



The working poor

or how a job is no guarantee of decent living conditions

A study based on ILO's global estimates of employment by economic class¹

In order to eradicate extreme poverty in the world, it is necessary to address its root causes, which first requires identifying them. In this sense, information on the characteristics of the population living in poverty is essential. In particular, data on their employment status (that is, whether they are employed, unemployed or outside the labour force) can provide valuable insights into the factors instigating poverty. In the case of employed persons living in poverty, also known as the working poor, it is likely that low earnings, and more generally, inadequate working conditions, are to blame. Conversely, in the case of the unemployed or persons outside the labour force who are poor, poverty may be driven by a lack of employment opportunities and insufficient social protection.

Data on employment broken down by economic class, and especially on the share of the employed who are poor (also known as the working poverty rate) conveys information on the link between employment and poverty, which is highly relevant for the formulation of effective policies. Employment should be a vector to lift people out of poverty, but this is only true if job quality is sufficient, including adequate earnings, job security and safe working environments. The relationship between employment and poverty depends greatly on the extent to which decent work is ensured in the labour market.

Based on the most recent ILO estimates of employment by economic class, this brief analyses the latest trends of the working poverty rate in the world, as well as the disparities in the prevalence of working poverty across regions. It also deals with gender and age patterns of working poverty around the world, exposing the vulnerability of youth. Finally, it complements the study of working poverty rates with other key labour market indicators to provide a wider picture of the labour market situation.

Different ways to measure poverty

When studying poverty, it is necessary to first define poverty, and this could be done in a variety of ways: in absolute terms or relative terms, in monetary terms or taking into account non-monetary aspects, according to a national poverty line or an international one.

For the purpose of international comparability for this global study of poverty, the standard absolute international poverty line of US\$1.90 per person per day at purchasing power parity (PPP) is used. This means that individuals are considered poor if they live in a household with a daily per capita consumption or income of less than US\$1.90. In general terms, this is believed to be the monetary amount needed to cover the costs of basic food, clothing, and shelter around the world.

Absolute poverty lines such as this one determine poverty status with relation to a fixed income or consumption threshold (the amount deemed necessary to afford minimal standards of living), while relative poverty lines use a relative measure of income or consumption to classify persons as "poor" or "non-poor". That is, relative poverty is defined in relation to the incomes of the rest of the reference population. An example of a relative poverty line is 60 per cent of the median income.

When measured in absolute terms, it is possible to eradicate poverty completely. However, by definition, there will always be relative poverty.

¹ This brief was prepared by Rosina Gammarano, from the ILO Department of Statistics' Data Production and Analysis Unit.

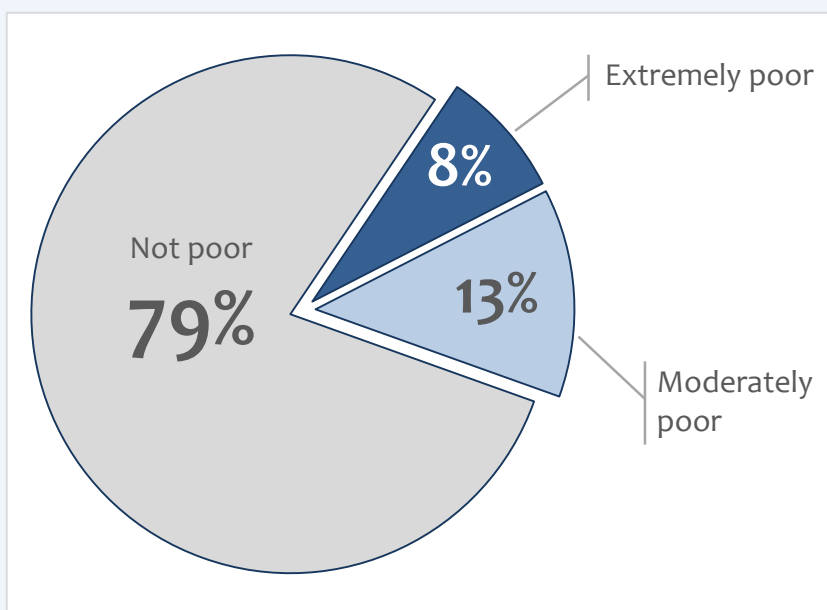
Great progress in reducing working poverty since 2000, but more efforts needed to completely eradicate it

The working poverty rate reveals the proportion of the employed population living in poverty despite being employed, implying that their employment-related incomes are not sufficient to lift them and their families out of poverty and ensure decent living conditions. For the purpose of international comparability, the poverty line used for the measurement of this indicator refers to an absolute international poverty line of US\$1.90 per capita per day at purchasing power parity.

According to the latest ILO estimates, 79 per cent of all employed persons in the world did not live in poverty in 2018, while 13 per cent were moderately poor and 8 per cent were in extreme poverty (amounting to a global working poverty rate of 8 per cent). This means that for a non-negligible share of the world's workers, having a job is not enough to keep them and their families out of poverty, pointing to issues of job quality and particularly, the inadequacy of earnings (see figure on the right).

However, although the share of the world's workers who are poor is still a reason for concern, it is encouraging that this share has been declining continuously since 2000, when it stood at 26 per cent. What is more, the share of moderately poor workers has also decreased uninterruptedly during the same period. Nonetheless, as reassuring as the widespread reduction in working poverty is, it is important to note that progress has slowed down in the past few years, serving as a reminder of the need to renew efforts in this area (see following figure).

