

**The working poor, low wages and mobility out of poverty: A cross-country
perspective**

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Abstract

The discussion on how to bring the workless into the labour market is often based on the assumption that work protects against poverty. This paper explores the relationship between work and poverty on the basis of three general questions: How large is the group of the working poor? Are the working poor more likely to exit from poverty than the workless poor? To what extent do transitions into employment lift the workless poor out of poverty? For all of these questions different types of employment are regarded, low-wage employment being one of these. Empirical analyses are carried out in comparative perspective, regarding 13 countries of the European Union before Eastern enlargement. The analyses use data from the European Community Household Panel (ECHP) which covers the period from 1994 to 2001. At a rather tentative level the paper describes country differences induced by the level of unemployment and differences in the institutional framework. However, most analyses show that general patterns are rather similar in most countries. About a quarter to half of all poor are working. Although the working poor are more likely to exit from poverty, on average about 40 to 50 percent of the working poor stay poor each year. Exit rates are higher for workless poor who experienced an employment entry. But even entering a 'high'-wage job does not guarantee poverty exit. Further, as can be expected, exit rates for entrants into low-wage or self-employment are lower. Thus, there is a relevant share of unsuccessful transitions. Since the share of successful poverty exits is rather low for low-wage employees the fact is stressed that the quality of jobs plays a crucial role for the assumption that entry into employment will lower the extent of poverty.

1. Introduction

Consistently high unemployment rates and the high cost of social security systems have – at the latest from the mid 1990s onwards – resulted in reinforced discussions of how to bring the workless into the labour market. A number of measures have been discussed or already been introduced which aim at the strengthening of economic work incentives especially for lowly qualified workers. On the one hand, there are different types of wage-subsidies for low-wage employment or families with low earnings. On the other hand, there are claims for the tightening of eligibility criteria and the level and duration of unemployment or welfare benefits. The consequences of these changes are hard to assess since reforms are still going on or have been carried out only recently.

Hence the aim of this paper is not to evaluate the direct impact of these changes. Instead it will explore the assumption that work protects against poverty which is fundamental for strategies to fight poverty based on the integration of the workless into the labour market. Therefore, the paper explores the relationship between poverty and work on the basis of three general questions: How large is the group of the working poor? Are the working poor more likely to exit from poverty than the workless poor? To what extent do transitions into employment lift the workless poor out of poverty? The paper differentiates between low-wage and other workers. In general it is assumed that being employed does not protect all workers from being poor and that the poverty risk is particularly high for low-wage workers. Further it is assumed that labour market conditions and institutional settings influence the probability of successful poverty exits via employment. 13 countries of the European Union (before Eastern enlargement) are regarded. The observation period is 1994 to 2001. This approach allows for a comparison of the influence of labour market conditions and institutional settings. It is expected to

observe differences between countries and over time which might indicate the direction of possible consequences of the ongoing changes in European welfare states.

2. The working poor, low wages and mobility out of poverty

Low-wage workers and working poor are terms which are used synonymously in some parts of the literature. In the perspective of general poverty research – which is the perspective of this paper too – the terms have different meanings. The working poor are understood as people who are working but are living in a poor household. Workers who earn a low wage – irrespective their household income – are defined as low-wage workers. Thus working at a low wage does not equal being poor due to the fact that other sources of income could lift a household over the – however defined – poverty threshold. In this perspective low-wage work is only one but not always the main cause of being poor.

The view that the working poor are predominantly a problem in the US has been revised in recent years. A number of studies shows that there is a relevant share of working poor also in European countries (for an overview see Peña-Casas/Latta 2004). Nevertheless, in all countries the risk of being poor is lower for those in work. The risk is extremely low for households with two workers. The picture changes when regarding low-wage workers. Poverty rates of low-wage workers do not differ much from average poverty rates. Rates are often above average when a low-wage worker is the only earner in a household (see e.g. Marx/Verbist 1998, Strengmann-Kuhn 2003). These results challenge the assumption that transitions into employment will result in exits from poverty. Further results can be drawn from three broader areas of research: research on general poverty dynamics, on exits from welfare and on low-wage dynamics.

Results from the first research area show that the duration of poverty tends to be shorter for the working poor than for the workless poor (see Oxley et al. 2000). Further, it has been shown that entry into employment is the most frequent route out of poverty (see e.g. Bane/Ellwood 1986, Layte/Whelan 2003). In other words: it is rather probable that an exit out of poverty is caused by an entry into employment. However, this does not necessarily mean that almost every entry into employment is leading out of poverty. In this paper it is assumed that for a relevant number of the poor an exit from worklessness does not equal an exit from poverty and that this number is particularly high for low-wage workers.

While the general research on poverty dynamics mainly regards employment transitions which result in poverty exits it is known less about unsuccessful transitions (i.e. employment transitions which are not accompanied by exits from poverty). However, one indication which can be drawn from previous results is that many of the poor move only slightly above the poverty threshold and, thus, remain in a low-income situation (see e.g. Jenkins 2000). Additionally, research on multiple poverty spells shows that a relevant

share of people falls back in poverty again, especially in the first year after an exit from poverty (see Stevens 1999, Fouarge/Layte 2003).

More evidence on this question can be found in the literature on exits from welfare.¹ Regarding Germany Buhr (2002) finds that about 40% of all persons who were working and left social assistance were still poor measured by a relative income threshold. The topic has gained broader interest in the US in the context of the welfare reforms in the mid 1990s which were accompanied by the strengthening of work requirements for welfare recipients and a strict limitation of the duration of welfare payments (see e.g. Cancian et al. 1999, Cancian et al. 2002). These results – as the German results - show that leaving welfare for a relevant share of former beneficiaries does not always equal leaving poverty. Further there is evidence that welfare leavers, as people who are leaving poverty, often do not exit welfare on the long run. A relevant share remains poor or falls back in poverty again after a short time. However, empirical evidence on the long-term prospects of welfare leavers from other countries but the US is scarce.

It is questionable if the results can be transferred to European countries. Comparative research on earnings mobility of (full-time) low-paid workers indicates that the risk of being trapped in low-wage jobs is particularly high in the US (see OECD 1997, Keese et al. 1998). But also in European countries, e.g. France and UK, more than a third of low-wage workers are still under the low-wage threshold after five years. Further Cappellari (2002) reports rather low exit rates for Italian low-wage workers (but see also Gregory and Elias [1994] who regard low-wage work as strongly related to certain stages of the life-cycle). Besides the question whether or not there is low or high mobility out of low-wage work there are also low-wage workers who exit employment which are often not regarded under an earnings mobility perspective (but see Keese et al. 1998). Under a poverty perspective, this group is at high risk of falling back in poverty again, even when assuming that low-wage work might have lifted them out of poverty.

While one of the main questions of the paper – how large is the share of people who are not lifted out of poverty by a labour market entry - is rather difficult to answer from the results of previous research, there is more evidence on the determinants which increase or lower the probability of successful poverty exits. In broad terms all three areas of research discussed above – research on poverty dynamics, welfare exits and earnings mobility of low-wage workers – report rather similar determinants of poverty, welfare or low-wage work exit. Longer duration in a given state influences exit probabilities negatively (see e.g. Jenkins 2000, Stewart/Swaffield 1999). Low qualifications reduce exit probabilities while highly qualified workers are more likely to exit (see e.g. Keese et al. 1998, Stewart/Swaffield 1999, Fouarge/Layte 2003, Oxley et al. 2000). Age and gender are further determinants of exit, especially regarding exits from low-wage work. Women are much less likely to exit from low-wage work as well as older workers (see

¹ Of course research on welfare exits can be regarded as a type of research on poverty dynamics. However, (relative income) poverty thresholds used in poverty research are usually higher than the thresholds for welfare eligibility. Further, there are differences in the type of data used. While poverty research is mainly based on survey data research on welfare exits is usually based on administrative data which allows for a different perspective on spells in and out of poverty.

e.g. Gregory/Elias 1994, Keese et al. 1998). For poverty exits no significant effect of gender could be established (see e.g. Fouarge/Layte 2003).

3. Influences of labour market conditions and the institutional framework

Two conditions must be fulfilled to enable a workless person to leave poverty via an entry into employment. On the one hand he or she must find and accept a job. On the other hand the remuneration of the job must be high enough to lift the person's household over the poverty threshold. Labour market conditions and institutional settings are likely to influence both processes.

A straightforward assumption is that the availability of jobs is lower when unemployment is high and, thus, employment entry of the workless poor is less frequent. However, labour supply might also play a role. From a perspective of standard economic theory it is argued that a high degree of decommodification (due to high and longlasting income support payments) will result in low economic work incentives and keep the poor in inactivity or unemployment (see OECD 1996, Haveman 1997). Hence one would expect countries with rather high and enduring income replacement schemes to have rather low mobility of workless poor into the labour market.

