direct access to ECHP microdata, see: "EC Household Panel Newsletter 3/99" (Office for Official Publications of the EC, Luxembourg, 1999).
  The results presented in this study are **estimates** whose accuracy – all other things being equal – depends on the size of the sample and the percentage.
  They cover the **thirteen countries** for which the required data are **currently available**: all EU Member States except Finland and Sweden. The data for Austria are still provisional
  It is important to bear in mind that **German** figures do not differentiate between the Eastern länder and the rest of the country.

- The **coverage** of the analysis is limited to individuals aged between **16 and 64** who, in their main job on the survey date, have the status of **employee** in the strict sense (apprentices are not included in the analysis).
  For reasons of statistical robustness, only employees who usually work **at least 15 hours per week** were included. This probably means that the proportion of low wage is under-estimated.
  "Part-time work" is defined as usually working less than 30 hours per week and **"full-time work"** as usually working at least 30 hours per week.

- **Wages** are monthly wages excluding social security and tax contributions, except in the case of France, where the amounts are declared before deduction of income tax (but excluding social security contributions deducted at source).
  "Remuneration rate" means the "standardised" regular monthly wage, i.e. in relation to the number of hours worked per week.
  For each country, the **"low-wage"** threshold is fixed at 60% of the national median monthly wage and the **"low-remuneration rate"** threshold at 60% of the national median remuneration rate.

- The **D5/D1 ratio** is an index of inequality: the higher it is, the greater is the inequality at the lower end of the wage distribution. For each country, individuals are divided into ten groups of the same size according to their monthly wage: the 10% with the lowest wage (decile 1), the following 10% (decile 2), ..., the 10% with the highest wage (decile 10). D1 is the value of the upper limit of the first decile and D5 that of the fifth (D5 is therefore equal to the distribution median).

- The **concentration indicator** in a given category is the ratio of the proportion of low wage in the category to the overall proportion of low wage. An indicator of more than one thus means that the category has a higher than average proportion of low wage and is therefore over-represented in the low-wage bracket.

- The **average wage** of a household is the sum of the regular monthly wages received in the household in relation to the number of employees (who work at least 15 hours a week) in the household. The average wage of the household is **"low"** if it is below the low-wage threshold.

- **Total household income** is taken to be all the net monetary income received during the survey reference year (1995) by the household and its members at the time of the interview (1996). This includes income from work (employed and self-employed), private income (rents, income from capital and private transfers to the household), pensions and other social benefits directly received.
  For each country, "**low income**" means income below the threshold of 60% of the national median "**equivalised income**" calculated for the population as a whole. By calculating an "equivalised income" (or income per "adult equivalent"), we can take account of the differences in size and composition of households when income levels are compared. It is calculated on the basis of total household income by means of the modified OECD equivalence scale, which gives a weight of 1.0 to the first adult in the household, 0.5 to each other member aged 14 or over, and 0.3 to each child aged under 14. Those whose equivalised income is below the low-income threshold are classified as "poor".

- The ECHP questionnaire (excluding that used in the Netherlands) includes a **calendar of activities**. This records the socio-professional status declared by the respondent for each of the twelve months of the calendar year preceding the survey (in this case: 1995). For each respondent, the **main situation during the previous year** is calculated as follows:

  a) persons are first classified as (economically) active if they were active for at least six months of the year, and as inactive if that is not the case;

  b) "active" persons are then classified as "employed" if, during their period of activity, the number of months spent in work is higher than or equal to the number of months spent in unemployment; otherwise they are classified as "unemployed".

Further information:

➢ **Reference publications**

Title European Community Household Panel (ECHP): Selected indicators from the 1995 wave
Catalogue No CA-22-99-765-EN-C Price EUR 45

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