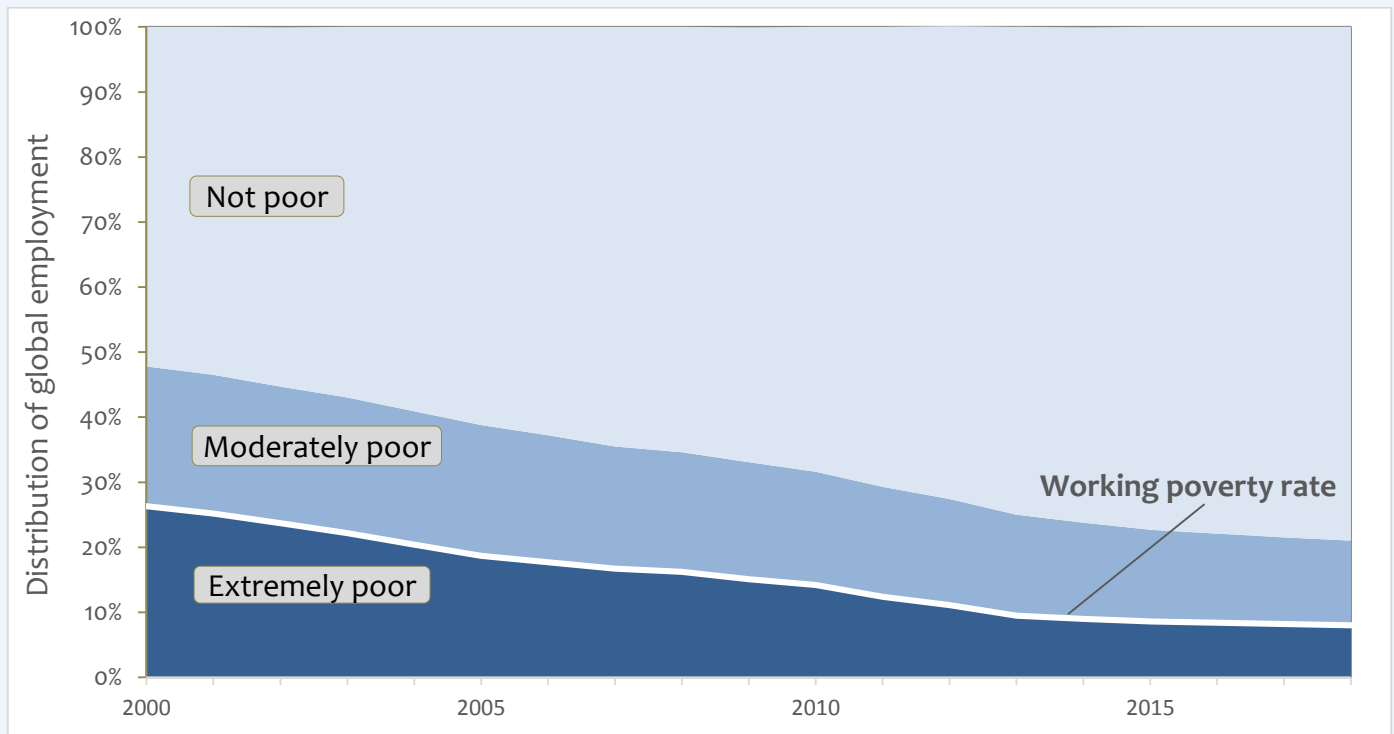
Global employment distribution by economic class (2018)



Source: ILOSTAT, ILO modelled estimates, November 2018.

Note: In all figures in this brief, persons defined as extremely poor if living in households with a per capita income under US\$1.90 PPP per day, moderately poor if the household daily per capita income is US\$1.90 PPP or higher but under US\$3.10 PPP and not poor if living on more than US\$3.10 PPP per day.

Evolution of the global employment distribution by economic class and the working poverty rate (2000-2018)

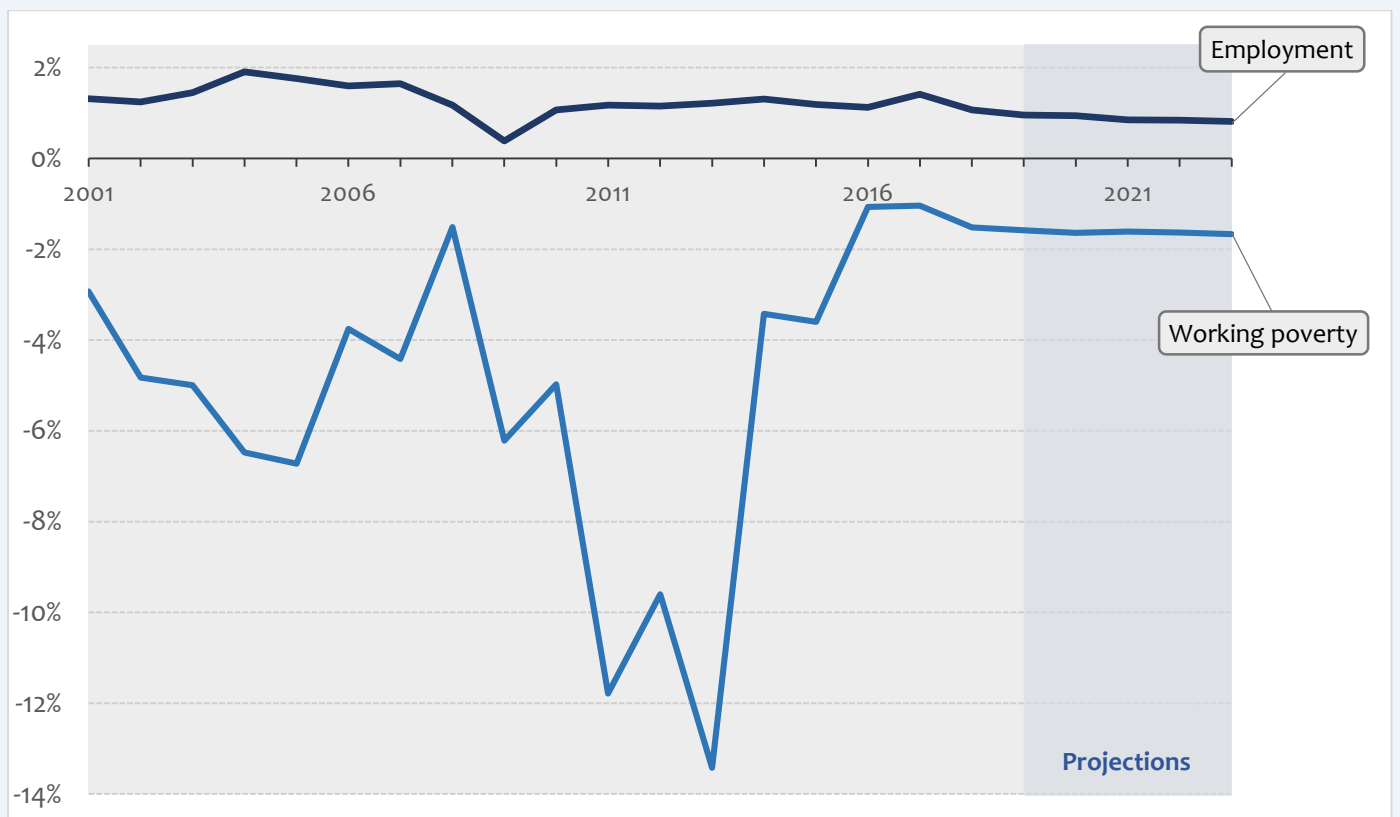


Source: ILOSTAT, ILO modelled estimates, November 2018.