The contrasting view stresses the influence of active labour market policy which might enable the workless to quick and (rather) qualified entry into the labour market (see e.g. McFate 1995). However, high spending on active labour market policy is often related to a high level of income replacement which makes it difficult to differentiate between negative economic work incentives and the effects of active labour market policy. Hence a number of previous studies does not regard the influence of single measures but differentiates between different types of welfare state regimes. Following a revised version of Esping-Andersen's (1990) typology of welfare regimes in most recent papers four regimes are regarded: 1. social-democratic (high degree of decommodification/high degree of active labour market policies), 2. liberal regime (low degree of decommodification/low degree of active labour market policy), 3. conservative (high degree of decommodification only for certain groups/medium to high degree of active labour market policy), 4. residual (incomplete coverage of social security system). While there is clear evidence of the influence of welfare state regimes on poverty rates of the inactive population (which is explained by the differences in the level of income support) the influences on the working poor or on poverty exits are less conclusive (see Peña-Casas/Latta 2004, Fouarge/Layte 2003). Nevertheless, it shall be assumed that social-democratic welfare state regimes promote poverty exits by high income support payments and active labour market policies while exit rates are expected to be lowest in residual welfare states.

Another factor which is regarded as having an influence on the probability of employment entry are labour market rigidities. Previous research has shown that strict employment protection legislation (EPL) lowers some forms of labour-market turnover. As could be

expected strictness expands the number of stable jobs and lowers the number of people at risk to become unemployed. However, there is also evidence that the risk of remaining unemployed for longer periods is positively correlated with strict employment protection legislation (OECD 1999). Therefore, strictness is expected to lower the chances of the workless poor to enter the labour market.

Regarding the second condition - remuneration high enough to lift a person's household over the poverty threshold – some of the already discussed factors are expected to have an influence too. It is likely that the negative effect of unemployment is confounded by lower wages in times of high unemployment (see Gramlich/Laren 1984). Further, research on labour market institutions has established an effect of bargaining systems on the share of low-wage workers as well on the shape of the income distribution (Lucifora 2000, Blau/Kahn 1996). Centralised bargaining systems appear to have an equalising effect on wage distributions. The probability of entry in a non-low-wage job should be higher in countries with centralised bargaining systems. While the effect of income replacement payments on the probability of employment entry is rather contested, it should be clearly linked to the probability of entry into jobs which lift households over the poverty threshold.

Taking all factors together it is assumed that mobility of the workless poor into the labour market will be highest when negative economic work incentives are low, spending on active labour market policy is high, labour market rigidities and unemployment rates are low. Further, the probability of entry into jobs which pay for a living is expected to be highest when unemployment is low, wage bargaining is centralised and income support payments are high. The enumeration of factors already makes clear that it will be difficult to find empirical evidence on the basis of a sample of 13 countries since it does not allow for sufficient degrees of freedom for all possible combinations of the various factors. Therefore, only some of these aspects will be regarded directly, others might be kept in mind while interpreting the results.

4. Data and indicators

Empirical analyses are carried out on the basis of the User Data Base (UDB) of the European Community Household Panel (ECHP). The ECHP includes data for all 15 EU countries before Eastern enlargement. Luxembourg and Sweden had to be dropped due to central variables missing.² The observation period in most countries comprises 8 years, starting from 1994, ending in 2001. The period is shorter in Austria (1995-2001) and Finland (1996-2001) since both countries joined the EU after the panel had already started. All analyses regard the population in working age (17-64 years). The dataset used includes 108,999 respondents in the first wave and 88,671 in the last. Sample sizes differ by country with Denmark having the smallest sample (4,899/3,000 respondents - wave 1/8) and Italy the largest (15,202/11,043 respondents). Given the fact of disproportional sampling and attrition weights have been used in descriptive analyses.

² Another central reason to drop Sweden is that the Swedish data included in the ECHP are pooled cross-sections and not panel data.

For longitudinal weighting the base weight of the wave in which a transition ends has been used.

Poverty is defined as relative income poverty. The ECHP provides two different income measures: current monthly net income and annual net income of the year prior to the year of the interview.³ Poverty measurement based on annual income is often regarded as superior to measurement based on monthly income because short-term changes which are not likely to result in changes in the standard of living of a household are flattened out by the longer period of measurement (for a discussion of the use of monthly and annual income data for the measurement of poverty dynamics see Jenkins 2000). Furthermore, non-regular income components like bonuses, tax refunds etc. are hardly observable on the basis of monthly measurement. There are – however – also some disadvantages of annual measurement. Household composition (which is used to calculate equivalised income, i.e. income measures weighted by household size and structure) is collected at the time of the interview and does not necessarily match the composition of the household the year before, i.e. the period on which income information is collected. Since demographic events like births of children or divorces are important predictors of poverty dynamics inaccuracies in the measurement of the household composition can present problems. Therefore, it seems necessary to combine annual income data with information on the household composition from the previous wave. Still, the annual income data might contain income components earned by household members which did not (yet or anymore) live in the given household at the time of the interview. Apart from these – perhaps negligible inaccuracies – a practical problem arises. By using current information from the previous wave the final wave cannot use since income information is missing which would shorten the observation period from 8 to 7 years.⁴

Further problems arise due to the fact that not only household composition but also most other indicators are collected at the time of the interview only. Although retrospective information on employment is collected (on the year prior to the year of the interview in form of an employment calendar), as well as annual information on income components like wages and salaries it is difficult to compute measures for low-wage employment based on this type of information. Retrospective data on employment does not contain information on working hours. Furthermore, the employment calendar indicates the main activity status only. Thus, people working half the month might be counted as being employed the full-month or part-time workers might be counted as not employed at all. Therefore, current monthly data which contains information on monthly wages and on working time has been used to measure low-wage employment. Since low-wage employment is measured on monthly basis it has been decided – apart from the other potential problems discussed above – to use monthly information on household incomes as well.

³ The ECHP contains only monthly gross income for France. Therefore, poverty rates for France based on monthly income are comparably high.

⁴ Since spells with an entry at the time of the first wave or before cannot be used due to left-censoring, the observation period for the analyses of poverty exits is shortened by another year.

Poverty is defined as relative income poverty using 60% of the median equivalised net household income (using the non-modified OECD equivalence-scale) as poverty threshold. Exits from poverty are regarded on a year-to-year basis. An exit is defined as being poor in a certain year (t) and being not poor the next year (t+1). Since current monthly income data is used it cannot be ruled out that in between two points of measurement income changes have taken place which would have resulted in exits out of and re-entries into poverty. Therefore, one could argue that poverty dynamics are underestimated. However, it is more likely that poverty dynamics are overestimated since current income measures do not flatten out small income changes which do not result in changes in the standard of living as could be expected by using annual income data. In fact, sensitivity analyses comparing the use of monthly and annual income data for the measurement of poverty dynamics have shown that monthly measurement result in higher poverty dynamics. However, extensive comparisons carried out by Böheim and Jenkins (2000) on the basis of similar panel data have shown that there are no substantive differences in the use of monthly or annual data.

In general, the measurement of poverty dynamics is likely to be subject of measurement error (see Breen/Moisio 2003). Income is already difficult to measure in comparison to other indicators and already small changes can be sufficient to classify a person as poor or not poor. Since the size of measurement error might differ between countries it is difficult to rank countries by the level of poverty exits. Therefore the discussion of the results focuses on group differences and not on the country differences in the level of poverty exits.⁵ Furthermore, in order to rule out that already minor changes in income (which are most likely to be induced by measurement error) are counted as poverty exit income changes smaller than 5% of median income are not counted as poverty exits.

The second set of central indicators for the empirical analyses consists of variables on employment and employment entry. As discussed above the success of poverty exits via employment entries will depend on the type of job started. Therefore the analyses differentiate between four different states of employment (based on current monthly information):

- inactivity or unemployment,
- low-wage employment, working at least 15 hours per week,
- 'high'-wage (i.e. non-low-wage) employment, working at least 15 hours per week,
- self-employment, working at least 15 hours per week.

Workers only marginally employed (working less than 15 hours per week) are counted as inactive or unemployed. Workers who earn less than 67 percent of the median gross hourly wage are defined as low-paid. Median wages have been computed from wages of

⁵ Different types of data collection and of measurement of poverty dynamics can result in broad differences also when only one country is regarded. E.g. van Leeuwen and Pannekoek (2002: 131) report poverty exit rates of 14 percent for the Netherlands while Fouarge and Layte (2003) report exit rates of 48 percent (after the first year of poverty, but exit rates are still at 23 percent after three years). The differences can partly be explained by the handling of left-censored spells but also by the type of data (tax files vs. survey data) and by the definition of poverty dynamics. Van Leeuwen and Pannekoek regard exits only as successful if a person lives out of poverty for at least one year after the exit took place.

all employed workers who work at least 15 hours per week. Earnings from self-employment have not been taken into account.

