

# In-work poverty in the EU - A gendered Decomposition Analysis

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In times of acutely high unemployment rates across the world, it may not seem that in-work poverty should be a prominent issue. However, in the very near future, policies to boost employment rates will be set in place. Such policies have in the past often increased employment but at the expense of job quality, which led to a rise in in-work poverty rates across Europe in the last decades (Fraser, Gutiérrez, and Peña-Casas, 2011). Thus, the recovery after the Covid-crisis and associated employment policies could very likely lead to a new surge of in-work poverty. Furthermore, the Covid-crisis seems to have contributed to widen gender inequality not only through more negative effects on female employment, but also through the pandemic-enforced retreat into the household and associated increases in care work, which were mostly borne by women (Alon et al., 2020). It is therefore of great relevance to analyse the phenomenon of in-work poverty from a gender perspective to help prevent further increasing gender inequality after the Covid-crisis.

In-work poverty is generally defined as being in employment, but living in a household with an equalised disposable household income below the poverty line, which is mostly defined by 60% of median income (Gautié and Ponthieux, 2016). There has been extensive research on the explanatory factors and driving mechanisms of in-work poverty, where the labour market, household context, and social security have been found to be the most important areas to focus on.<sup>1</sup> However, there has been less interest to analyse in-work poverty specifically from a gender perspective, with some notable exceptions (Filandri and Struffolino, 2019; Knittler and Heuberger, 2018; Peña-Casas and Ghailani, 2011; Ponthieux, 2018; Siegert, 2020). The definition of in-work poverty via household income makes individual analysis especially difficult, where the household has often been criticised from a feminist perspective as a "black box", masking inequalities within (Mader and Schneebaum, 2013). Related to this issue, the "Gender Paradoxon" relates to the fact that women face several disadvantages in the labour market, but this is not reflected in the relatively low in-work poverty rates of women (Ponthieux, 2018) due to the household perspective. To gain a better understanding of women's reality most studies introduced another indicator, which approaches poverty measurement as if individuals were living alone, therefore ignoring the household-level altogether (Ponthieux, 2018). On the other hand, Knittler and Heuberger (2018) construct an indicator, which uses individual income as well, but adapts the poverty level to account for household factors. This approach can at the same time overcome the limits of the household as level of analysis and account for economies

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<sup>1</sup>see Lohmann and Marx (2018) for a comprehensive overview of the research area.

of scale in the household. In my paper, I will make use of this indicator, which has seen unjustifiably little attention. When analysed in combination with the European official in-work poverty indicator, it has the potential to disentangle the individual and the household level and make inequalities and dependencies within the household visible (Knittler and Heuberger, 2018).

The paper will consist of two parts. First, a descriptive analysis of the prevalence of the two in-work poverty indicators (the European and the one following Knittler and Heuberger (2018)) by gender will be conducted. Thus, I can compare three groups of people: Those who are poor according to both indicators and those who are poor only due to one of the two indicators, respectively. This exercise enables me to shed light on dependencies within the household and the individual context of in-work poverty by gender. The second part makes use of widely used decomposition methods to identify the different mechanisms leading to in-work poverty for men and women. Two types of decomposition analysis will be applied. First, linear probability models (LPM) are estimated for each of the indicators using standard independent variables (e.g. demographic information, occupational information, household information) and then decomposed by gender using the Blinder-Oaxaca decomposition (Jann, 2008). Second, to account for the statistical limitations of the LPM for binary dependent variables, logit regressions will be estimated and decomposed via an adjusted decomposition method for non-linear models proposed by Fairlie (2005). Finally, to account for the vast institutional variety in Europe, the analysis will take a cross-country comparative approach, especially including the Eastern European countries, which have mostly been left out (Goerne, 2011).

To sum up, I make use of a relatively unknown indicator for in-work poverty (Knittler and Heuberger, 2018) to open the "black box" of the household, as well as decomposing gender differences to shed light on potential driving mechanisms. The broad cross-country European perspective makes it possible to account for the institutional context. The paper can thus contribute to a better understanding of the different worlds of in-work poverty by gender, which is indispensable to ensure that a process of employment expansion after the Covid-crisis does not amplify gender inequality.

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