Note: In all figures in this brief, working poverty (or the working poor) refers to employed persons living in households with a per capita income under US\$1.90 PPP per day (considered extreme poverty) and the working poverty rate corresponds to the share of working poor in total employment.

Indeed, the study of the annual growth rate of the number of working poor in the world shows that although it has been consistently negative since 2001, the decrease has slowed down considerably since 2016, and this slow-down is projected to continue in the next few years (see following figure).

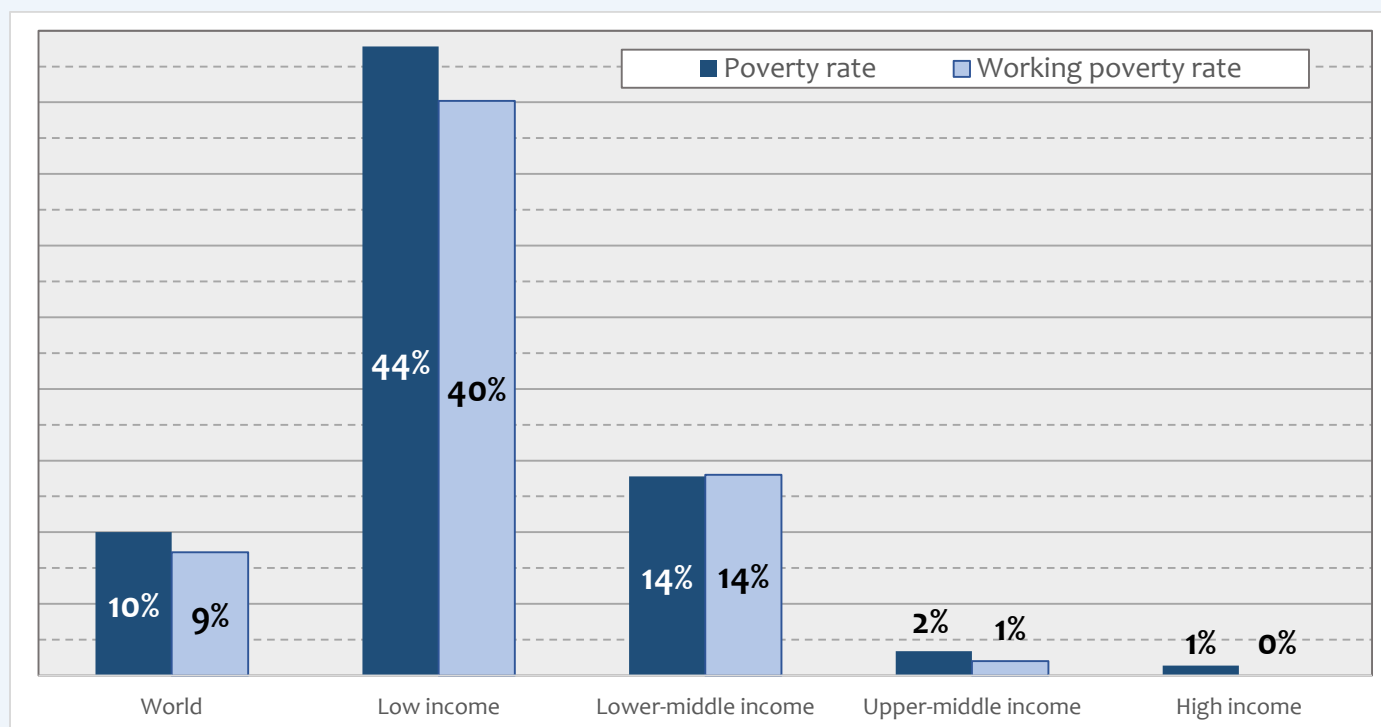
Annual growth rates of global employment and working poverty (2001-2023)



Source: ILOSTAT, ILO modelled estimates, November 2018.

Interestingly, comparing working poverty rates and poverty rates, we see that differences are not significant. In 2015, 10 per cent of the world's population were poor, while 9 per cent of the world's workers lived in poverty. The small difference between these indicators suggests that the employed are not significantly more or less likely to live in poor households vis-à-vis persons outside the labour market. On the plus side, this means that employment does not put individuals at a higher risk of poverty (as it shouldn't). However, this also means that employment is not a guarantee against poverty. Employed persons are just as vulnerable to poverty as everyone else, pointing to the need for renewed efforts to ensure decent work for all (see following figure).

Poverty rates and working poverty rates for the world and by income group (2015)



Source: ILOSTAT, ILO modelled estimates, November 2018 for the working poverty rate and World Bank, World Development Indicators for the poverty rate.
 Note: The poverty rate expresses the share of the total population who live in poverty, at US\$1.90 a day (in 2011 PPP). The income groupings presented here and in other figures in this brief refer to the World Bank classification of countries by income group.