The information on employment status at t and $t+1$ has been used to construct employment patterns in longitudinal perspective. Eight different employment patterns are regarded:

- workless: not working at t and $t+1$,
- working (three patterns): low-wage employment, 'high'-wage employment or self-employment at t , still working (not differentiated by type of employment) at $t+1$,
- employment entry (three patterns): not working at t , low-wage employment, 'high'-wage employment or self-employment at $t+1$,
- employment exit: working at t , not working at $t+1$.

The longitudinal analyses regard only persons who live in households which already existed at the beginning of the observation period. Persons who moved to a newly founded household after a split of the former household have been excluded from the sample. Additionally to the ECHP data for some analyses macro indicators have been used from other sources which are documented and discussed along with the discussion of the results.

The empirical analyses are organised as follows. Section 5 provides a broad overview on poverty in the 13 countries. In addition results on the share of working and workless poor are presented before analysing the extent of employment entry of the workless poor. In all analyses low-wage workers are regarded separately from other workers. Section 6 analyses determinants of poverty exit. The analyses are guided by a number of questions: First, is there an already relevant share of people who are working but are – nevertheless - poor? Second, how is low-wage employment related to poverty? Third, to what extent are transitions into employment related to transitions out of poverty? Forth, what determines the success of employment-based exits from poverty? In general, the analyses are guided by the question if we can identify country patterns which can be interpreted as a result of differences in the institutional framework.

5. Working poor and workless poor

Before regarding the working poor and poverty exits a broad picture of poverty in general is given. Table 1 contains poverty rates for each country and unweighted averages for all countries (i.e. the sum of all poverty rates divided by the number of countries). Apart from column 1 in table 1 in all analyses only the working age population is regarded (17 to 64 years). Poverty is highest in Southern Europe. Poverty is also high in France which is partly an effect of the use of gross income for the calculation of poverty rates (since monthly net income was not available, see section 4). Lowest poverty rates can be found in Denmark and Austria.

In a large number of countries poverty rates of the working age population are lower compared to the total population. Thus, child poverty and/or poverty of the elderly tend(s) to be high in comparison to working age poverty (exceptions: Italy, Finland, Germany⁶). In most countries the risk of working age women of being poor is higher than for men (exceptions: Belgium, Portugal and Germany). High poverty rates are most likely in younger years.

Table 2 explores poverty risks by employment status. Not surprisingly in all countries poverty is highest for inactive or unemployed persons. As discussed above especially for this group one would expect differences by welfare regime. In fact poverty rates in this group tend to be highest in Southern and liberal welfare states. In most conservative welfare states poverty rates are below 20 percent. However, poverty rates of the inactive are not the lowest in social-democratic countries. Finland even belongs to the countries where poverty is highest for this group, a result which clearly contradicts the expectations.

Among the working poor low-wage workers have a clearly higher risk of being poor in comparison to 'high'-wage workers. However, there is rather strong country variation in the level of poverty rates of low-wage workers. In Italy more than a quarter of all low-wage workers are poor, in Denmark and Ireland less than 10 percent. There are different potential explanations why poverty risks of low-wage workers differ that strongly. First, due to the differences in the labour market participation of women in some countries low-wage workers are more likely to live together with other earners which should reduce the probability of being poor. Second, generous welfare-states provide a larger amount of non-means-tested benefits like general family support which might lift low-wage workers out of poverty. Third, in some countries like the UK there are specific support schemes for working poor which is meant to protect low-wage workers against poverty.

As expected the risk of being poor is lowest for 'high'-wage workers. In more than half of the countries poverty rates are below 5 percent. Higher rates can be observed in the Netherlands, France, Italy and Portugal but they are still well below country average. Quite different is the situation of self-employed workers. In most countries poverty rates of the self-employed are near or above average. However, some of these results might be explained by the fact that measurement of income from self-employment tends to underestimate real income levels. However, as Strengmann-Kuhn (2003) shows in a comparison of different poverty measures the notion of high poverty of the self-employed in Southern Europe is supported by deprivation measures while it seems likely that high income poverty rates in other countries are caused by an underestimation of income.

In sum the results of table 2 show that employment lowers the risk of poverty in all countries but that even 'high'-wage employment does not always protect against poverty. In some countries the risk of low-wage (and also self-employed) workers of being poor is almost as high as for the inactive or the unemployed.

⁶ In these countries child poverty rates are also higher than the average rate. However, since the elderly in these countries are relatively well-off poverty rates do not differ between the total and the working age population.

While up to now the common notion that work protects against poverty has been regarded table 3 gives information on a related question: how large is the share of the poor who are working? In fact in all countries except the Netherlands more than half of the poor are not working. However, it is not said that all of these poor are inactive. The group contains also the unemployed and persons working less than 15 hours weekly. Further, there is a certain share of people who is not able to work due to health problems, disability but also family obligations. But also without excluding these groups from the analyses a quarter to the half of all poor are working. Apart from two countries – Belgium and Germany – low-wage workers are the smallest group of the working poor. Apart from Greece – which has a large share of self-employed working poor – ‘high’-wage workers are the largest group. This is simply explained by the fact that although the risk of being poor is lowest for ‘high’-wage workers it is the largest group in the total population and therefore contributes rather large numbers of the working poor. Differences from this pattern can be observed in countries in which self-employment in general and/or low-income self-employment is rather frequent (as in Southern Europe, the latter may apply to the UK).

Regarding the attachment to the labour market in longitudinal perspective the main question is to what degree the workless poor stay inactive or unemployed. This question will be explored in the following before the consequences of employment entries in terms of poverty exit are regarded (section 6). Table 4 shows year-to-year changes in the labour market status of the workless poor based on pooled data from 1994 to 2001. In most countries between 10 and 20 percent of the workless poor enter the labour market each year. The entry rate is slightly lower in Belgium and above 20 percent in Finland. As discussed in section 3 labour market conditions and labour market rigidities might influence the general level of labour market turn-over which should also influence the level of labour market entries of the workless poor.

Figure 1 shows the bivariate relationship between the yearly unemployment rate and the yearly rate of entry into employment by the workless poor. Each observation is labelled with the country identifier and the year of observation. The figure supports the assumption of higher employment entry in times of low unemployment also for the workless poor. However, there is also rather high variation by country. Given the level of unemployment employment entry rates are high in Finland and Denmark. The rates are rather low in Belgium. Part of this variation might be explained by differences in labour market rigidities. A possible relationship with employment entry rates is regarded in figure 2. Since annual data on labour market rigidities is not available and probably would not be much of use (as institutional settings are expected to be rather stable over a period of 8 years) figures from the second half of the 1990s have been used together with the average employment entry rate of the workless poor during the period 1995 to 2001. Again the assumed relationship gains empirical support. Higher labour market rigidities tend to result in lower entry rates. However, in certain countries (e.g. Finland again) the high level of employment entry is not fully explained by the level of labour market rigidities. Therefore, it seems plausible that other factors not regarded in this

analysis contribute to the explanation of labour market entry of the workless poor. As discussed before the discussion on negative economic work incentives by high income support payments would suggest entry rates to be lower in generous welfare states. However, a comparison of the entry rates presented in table 4 by welfare regime does not yield evidence for such a relationship. As discussed before there might be also an effect of active labour market policy which is difficult to separate from other welfare state related factors at this level of analysis. Therefore, these results may be regarded as rather preliminary. More thorough analyses would be required which is beyond the scope of this paper.

6. Exits from poverty

While section 5 has explored the labour market attachment of the poor this section is going to regard the question to what degree employment and employment entry are related to the probability of leaving poverty. Table 5 shows that the probability of leaving poverty is in general rather high. In all countries 40 or more percent are not poor anymore after one year. The lowest exit rates can be observed in Portugal, the highest exit rates in Denmark. As discussed in section 4 there are reasons to assume that survey data, especially based on monthly measurement is likely to overestimate poverty dynamics. Therefore, in the following the absolute level of exits is not discussed but mainly differences by employment pattern and other factors. It should be kept in mind that all analyses regard employment patterns at the personal, not at household level. Thus, exits from poverty might be driven by changes in employment by other household members. The multivariate analyses carried out in the next step will control for the employment patterns of household members.

