

**Low-Wage Work (in Denmark, France, Germany, the United Kingdom and the Netherlands) - Case Studies of Job Quality in Advanced Economies**  
Series of 5 books, 2008, Russell Sage Foundation, New York.

Soon one in four of those working in the most developed economies of the western hemisphere may be low paid and find themselves at increased risk of poverty. EU-countries, especially Germany and the UK – the Netherlands in their wake –, seem to follow in the footsteps of the US.

Extensive new research on low-wage jobs was conducted in 5 EU countries and the US over the recent period. Based on 200 case studies in firms and hospitals and economic analysis of the labour market, it shows stable rates of low pay among employees in Denmark and France at around 10 percent, a UK rate recently stabilised close to 25 percent and rapidly growing rates in both Germany and the Netherlands, surpassing 20 percent already. The EU's leading economy Germany is even at risk of exceeding the notoriously high rate of the US, especially taking into account the (growing) number of German self-employed with low earnings. These low-wage jobs all show higher risks for part-timers, women, immigrants, youths and are concentrated in hotels, catering and retail industries. Moreover, with some exceptions, these jobs are found to be persistently of poor quality in all the 5 countries studied. Low-wage workers in the EU are significantly better off than in the US, however, thanks to their social embedding through social insurance, including health care.

The research was conducted for four years by national teams from the EU-countries at the request of and with the financial support of the US-based Russell Sage Foundation as part of its *Future of Work* Research Program. The Foundation published the findings in a series of 5 books, one for each country. They were officially presented at a conference and discussed during an expert workshop on *April 18* at the ARTIS Zalencentrum in Amsterdam. Nobel Laureate Robert M. Solow (Economics 1987) highlighted the importance of the studies.

Next to the attached summaries we will publish reviews of the books in CLR-News 3-2008.

Jan Cremers, AIAS/MEP, 2008-10-05.

## Summaries:

### ***Low-Wage Work in Denmark* - Niels Westergaard-Nielsen (editor), February 2008.**

The Danish economy offers a dose of American labour market flexibility inside a European welfare state. The Danish government allows employers a relatively high level of freedom to dismiss workers, but also provides generous unemployment insurance. Widespread union coverage and an active system of collective bargaining help regulate working conditions in the absence of strong government regulation. Denmark's rate of low-wage work (8.5%) is the lowest of the five countries under analysis. In *Low-Wage Work in Denmark*, a team of Danish researchers combines comprehensive national registry data with detailed case studies of five industries to explore why low-end jobs are so different in Denmark. Some jobs that are low paying in the United States, including hotel maids and meat processors, though still demanding, are much more highly compensated in Denmark. And Danes, unlike American workers, do not stay in low-wage jobs for long. Many go on to higher paying jobs, while a significant minority ends up relying temporarily on income support and benefits sustained by one of the highest tax rates in the world. *Low-Wage Work in Denmark* provides an insightful look at the particularities of the Danish labour market and the lessons it holds for both the United States and the rest of Europe.

### ***Low-Wage Work in France* - Ève Caroli, Jérôme Gautié (editors), February 2008.**

In France, low wages have historically inspired tremendous political controversy. The social and political issues at stake center on integrating the working class into society and maintaining the stability of the republican regime. A variety of federal policies -including high minimum wages and strong employee protection - serve to ensure that the low-wage workforce stays relatively small. *Low-Wage Work in France* examines both the benefits and drawbacks of this politically inspired system of worker protection. France's high minimum wage, which is indexed not only to inflation but also to the average increase in employee wages, plays a critical role in limiting the development of low-paid work. Social welfare benefits and a mandatory thirty-five hour workweek also make life easier for low-wage workers. Strong employee protection is a central characteristic of the French model, but high levels of protection for employees may also be one of the causes of a chronically high rate of unemployment. The threat of long-term unemployment may, in turn, contribute to a persistent sense of insecurity among French workers. The book provides a lucid analysis of how a highly regulated labour market shapes the experiences of workers - for better and for worse.

### ***Low-Wage Work in Germany* - Gerhard Bosch, Claudia Weinkopf (editors), March 2008.**

In recent years, the German government has intentionally expanded the low-wage work sector in an effort to reduce exceptionally high levels of unemployment. As a result, the share of the German workforce employed in low-paying jobs now rivals that of the United States. *Low Wage Work in Germany* examines both the federal policies and changing economic conditions that have driven this increase in low-wage work. The new "mini-job" reflects the federal government's attempt to make certain low-paying jobs attractive to both employers and employees. Employers pay a low flat rate for benefits, and employees, who work a limited number of hours per week, are exempted from social security and tax contributions. Other factors, including slow economic growth, a declining collective bargaining system, and the influx of foreign workers, also contribute to a growing incidence of low-wage work. Yet while both Germany and the U.S. have large shares of low-wage workers, German workers receive health insurance, four weeks of paid vacation, and generous old age support - benefits most low-wage workers in the U.S. can only dream of. The German experience offers an important opportunity to explore difficult trade-offs between unemployment and low-wage work.

***Low-Wage Work in the United Kingdom* - Caroline Lloyd, Geoff Mason, Ken Mayhew (eds), February 08.** The United Kingdom's labour market policies place it in a kind of institutional middle ground between the United States and continental Europe. The election of Tony Blair's Labour Party in 1997 set Britain on a reformist course that sought to move people off of government support and into work. *Low-Wage Work in the United Kingdom* reports that the current level of low-wage remains one of the highest in Europe. Nonetheless, the authors find that Blair's reforms - including the introduction of a national minimum wage relatively higher than that in the U.S. - have been instrumental in lowering the overall poverty rate. Many of the Blair era reforms resemble American policies, but are more effective and extensive in Britain. For example, the British version of the Earned Income Tax Credit (EITC) reaches many more workers than the U.S. EITC, which only provides subsidies to families with children. *Low-Wage Work in the United Kingdom* skilfully illuminates some of the key economic and political mechanisms involved in both highly effective social welfare reforms and the persistent problem of low-wage work.

***Low-Wage Work in the Netherlands* - Wiemer Salverda, Maarten van Klaveren, Marc van der Meer (editors), March 2008.**

The Dutch economy has often been heralded for accomplishing solid employment growth within a generous welfare system. In recent years, the Netherlands has seen a rise in low-wage work and has maintained one of the lowest unemployment rates in the European Union. *Low-Wage Work in the Netherlands* narrows in on the causes and consequences of this new development. The authors find that the increase in low-wage work can be partly attributed to a steep rise in the number of part-time jobs and non-standard work contracts - 46 percent of Dutch workers hold part-time jobs. The decline in full-time work has challenged historically powerful Dutch unions and has led to a slow but steady dismantling of many social insurance programs from 1979 onward. At the same time, there are hopeful lessons to be gleaned from the Dutch model: low-wage workers benefit from a well-developed system of income transfers, and many move on to higher paying jobs. *Low-Wage Work in the Netherlands* paints a nuanced picture of the Dutch economy by analysing institutions that both support and challenge its low-wage workforce.