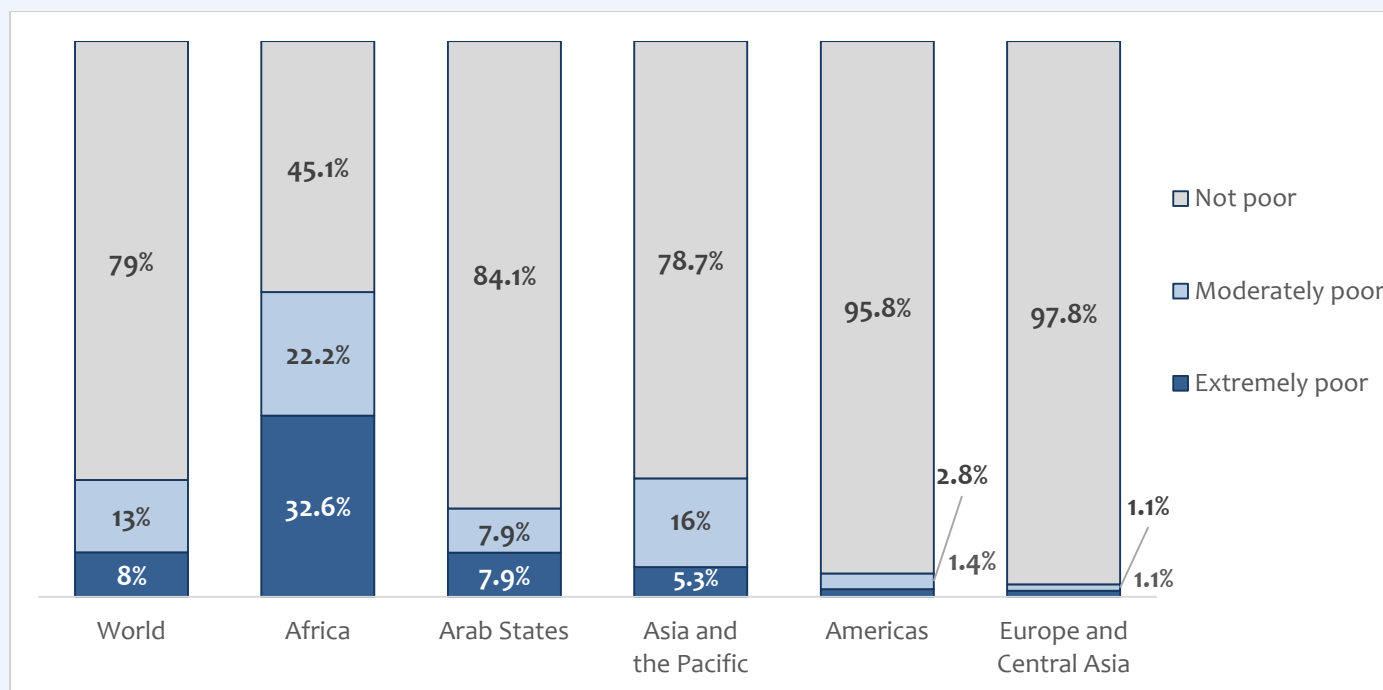
Widespread progress in reducing working poverty but major disparities across regions

ILO estimates of employment by economic class reveal large disparities across regions in the shares of workers living in extreme poverty and those that are moderately poor. Reassuringly, the very vast majority of employed persons were not poor in Europe and Central Asia (98 per cent) and the Americas (96 per cent) in 2018, while 84 per cent of workers in the Arab States and almost 79 per cent in Asia and the Pacific lived with their families above the poverty line.

However, this implies that close to 16 per cent of workers in the Arab States and 21 per cent in Asia and the Pacific were either extremely or moderately poor, underscoring the need for action to improve workers' conditions in these regions.

The situation remains most alarming in Africa, where the share of working poor was close to 33 per cent in 2018, meaning that almost one third of all workers lived in extreme poverty despite having a job. Additionally, 22 per cent of African workers were moderately poor, while only 45 per cent of them managed to escape poverty (see following figure).

Employment distribution by economic class, for the world and by region (2018)