As can be seen from table 5 (column 2) the permanently workless poor are the least likely to exit poverty. About the same probability of poverty exit can be found for those poor who experienced an employment exit (column 9). The third to fifth column report results for persons with stable employment (working at t and $t+1$) while the sixth to eighth column regard persons who experienced an entry into employment. In both categories (working, employment entry) the self-employed have on average the lowest probability of exiting poverty. However, since there are country differences in the level of poverty exit it is difficult to establish similarities in the influence of employment on poverty exit from the figures in the table. In order to facilitate comparisons figure 3 contains an extract of the results presented in table 5 (results on self-employment and employment exits omitted). Here a rather clear pattern evolves. As seen before in all countries the permanently workless are the least likely to leave poverty. The working poor (working at t , still working at $t+1$) are more likely to experience an exit from poverty but in many countries the workless poor who entered employment had the highest probability of a successful transition out of poverty. In some countries 'high'-wage workers are clearly more likely to leave poverty than low-wage workers. However, although this pattern can be observed in most countries, in many countries the differences are rather small.

Although the rate of poverty exits is in general rather high still a relevant share of workers does not experience an exit from poverty. On average about 25 percent of all workless poor entering 'high'-wage employment stay poor. For low-wage employment entry this share amounts to about 40 percent. The share of the working poor who stay poor is even higher. There are only small differences between low-wage and 'high'-wage working poor. There are country differences for all of the groups regarded. In order to put a stress on general country differences figure 4 presents in its left panel poverty exit rates of the permanently workless (column 2 of table 5) and in its right panel poverty exit of the workless who were working at $t+1$ (mean of columns 6-8 of table 5). Leaving at first the potential influence of welfare state generosity aside, figure 4 shows the already established positive influence of employment entry on the probability of poverty exit. For each country exit rates in the right panel are higher than in the left panel. The effect of employment entry is rather similar in a large number of countries as it increases the probability of poverty exit by 25 to 35 percentage points. Comparing variation inside each of the two groups, country differences are less pronounced for the permanently workless. However, also regarding the latter group exit rates – apart from Austria, Belgium and the UK – do not differ by more than 20 percent between countries.

In order to analyse potential influences of welfare states on exit probabilities the figure contains information on welfare state generosity measured as public social expenditure as share of GDP (average figures for the observation period). This is of course a rather broad measure for potential welfare state effects. Nevertheless, it comes out rather clearly that welfare state generosity has a positive – although weak - effect on poverty exit for the group without employment entry only. For the workless who enter the labour market welfare state generosity does not seem to increase the probability of poverty exit. As discussed before the analyses provided here does only give some hints of potential influences of the institutional framework. However, as it could already be seen from this analysis the influence of welfare state provisions are likely to differ for the workless and the working poor.

As a last step in this paper the influence of employment patterns on poverty exit has been analysed in a multivariate framework, controlling not only for the labour market dynamics of household members but also for demographic events and some socio-demographic variables. Table 6 reports the results of a discrete-time event-history model for all countries on the probability of poverty exit. The risk set contains persons during their first observed non-left-censored poverty spell (subsequent poverty spells have been excluded). The main predictor variables are the employment patterns as already seen in the descriptive analyses. Reference group are the permanently workless poor. The analyses control for employment patterns of household members. Variables which count the number of household members with a given employment pattern are included. Country differences are controlled for by country dummy variables, i.e. differences in the level of poverty exits but a similar influence by the employment patterns is assumed. Although such a pattern seems rather adequate given the results from the descriptive analyses additionally the same model has been estimated for each country separately (see the discussion of these results below).

Changes in the composition of households constitute another important influence on the probability of poverty exit.⁷ Therefore the model controls for increases and decreases in household size. In addition, a variable controlling for child births has been included (child births have been excluded from the calculation of household size increases and decreases). The reference category consists of persons who live in a household which did not experience a demographic event. Since previous research has shown a negative influence of poverty duration on poverty exit a number of dummy variables has been included controlling for years in poverty. Sex, age and education have been included as additional control variables.

Regarding employment patterns the analysis confirms the descriptive results. Persons moving into a 'high'-wage job have the highest probability of exiting poverty. Also moving into low-wage employment has a positive but weaker effect. Also the working poor, those working at t and at $t+1$, are more likely to exit poverty than the workless poor. Again this effect is larger for 'high'-wage workers. Also self-employment contributes positively to the probability of exit from poverty. Similar patterns can be found for the employment patterns of additional household members. Since the variables used are not dummy variables comparing employment or employment entry against the workless the size of the effects at personal level and for household members are not directly comparable.

Demographic events also contribute significantly to the probability of poverty exit. Changes in household size influence poverty exit positively. Births have a negative influence. The other control variables mainly confirm previous results. The longer a person stays in poverty, the lower the probability of exit. Age shows a curvilinear pattern: medium age groups are least likely to exit poverty. Higher education promotes poverty exit. There are no significant differences between men and women. Significant country differences in the level of poverty exits could be established for France, Italy, Greece and Portugal but also for Finland.

As already remarked the model has been estimated for each country separately in order to explore further potential country differences. Figure 5 shows a plot of the coefficients of a person's employment patterns (see table A1 for complete results). As could be expected from the descriptive results only few country differences can be observed. On a first view the pattern already seen in the joint model is confirmed. Employment entry, especially 'high'-wage employment entry contributes positively to poverty exit. To a lesser extent this also holds true for stable employment patterns. However, also some outliers can be observed. Low-wage employment entry does not influence poverty exit positively in Denmark. The influence of low-wage employment entry is rather high in Portugal while it is low for 'high'-wage employment entry in France. In Austria being in 'high'-wage employment has only a rather weak influence on poverty exit. In a number of countries the influence of self-employment entry is small (Netherlands, Belgium,

⁷ As discussed above persons who moved into newly founded households have been excluded from the analysis.

Finland) or even negative (Austria). Furthermore, the influence of self-employment in many countries is not significant which is probably explained by the lower number of self-employment entries or by the fact that incomes in self-employment are distributed rather heterogeneously. Despite these differences (which are hard to explain by country-specific conditions at this level of analysis) the picture which evolved from the joint analysis receives support also from the analysis separated by country. Thus, apart from differences in the level of poverty exits no relevant country differences in the influence of employment patterns on poverty exits could be established.

7. Conclusion

The paper has explored the relationship between poverty and work on the basis of three general questions: How large is the group of the working poor? Are the working poor more likely to exit from poverty than the workless poor? To what extent do transitions into employment lift the workless poor out of poverty? For all of these questions different types of employment have been regarded, low-wage employment has been one of these.

The analyses concerning the first question have shown that about a quarter to half of all poor are working. In almost all countries 'high'-wage workers are the largest group among the working poor. However, not surprisingly poverty rates of 'high'-wage workers are rather low while the rates for low-wage and self-employed workers in many countries are above average. Therefore, one can conclude that work does not always protect against poverty.

Regarding the second question the results indicate that the working poor are in fact more likely to exit from poverty than the workless poor. Nevertheless, on average about 40 to 50 percent of the working poor stay poor each year. Exit rates are higher for workless poor who experienced an employment entry. But even entering a 'high'-wage job does not guarantee poverty exit. Regarding low-wage employment and self-employment in some countries more than half of the labour market entrants stay poor. Therefore, the third question can be answered as follows: As previous research has already shown entry into employment does promote poverty exit. However, there is a relevant share of unsuccessful transitions. Since the share of successful poverty exits is rather low for low-wage employees the fact is stressed that the quality of jobs plays a crucial role for the assumption that entry into employment will lower the extent of poverty.

Despite differences in the level of poverty the analyses have yielded rather similar patterns for the countries regarded. However, the analyses taking into account macro indicators have shown that the level of unemployment as well as the degree of labour market rigidities tends to influence the probability of employment entry of the workless poor. In contrast, a clear influence of welfare state characteristics could not be established for the working poor or for labour market entrants. Though, analyses on the influence of the country-specific institutional framework presented in this paper must be regarded as rather tentatively. Further research is required to answer the questions related.