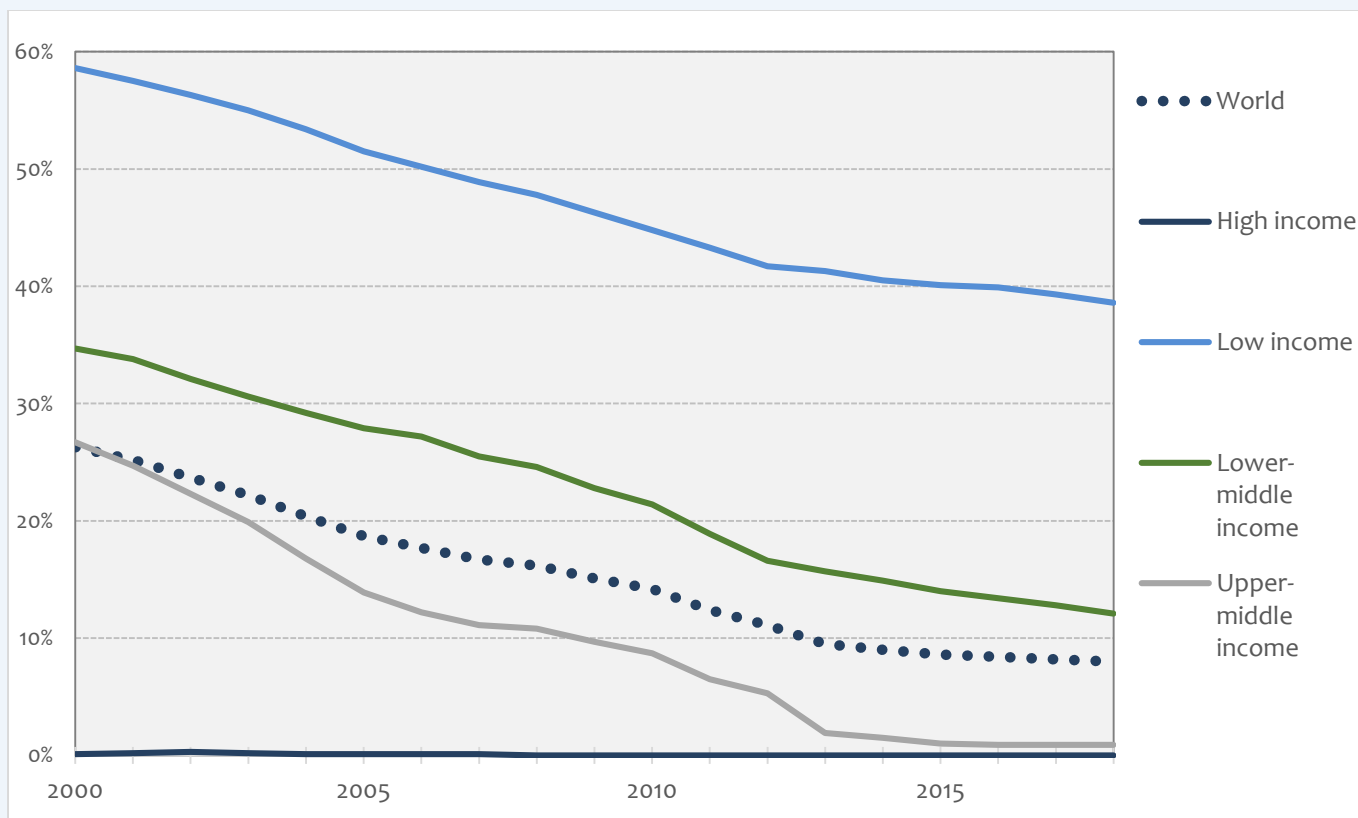
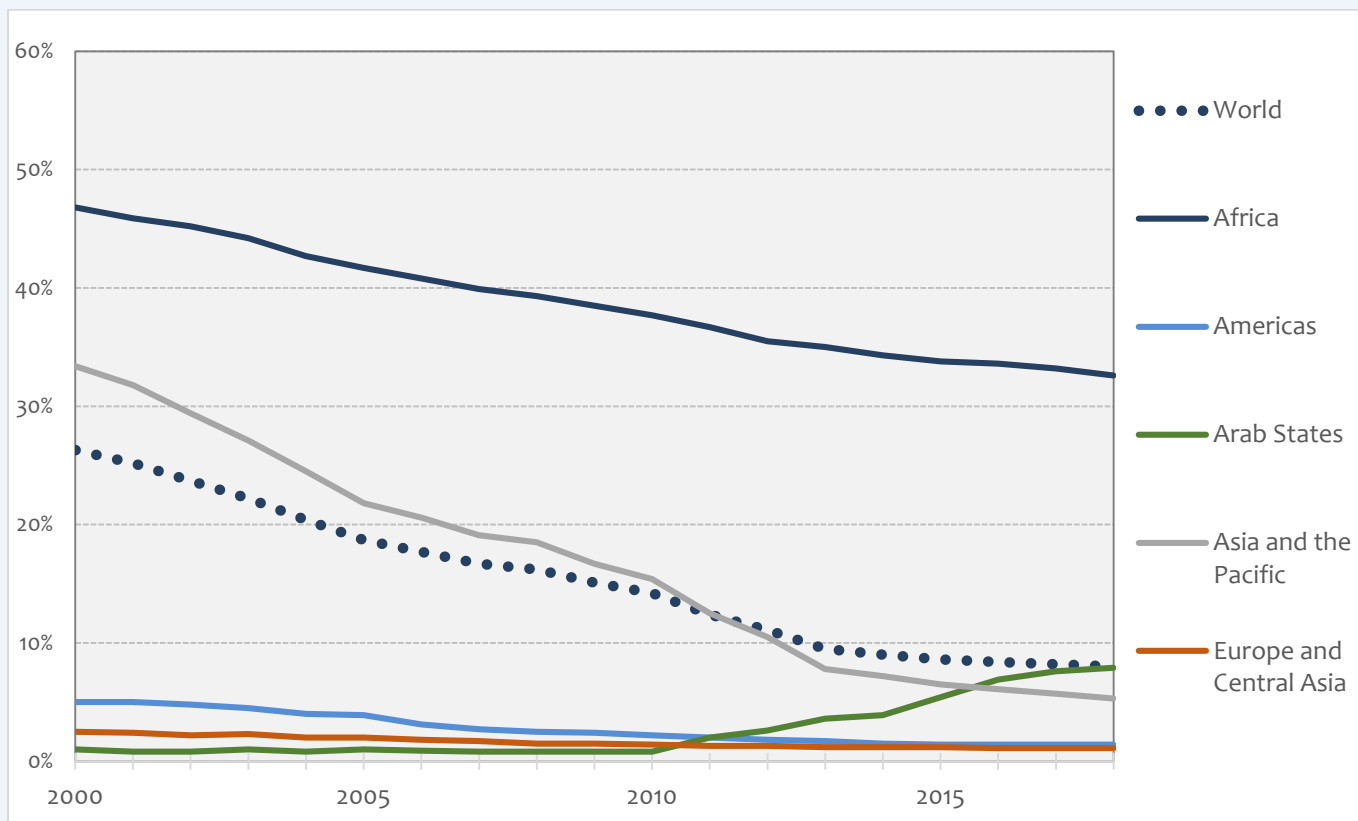
Source: ILOSTAT, ILO modelled estimates, November 2018.

Note: All statistics presented by region in this brief refer to the classification by region used for ILO modelled estimates, available in ILOSTAT.

Even though the working poverty rate underwent a widespread decrease in the past two decades, progress was uneven across regions. The progress was most remarkable in Asia and the Pacific, where the working poverty rate was close to 5 per cent in 2018, down from 33 per cent in 2000. The African working poverty rate has also continuously decreased since 2000, when it stood at 47 per cent, but this decrease was at a far slower pace than that observed in Asia and the Pacific. Discouragingly, the working poverty rate has been increasing in the Arab States since 2010, which should prompt action by policymakers to ensure decent working and living conditions for all (see following figure).

Classifying countries by their national income, we note that although the working poverty rate has continuously declined since 2000 in low income countries, lower-middle income countries and upper-middle income countries, increased efforts are needed in low income countries since the levels of working poverty remain high. Indeed, in 2018, a startling 39 per cent of all workers living in low income countries were in extreme poverty (see following figure).

Evolution of the working poverty rate by region and by income group (2000-2018)

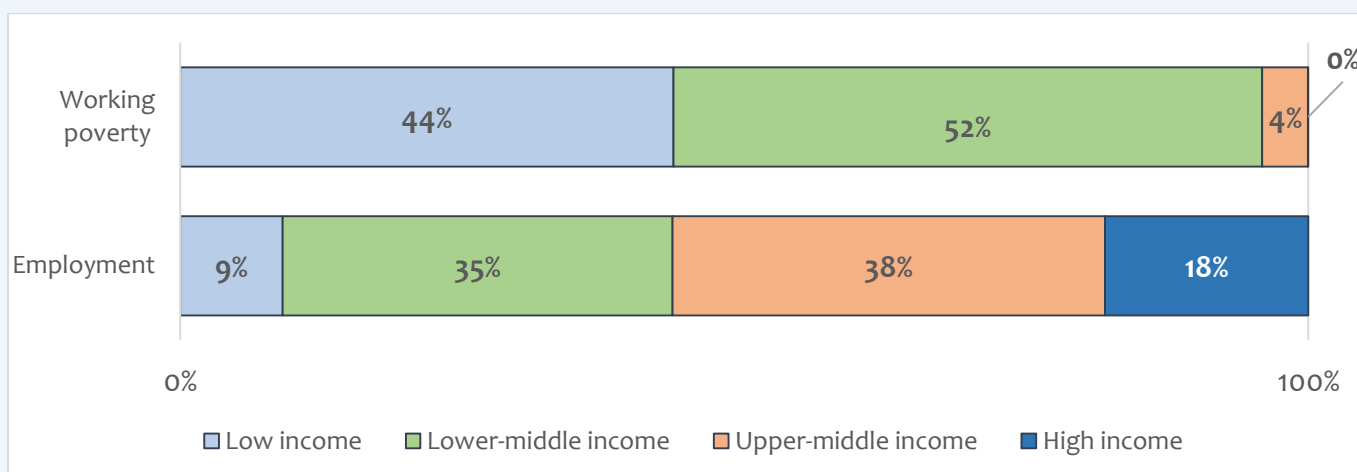
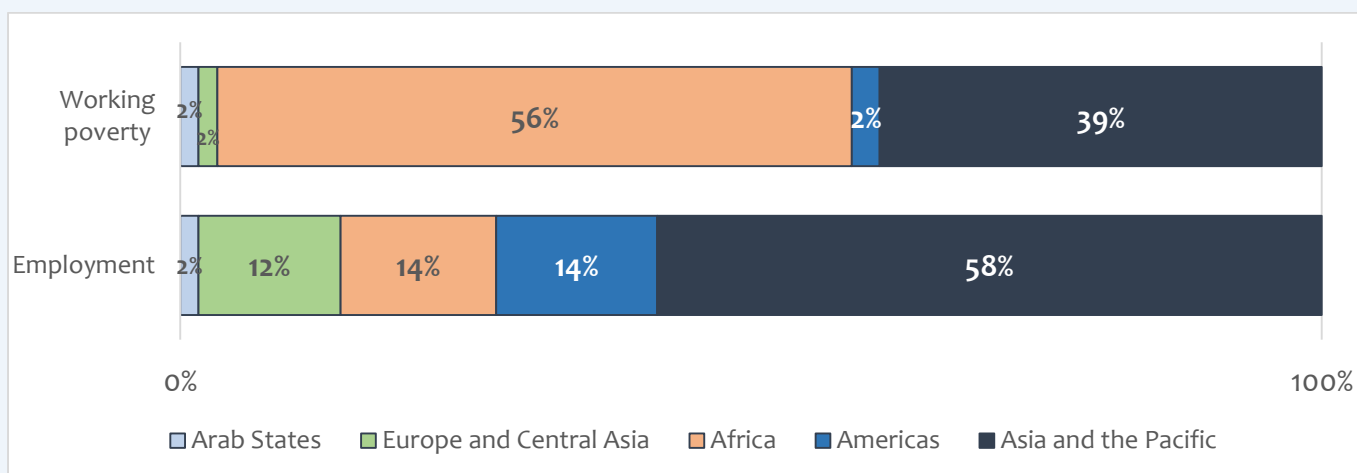


Source: ILOSTAT, ILO modelled estimates, November 2018.

The prevalence of working poverty in Africa is still so significant that the African working poor represented more than half (56 per cent) of the world's working poor in 2018, while African employment represented only 14 per cent of global employment.

Similarly, while only 9 per cent of the world's workers lived in low income countries in 2018, 44 per cent of the world's working poor lived there, highlighting the dire situation of workers in these countries (see following figure).

Distribution of the world's employment and working poverty by region and by income group (2018)



Source: ILOSTAT, ILO modelled estimates, November 2018.

Youth especially vulnerable to working poverty in all regions, while only in Africa women are at higher risk of being working poor than men

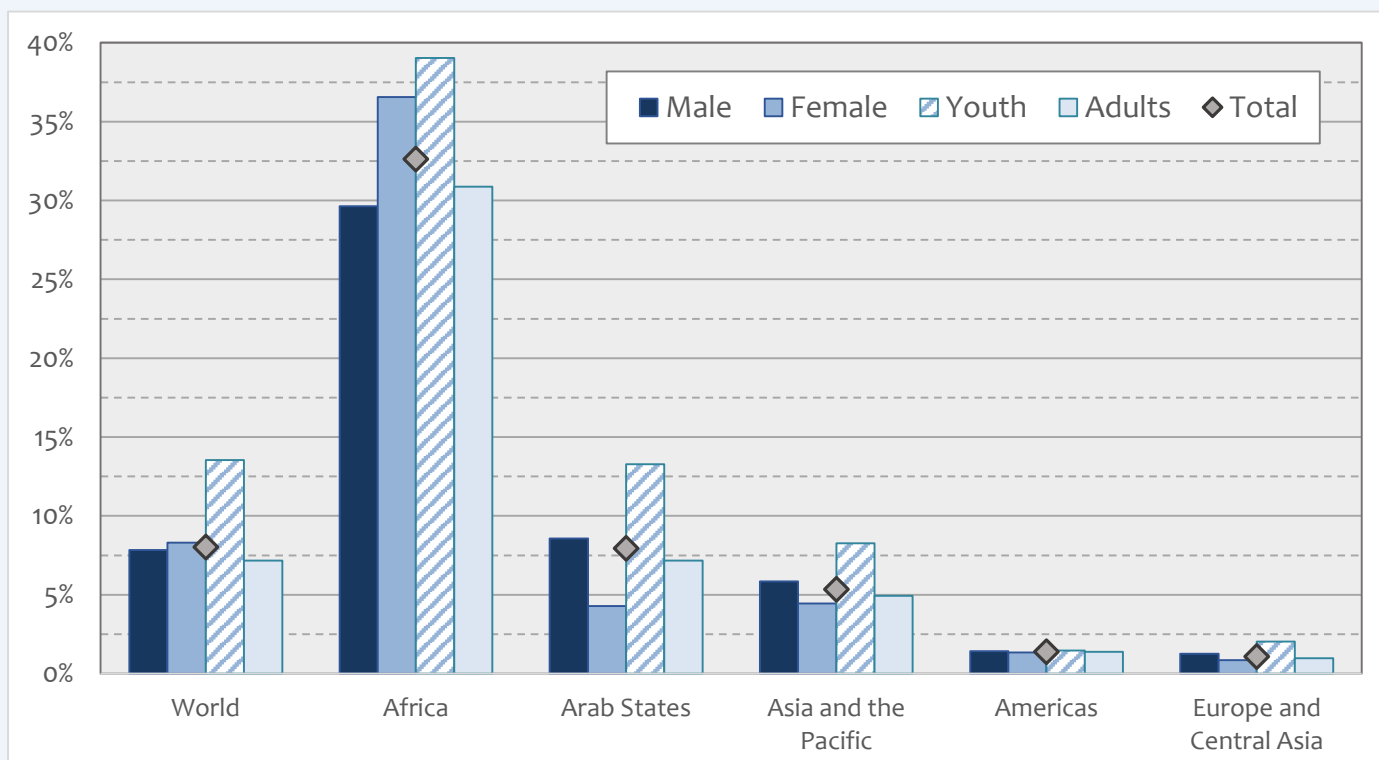
Analysing data on working poverty rates separately for youth (aged 15 to 24) and adults (aged 25 and above) shows that in all regions of the world, young workers find themselves in extreme poverty at higher rates than adult workers. In fact, the world's youth working poverty rate was close to 14 per cent in 2018, compared to an adult working poverty rate of 7 per cent. In other words, young persons holding a job were almost twice as likely to be extremely poor than employed adults, pointing to severe issues of quality of employment for youth, and particularly quality of earnings.