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Table 1: Poverty rate by age groups and sex

	working age population (17-64 years)							
	total	sex			age (in years)			
		total	male	female	-29	30-39	40-49	50+
	%	%	%	%	%	%	%	
Denmark	11.1	8.1	6.9	9.2	14.4	10.5	3.7	3.9
Netherlands	15.1	14.0	13.4	14.6	18.2	11.5	16.8	10.0
Belgium	11.6	11.6	12.1	11.1	15.1	7.8	13.3	10.4
France	17.8	16.4	15.8	16.9	21.0	14.6	17.4	12.4
Ireland	16.5	15.1	14.6	15.6	14.3	18.8	14.7	12.8
Italy	18.8	18.6	17.9	19.2	23.6	19.1	17.6	14.5
Greece	19.3	15.7	15.0	16.4	15.6	15.0	13.2	18.1
Spain	17.8	15.8	14.9	16.7	15.1	14.4	18.1	16.3
Portugal	18.2	13.6	13.8	13.4	13.7	16.0	13.0	11.6
Austria	9.9	7.5	6.8	8.1	7.3	8.3	8.4	6.1
Finland	13.5	13.5	13.0	14.1	21.6	10.3	9.9	12.0
Germany	11.5	11.2	11.2	11.1	17.8	7.7	11.9	8.8
UK	16.3	12.0	10.9	13.0	13.8	15.0	10.7	9.2
Ø	15.2	13.3	12.8	13.8	16.3	13.0	13.0	11.2

Source: ECHP 2001 (weighted), own calculations, Ø: unweighted average

Table 2: Poverty rates by employment status (working age population)

	total	employment status			
		not working	low-wage employment	'high'-wage employment	self-employment
	%	%	%	%	%
Denmark	8.1	18.6	8.5	2.6	11.3
Netherlands	14.0	18.9	14.8	8.7	17.6
Belgium	11.6	17.9	11.1	5.4	6.3
France	16.4	24.4	19.0	6.8	21.1
Ireland	15.1	27.6	8.3	4.7	15.1
Italy	18.6	27.4	26.2	8.7	12.2
Greece	15.7	21.0	15.8	4.9	20.3
Spain	15.8	25.4	15.5	4.5	14.8
Portugal	13.6	22.2	14.8	6.4	16.5
Austria	7.5	11.8	10.2	3.1	15.3
Finland	13.5	28.0	20.5	4.1	14.6
Germany	11.2	17.7	13.7	4.1	10.2
UK	12.0	25.2	12.6	3.6	19.9
Ø	13.3	22.0	14.7	5.2	15.0

Source: ECHP 2001 (weighted), own calculations, Base: age 17-64 years, Ø: unweighted average

Table 3: Distribution of workless and working poor (working age population)

	not working %	low-wage employment %	'high'-wage employment %	self- employment %	total %
Denmark	66.3	6.0	20.2	7.5	100
Netherlands	47.1	11.8	34.8	6.2	100
Belgium	63.3	7.2	24.8	4.7	100
France	65.8	8.8	18.2	7.2	100
Ireland	73.3	4.7	13.4	8.5	100
Italy	68.5	5.3	17.0	9.2	100
Greece	56.9	6.1	9.4	27.6	100
Spain	70.6	7.8	10.5	11.0	100
Portugal	51.5	6.0	23.1	19.4	100
Austria	50.9	7.5	21.7	19.9	100
Finland	66.2	8.3	16.2	9.3	100
Germany	66.3	11.3	16.5	5.9	100
UK	61.1	11.9	14.5	12.5	100
Ø	62.1	7.9	18.5	11.5	100

Source: ECHP 2001 (weighted), own calculations, Base: age 17-64 years, Ø: unweighted average

Table 4: Employment entry of the workless poor (working age population)

	entry		distribution of employment status if entry=yes			
	no %	yes %	low-wage employment %	'high'-wage employment %	self- employment %	all entries %
Denmark	79.9	20.2	29.1	68.3	2.5	100
Netherlands	83.5	16.5	54.3	36.6	9.1	100
Belgium	90.7	9.3	28.6	63.9	7.6	100
France	86.7	13.3	50.9	42.9	6.2	100
Ireland	86.0	14.0	45.8	44.8	9.3	100
Italy	89.4	10.6	29.4	46.7	23.9	100
Greece	84.2	15.8	29.4	28.1	42.5	100
Spain	83.4	16.6	40.4	41.1	18.6	100
Portugal	79.6	20.4	27.4	47.1	25.5	100
Austria	81.8	18.2	24.7	56.5	18.8	100
Finland	77.8	22.2	31.1	61.8	7.1	100
Germany	82.6	17.4	42.4	43.9	13.7	100
UK	82.2	17.8	46.1	38.9	15.0	100
Ø	83.7	16.3	36.9	47.7	15.4	100

Source: ECHP 1994-2001 (weighted), own calculations, Base: age 17-64 years, Ø: unweighted average

Table 5: Poverty exit by employment pattern (working age population)

	total	employment pattern								
		workless		working			entry			exit
		not working	not working	low-wage empl.	high'-wage-empl.	self-empl.	not working	not working	not working	working
		at t:	at t+1:	working	working	working	low-wage empl.	high'-wage-empl.	self-empl.	not working
	%	%	%	%	%	%	%	%	%	
Denmark	68.0	53.2	81.6	83.1	72.7	42.4	80.6	46.9	65.7	
Netherlands	58.4	49.8	60.8	64.7	67.6	63.2	72.6	51.6	58.4	
Belgium	41.6	40.0	46.4	49.6	56.0	54.9	48.6	31.5	36.0	
France	44.1	38.3	51.3	55.1	48.1	50.3	60.4	59.6	42.5	
Ireland	51.6	40.8	55.6	75.6	63.7	70.7	82.0	62.5	50.1	
Italy	40.9	36.2	39.6	47.1	52.4	50.6	68.7	51.7	38.2	
Greece	46.4	42.3	45.8	59.2	44.1	71.4	78.2	50.4	38.0	
Spain	51.0	45.1	58.6	54.0	61.1	67.6	81.8	60.2	29.2	
Portugal	39.7	31.7	42.9	49.4	40.3	67.8	69.0	27.1	35.7	
Austria	60.3	53.0	86.3	60.7	58.9	66.2	98.2	65.3	59.8	
Finland	47.3	36.6	46.2	58.7	59.1	61.8	76.5	28.9	26.4	
Germany	56.3	44.7	57.5	75.9	43.7	76.3	73.6	63.0	62.4	
UK	58.4	43.9	63.2	72.3	61.1	77.2	88.4	56.7	43.2	
Ø	51.1	42.7	56.6	62.0	56.1	63.1	75.3	50.4	45.0	

Source: ECHP 1994-2001 (weighted), own calculations, Base: age 17-64 years, Ø: unweighted average

Table 6: Model on probability of exit from first observed poverty spell ¹

	log odds
country (ref.: Denmark):	
Netherlands	-0.128
Belgium	-0.181
France	-0.406 ***
Ireland	0.119
Italy	-0.311 ***
Greece	-0.356 ***
Spain	0.102
Portugal	-0.728 ***
Austria	0.118
Finland	-0.424 ***
Germany	-0.122
UK	-0.031
empl. pattern t --> t+1 (ref.: not working --> not working):	
low-wage empl. --> working	0.705 ***
'high'-wage empl. --> working	1.017 ***
self-empl. --> working	0.636 ***
not working --> low-wage empl.	1.115 ***
not working --> 'high'-wage empl.	1.696 ***
not working --> self-empl.	0.639 ***
working --> not working	0.146 *

Table 6 (cont.)