The quality of jobs held by youth is a concern especially in the Arab States (where the youth working poverty rate was 13 per cent compared to 7 per cent for adults in 2018) and in Asia and the Pacific (where the youth working poverty rate was 8 per cent compared to 5 per cent for adults in 2018). Both in the Arab States and in Asia and the Pacific, working poverty affects youth so disproportionately that

employed youth were almost twice as likely as employed adults to be poor in 2018. As previously established, the prevalence of working poverty is distressing in Africa, and youth are also more vulnerable to it: 39 per cent of Africa’s employed youth lived in extreme poverty compared to 31 per cent of Africa’s employed adults in 2018.

The results are more ambiguous when analysing gender patterns of working poverty around the world. Indeed, the gap between the global male working poverty rate (7.8 per cent in 2018) and the global female working poverty rate (8.3 per cent in 2018) is rather narrow, suggesting that there are no strong gender issues at play when it comes to working poverty, at least not at the global level. However, clearer gender patterns emerge when studying the situation in each region separately. In Africa, 37 per cent of employed women were poor in 2018, compared to only 30 per cent of employed men. Conversely, in the Arab States, male workers were twice as likely to be poor than female workers (the working poverty rate among men was 9 per cent in 2018 compared to 4 per cent for women). Similarly, in Asia and the Pacific, the Americas and Europe and Central Asia, the male working poverty rate was higher than the female working poverty rate. All in all, while only in Africa are employed women more likely than men to be working poor, the levels of working poverty in Africa are so high that the working poverty rate among women exceeds that of men at the global level (see following figure). This is valuable information for targeted policy formulation: if either men or women are at an increased risk of extreme poverty and men and women are not occupying the exact same type of jobs, then effective poverty reduction strategies would identify and focus on the more problematic types of jobs.

Male, female, youth and adults working poverty rates by region (2018)

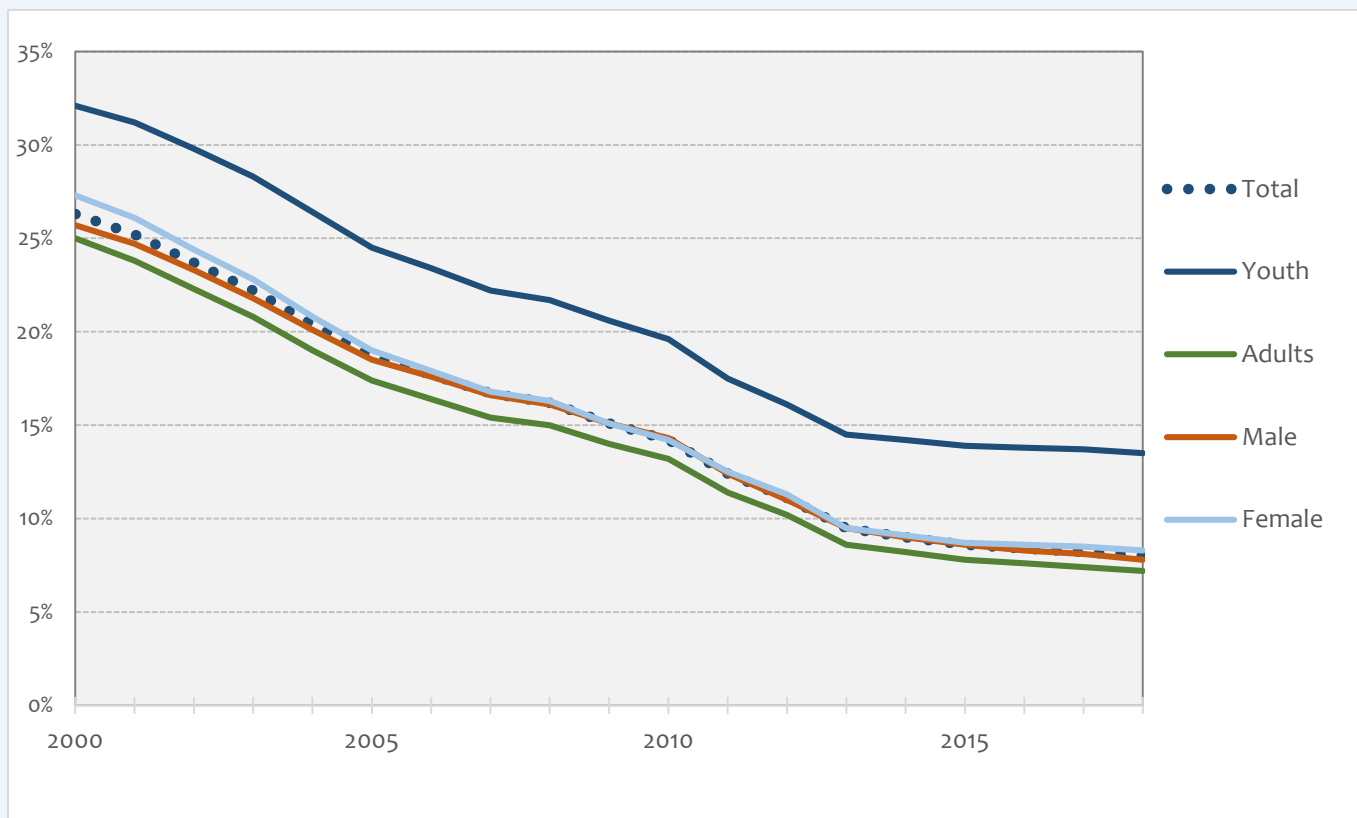


Source: ILOSTAT, ILO modelled estimates, November 2018.