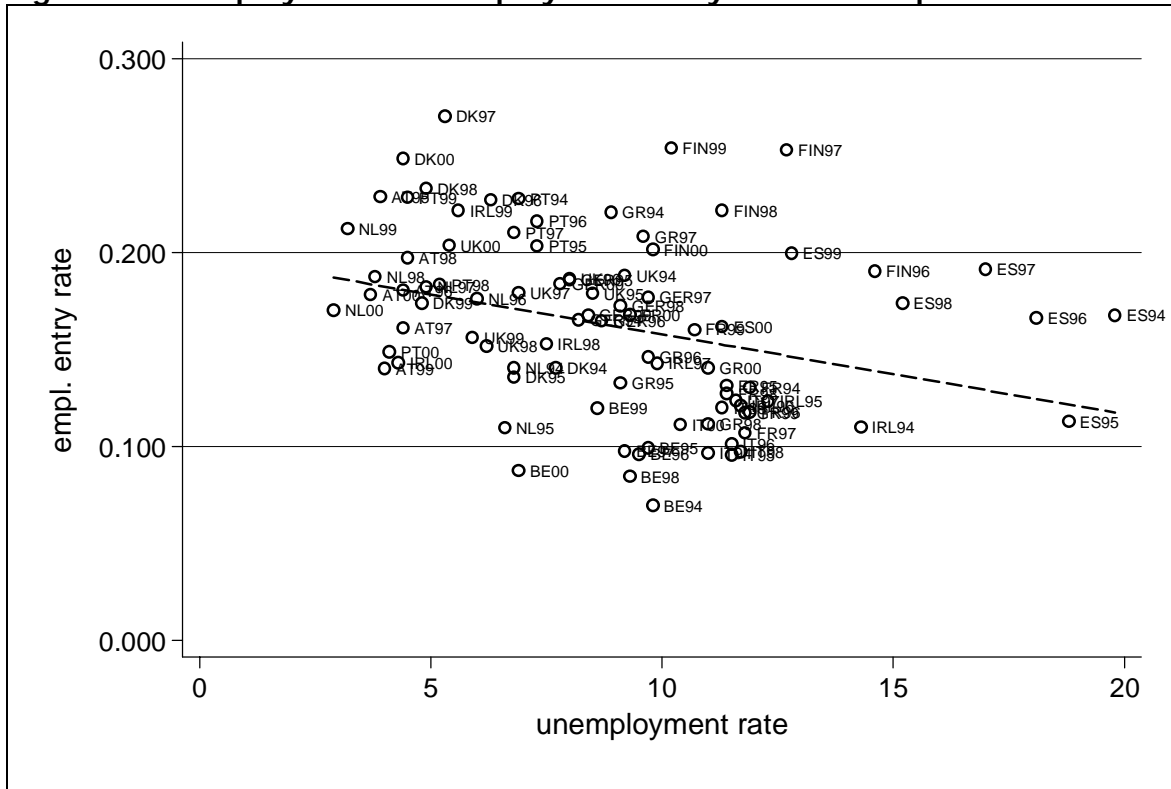
empl. pattern of hh-members, no of persons:		
not working --> not working	-0.268	***
low-wage empl. --> working	0.337	***
'high'-wage empl. --> working	0.689	***
self-empl. --> working	0.284	***
not working --> low-wage empl.	0.739	***
not working --> 'high'-wage empl.	1.308	***
not working --> self-empl.	0.402	***
working --> not working	-0.257	***
demographic events (ref.: stable hh):		
shrinking of hh-size (excl. births)	0.823	***
growth of hh-size (excl. births)	0.734	***
birth	-0.559	***
years in poverty (ref.: 1 year):		
2 years	-0.686	***
3 years	-0.994	***
4+ years	-1.319	***
sex (ref.: male) and age:		
female	0.047	
age	-0.026	***
age2 (coef.*10)	0.004	***
education (ref.: low):		
medium	0.256	***
high	0.584	***
intercept	0.407	**
pseudo R-sq.		
	0.152	
no of observations	26820	
no of events	12962	
LR chi2	5628.8	
df	38	

Source: ECHP 1994-2001 (weighted), own calculations, Base: age 17-64 years

1) discrete-time event-history model, non-left-censored spells only

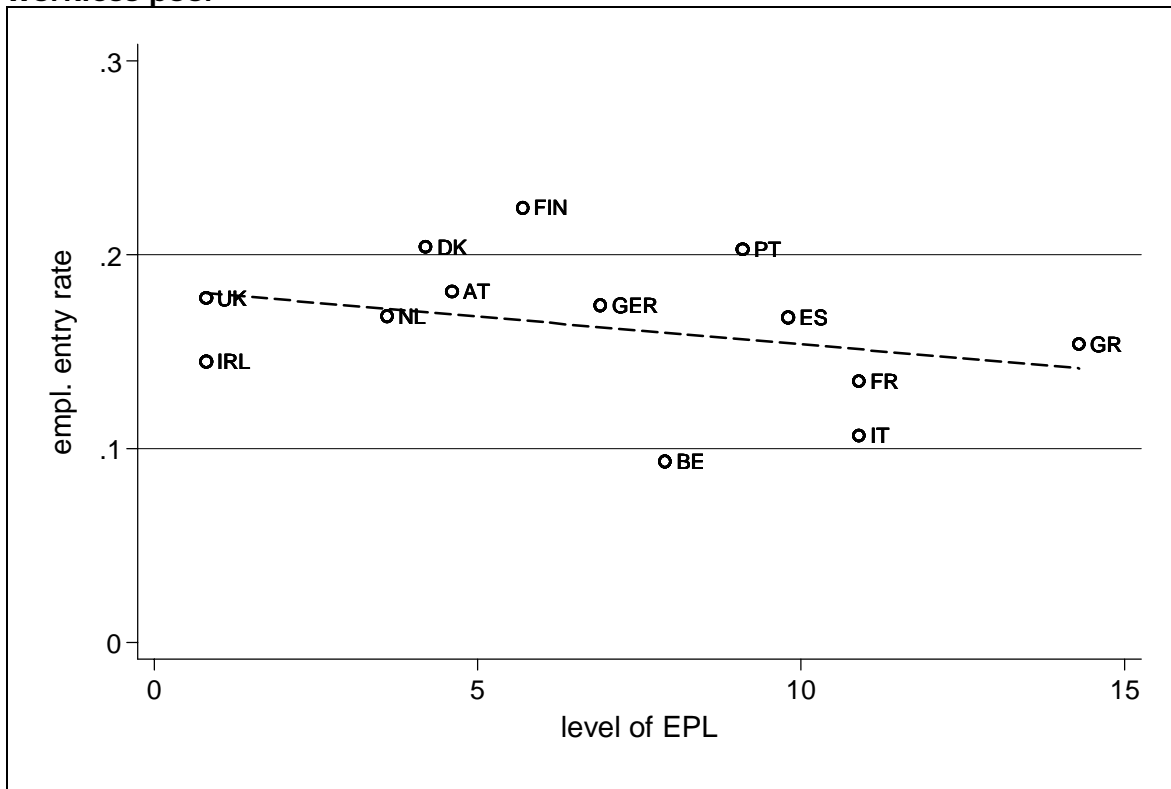
*) significant at 5%, **) significant at 1%, ***) significant at 0.1%

Figure 1: Unemployment and employment entry of workless poor



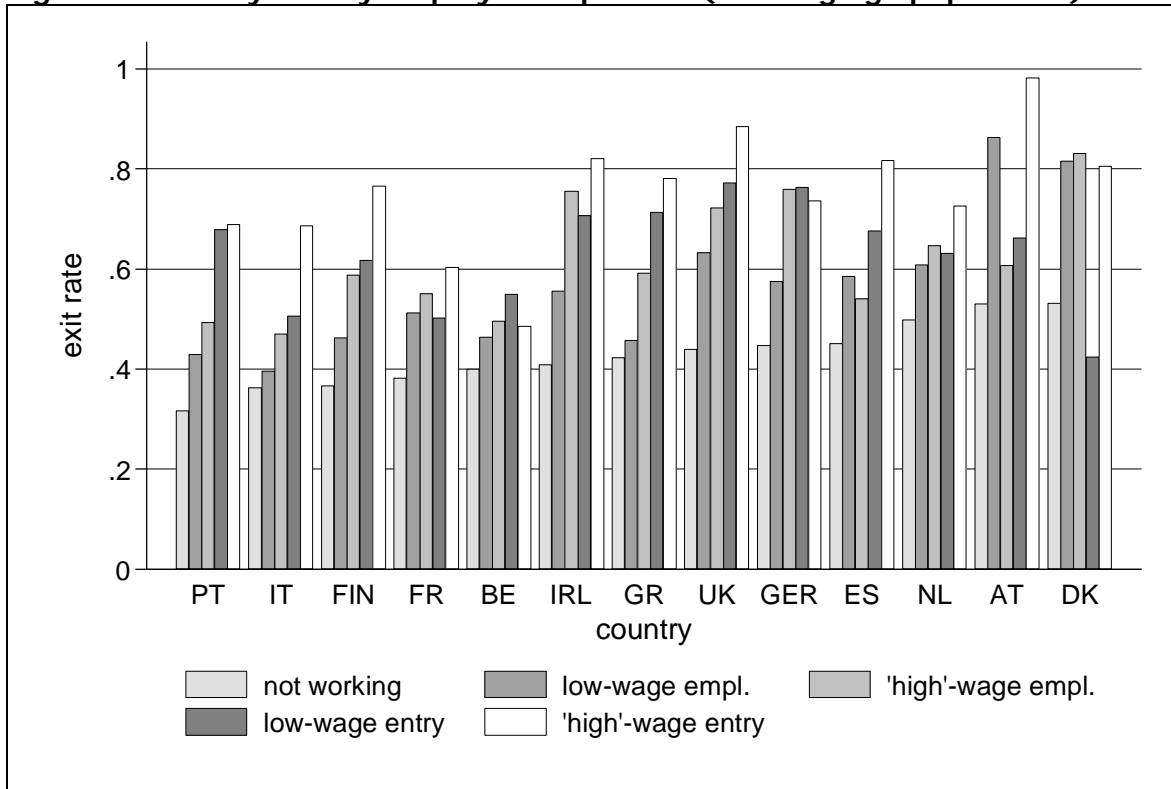
Sources: OECD (2004) and ECHP 1994-2001 (weighted), own calculations, Base: age 17-64 years

Figure 2: Level of employment protection legislation and employment entry of workless poor



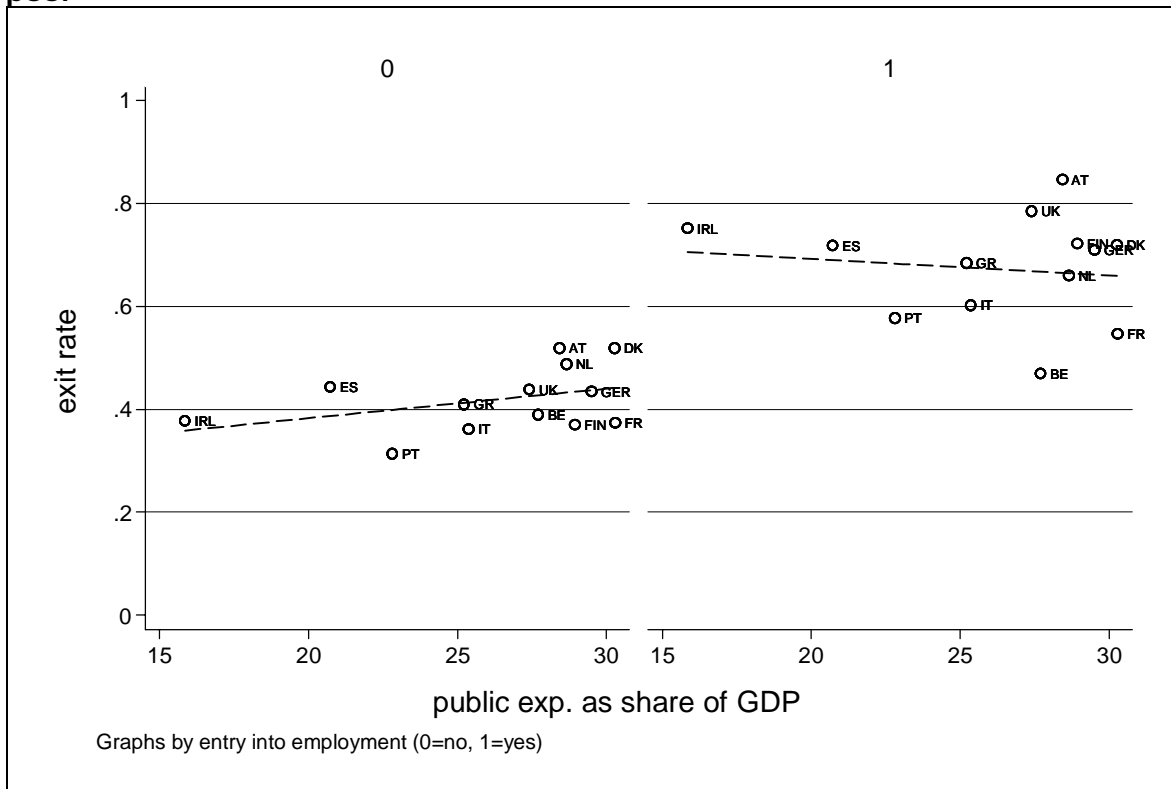
Sources: OECD (2004) and ECHP 1994-2001 (weighted), own calculations, Base: age 17-64 years

Figure 3: Poverty exit by employment pattern (working age population)



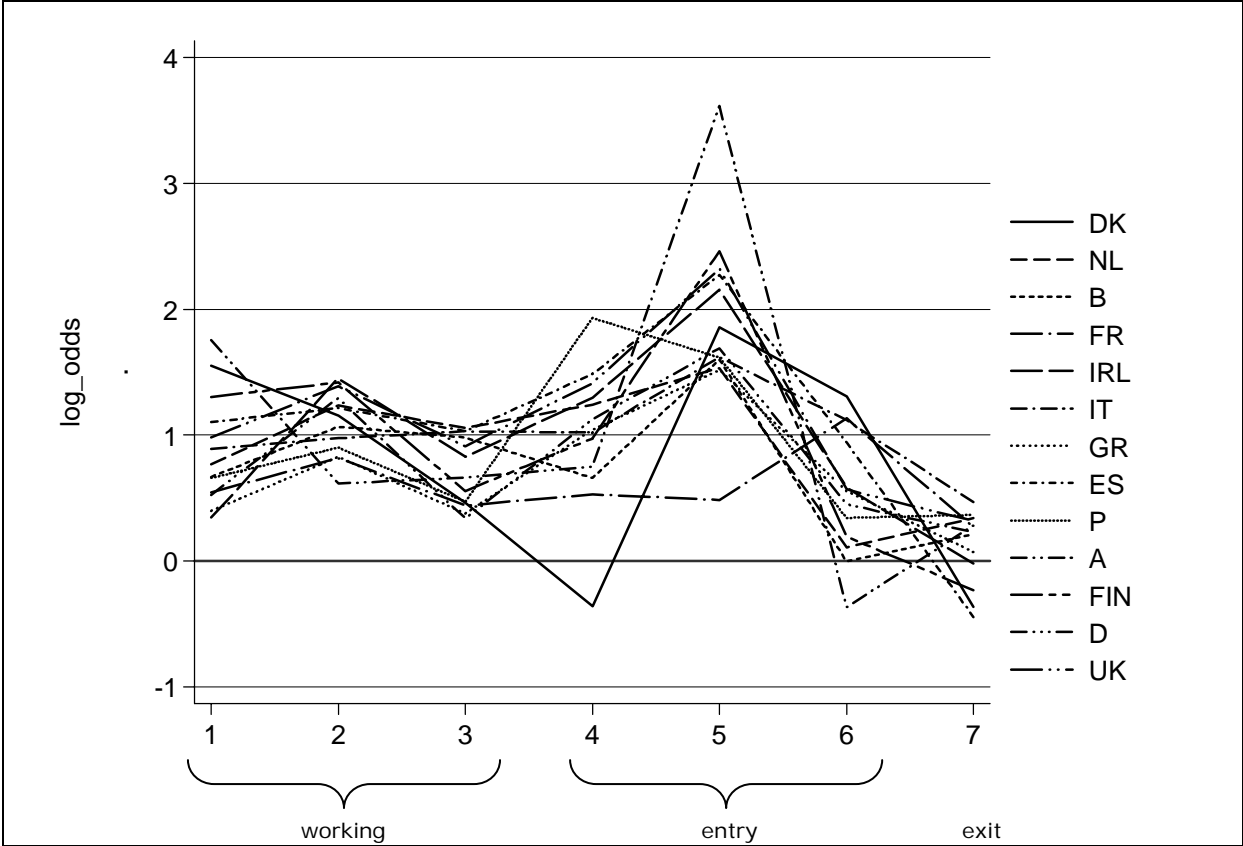
Source: ECHP 1994-2001 (weighted), own calculations, Base: age 17-64 years (see also table 5)

Figure 4: Public expenditure and poverty exit by employment entry of workless poor



Source: Eurostat (New Cronos database) and ECHP 1994-2001 (weighted), own calculations, Base: age 17-64 years

Figure 5: Influence of employment patterns on probability of exit from first observed poverty spell (coef. from discrete-time event-history models estimated for 13 countries)



Legend (employment patterns $t \rightarrow t+1$): 1: low-wage employment \rightarrow still working, 2: 'high'-wage-employment \rightarrow still working, 3: self-employment \rightarrow still working, 4: not working \rightarrow low-wage employment, 5: not working \rightarrow 'high'-wage employment, 6: not working \rightarrow self-employment, 7: working \rightarrow not working

Source: ECHP 1994-2001, own calculations, extract from models with same specification as in table 6, (without countries dummies, estimation by country), see also table A1 in appendix.

Appendix

Table A1: Model on probability of exit from first observed poverty spell ¹

	DK	NL	BE	FR	IRL
empl. pattern t --> t+1 (ref.: not working --> not working):					
low-wage empl. --> working	1.552 ***	0.767 ***	0.668 +	0.544 **	0.346
'high'-wage empl. --> working	1.156 ***	1.235 ***	1.066 ***	0.817 ***	1.450 ***
self-empl. --> working	0.462	1.055 ***	0.980 ***	0.439 **	0.829 ***
not working --> low-wage empl.	-0.361	1.243 ***	0.659	0.529 +	1.295 ***
not working --> 'high'-wage empl.	1.854 ***	1.531 ***	1.600 ***	0.484 +	2.156 ***
not working --> self-empl.	1.307	0.109	-0.005	1.132	0.582
working --> not working	-0.364	0.338	0.214	0.272	-0.023
empl. pattern of hh-members, no of persons:					
not working --> not working	-0.310 ***	-0.365 ***	-0.188 ***	-0.334 ***	-0.264 ***
low-wage empl. --> working	1.052	0.016	0.194	0.207	-0.097
'high'-wage empl. --> working	1.236 ***	0.765 ***	0.303 +	0.344 ***	0.899 ***
self-empl. --> working	0.118	0.399 +	0.604 **	0.070	0.118
not working --> low-wage empl.	-0.664	0.744 ***	-0.279	0.336	1.071 ***
not working --> 'high'-wage empl.	1.998 ***	0.814 **	1.077 ***	0.413 **	1.662 ***
not working --> self-empl.	-0.041	-0.703	0.914	-0.076	0.021
working --> not working	-0.668	-0.188	-0.776	-0.050	-0.022
demographic events (ref.: stable hh):					
shrinking of hh-size (excl. births)	1.463 ***	0.869 ***	1.446 ***	0.899 ***	0.534 ***
growth of hh-size (excl. births)	0.596	1.326 ***	-1.320 **	0.841 **	-0.523
birth	-1.562 ***	-0.954 **	-1.285 **	-0.258	-1.029 ***
years in poverty (ref.: 1 year):					
2 years	-0.455 +	-1.113 ***	-1.149 ***	-0.955 ***	-0.328 **
3 years	-0.264	-1.305 ***	-1.099 ***	-1.351 ***	-0.295
4+ years	-1.812 **	-1.424 ***	-2.175 ***	-2.035 ***	-1.627 ***
sex (ref.: male) and age:					
female	-0.202	0.041	0.343 +	-0.052	0.174
age	0.025	-0.114 ***	-0.039	-0.003	0.009
age2 (coef.*10)	-0.001	0.017 ***	0.007	0.001	-0.001
education (ref.: low):					
medium	0.205	0.143	0.252	0.207 +	0.173
high	0.502	0.778 ***	0.762 ***	0.895 ***	0.106
intercept	-0.743	1.779 ***	0.167	0.159	-0.157
pseudo R-sq.					
no of observations	0.219	0.204	0.18	0.151	0.192
no of events	546	1840	833	1891	1700
LR chi2	350	1026	404	853	896
df	156.0	516.2	207.3	392.3	451.2
	26	26	26	26	26

Source: ECHP 1994-2001, own calculations, Base: age 17-64 years

1) discrete-time event-history model, non-left-censored spells only

+) significant at 10%, **) significant at 5%, ***) significant at 1%

Table A1 (cont.): Model on probability of exit from first observed poverty spell ¹

	IT	GR	ES	PT	AT
empl. pattern t --> t+1 (ref.: not working --> not working):					
low-wage empl. --> working	0.888 ***	0.398 **	1.103 ***	0.659 ***	1.754 ***
'high'-wage empl. --> working	0.975 ***	0.827 ***	1.214 ***	0.900 ***	0.615 **
self-empl. --> working	1.030 ***	0.377 ***	1.031 ***	0.471 ***	0.661 **
not working --> low-wage empl.	1.019 ***	1.041 ***	1.484 ***	1.931 ***	0.747
not working --> 'high'-wage empl.	1.619 ***	1.516 ***	2.274 ***	1.615 ***	3.616 ***
not working --> self-empl.	1.117 ***	0.555 **	0.942 ***	0.342	-0.369
working --> not working	0.468 ***	0.071	-0.447 +	0.365 +	0.282
empl. pattern of hh-members, no of persons:					
not working --> not working	-0.336 ***	-0.187 ***	-0.278 ***	-0.242 ***	-0.182 ***
low-wage empl. --> working	0.501 ***	-0.026	0.950 ***	0.383 ***	2.342 ***
'high'-wage empl. --> working	0.701 ***	0.551 ***	1.079 ***	0.743 ***	0.389 +
self-empl. --> working	0.621 ***	0.037	0.741 ***	0.304 ***	0.439 **
not working --> low-wage empl.	0.643 ***	0.977 ***	0.906 ***	1.521 ***	0.597
not working --> 'high'-wage empl.	1.250 ***	1.057 ***	1.997 ***	1.526 ***	3.953 ***
not working --> self-empl.	0.733 ***	0.378 **	0.311	0.533 **	-0.050
working --> not working	-0.089	-0.116	-1.043 ***	0.059	-0.242
demographic events (ref.: stable hh):					
shrinking of hh-size (excl. births)	1.122 ***	0.551 ***	0.702 ***	1.091 ***	0.367
growth of hh-size (excl. births)	1.174 ***	0.804 ***	0.647 **	0.679 ***	0.974 **
birth	-0.322	-0.910 ***	-1.351 ***	0.161	1.030 +
years in poverty (ref.: 1 year):					
2 years	-0.760 ***	-0.391 ***	-0.824 ***	-0.375 ***	-1.169 ***
3 years	-1.228 ***	-0.815 ***	-0.843 ***	-1.073 ***	-0.441 +
4+ years	-1.474 ***	-0.997 ***	-1.575 ***	-0.904 ***	-0.458
sex (ref.: male) and age:					
female	0.005	0.096	0.023	-0.097	0.032
age	-0.035 +	0.007	-0.033 +	-0.013	-0.074
age2 (coef.*10)	0.005 **	-0.001	0.005 **	0.002	0.009
education (ref.: low):					
medium	0.416 ***	0.330 ***	0.481 ***	0.381 **	0.229
high	0.799 ***	0.469 ***	0.481 ***	1.225 +	1.415 ***
intercept	0.180	-0.463	0.306	-0.586	1.312
pseudo R-sq.	0.161	0.094	0.199	0.148	0.197
no of observations	4488	3190	3255	3083	859
no of events	1837	1419	1691	1198	502
LR chi2	979.1	412.5	898.3	609.6	229.8
df	26	26	26	26	26

Source: ECHP 1994-2001, own calculations, Base: age 17-64 years

1) discrete-time event-history model, non-left-censored spells only

+) significant at 10%, **) significant at 5%, ***) significant at 1%

Table A1 (cont.): Model on probability of exit from first observed poverty spell ¹

	FIN	GER	UK
empl. pattern t --> t+1 (ref.: not working --> not working):			
low-wage empl. --> working	1.303 ***	0.526 ***	0.979 ***
'high'-wage empl. --> working	1.418 ***	1.293 ***	1.389 ***
self-empl. --> working	0.554 **	0.337	0.911 ***
not working --> low-wage empl.	0.973 **	1.124 ***	1.412 ***
not working --> 'high'-wage empl.	2.460 ***	1.690 ***	2.321 ***
not working --> self-empl.	0.193	0.450	0.567
working --> not working	-0.234	0.228	0.318
empl. pattern of hh-members, no of persons:			
not working --> not working	-0.166 **	-0.292 ***	-0.353 ***
low-wage empl. --> working	0.403	0.144	0.478 ***
'high'-wage empl. --> working	0.385 +	0.833 ***	0.812 ***
self-empl. --> working	0.177	-0.191	0.328 +
not working --> low-wage empl.	0.178	0.167	0.758 ***
not working --> 'high'-wage empl.	1.473 ***	1.002 ***	1.722 ***
not working --> self-empl.	0.591	-0.340	-0.162
working --> not working	-0.999 ***	-0.567 ***	-0.186
demographic events (ref.: stable hh):			
shrinking of hh-size (excl. births)	1.075 ***	0.622 ***	0.355 +
growth of hh-size (excl. births)	1.709 ***	0.421	1.369 ***
birth	-0.090	0.218	-1.159 ***
years in poverty (ref.: 1 year):			
2 years	-1.035 ***	-0.689 ***	-0.383 ***
3 years	-1.332 ***	-1.053 ***	-0.807 ***
4+ years	-0.685	-1.110 ***	-1.296 ***
sex (ref.: male) and age:			
female	-0.013	0.137	0.288 **
age	0.021	-0.068 **	-0.028
age2 (coef.*10)	-0.001	0.008 **	0.005
education (ref.: low):			
medium	-0.180	0.277 **	0.127
high	-0.211	0.723 ***	0.489 ***
intercept	-0.668	1.332 ***	0.028
pseudo R-sq.	0.174	0.138	0.201
no of observations	793	2166	2176
no of events	423	1185	1178
LR chi2	190.8	410.5	603.4
df	26	26	26

Source: ECHP 1994-2001, own calculations, Base: age 17-64 years

1) discrete-time event-history model, non-left-censored spells only

+) significant at 10%, **) significant at 5%, ***) significant at 1%