Progress in reducing working poverty around the world can be seen across all major demographic groups – men and women and youth and adults. However, the gap between the adult and youth working poverty rates remains large and has declined only modestly over the past two decades, signalling the

need for targeted action to address the specific vulnerabilities faced by youth in the labour market (see following figure).

Evolution of male, female, youth and adults' working poverty rates (2000-2018)



Source: ILOSTAT, ILO modelled estimates, November 2018.

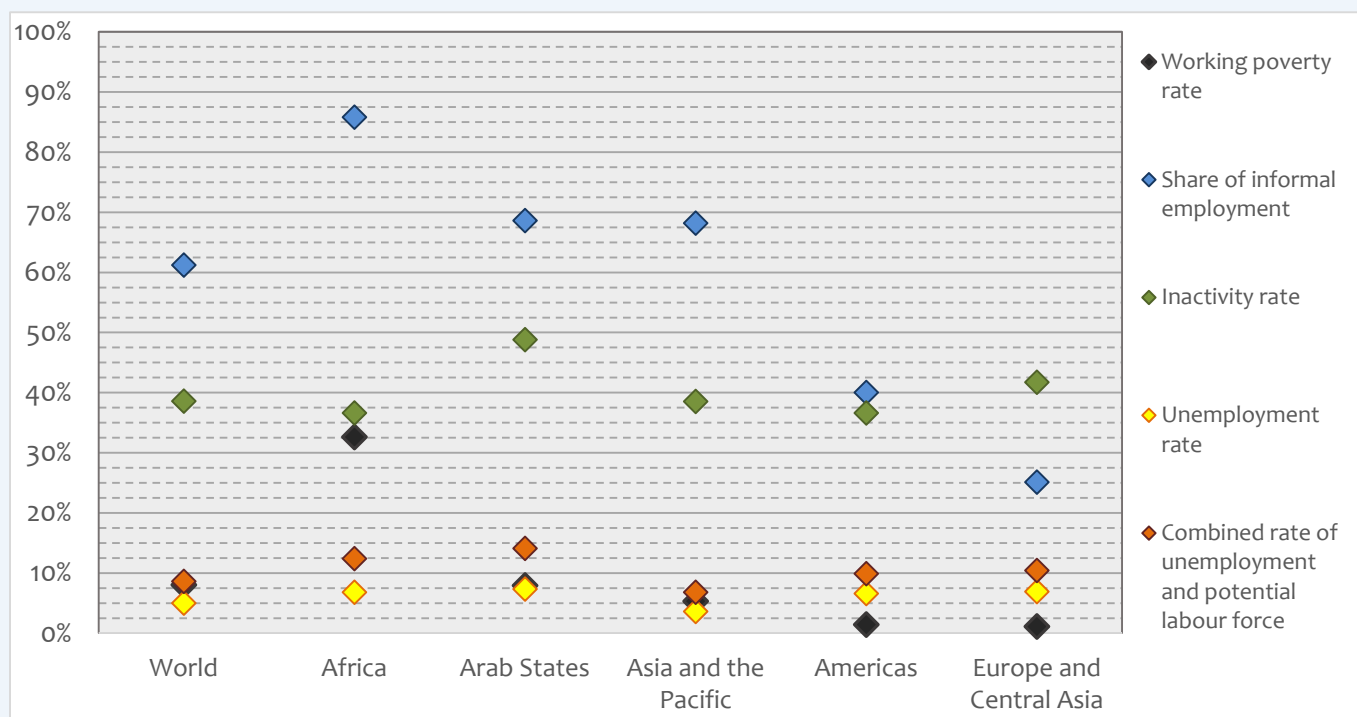
Working poverty and informality combined put workers in a very precarious situation in the labour market, particularly in Africa

It is never advisable to study a particular labour market indicator in isolation. On the contrary, it is preferable to complement the analysis with other labour market measures so as to have a wider picture of the labour market situation. Indeed, the study of the working poverty rate points to the likelihood of workers of being in extreme poverty despite having a job, but it does not allow us to pinpoint the specific causes behind this. The most intuitive factor underlying working poverty is low earnings. However, there may be other factors at play too, such as the insufficiency of working time (even if hourly earnings are not inadequate, insufficient working hours may lead to poverty) or issues related to household composition (an individual's poverty status depends not only on their employment-related income and other income, but also on those of the other members of their household, as well as on the number and characteristics of household members).

The regions with highest working poverty rates are also the ones with highest informality rates, implying that deficits in job quality are not limited to the inadequacy of earnings, but may also include lack of social protection and job security. The combination of working poverty and informality puts workers in a particularly vulnerable situation in the labour market in Africa, and to some extent also in the Arab States and Asia and the Pacific. It is interesting to note that in all these regions, the unemployment rate is not strikingly high, suggesting that deficits in employment quality are of

particular concern, more so than deficits in employment quantity. Individuals find themselves in low-quality jobs (and informal jobs) more than they find themselves jobless (see following figure).

Selected key labour market indicators by region (2018)



Source: ILOSTAT, ILO modelled estimates, November 2018, except for the share of informal employment, taken from ILO's report *Women and men in the informal economy: A statistical picture. Third edition*. All statistics refer to 2018 except for the share of informal employment, which refers to 2016.

Limitations of the working poverty rate

Working poverty statistics are strictly dependent on the poverty definition used to derive them. Although the use of the standard absolute international poverty line of US\$1.90 per day at PPP is preferred for purposes of international comparability, it could be questioned whether two people in two different countries living below US\$1.90 a day face the same degree of deprivation.

Also, whether or not a person is employed is an individual characteristic, whereas poverty is a household one. Poverty status is determined at the household level (that is, individuals are classified according to whether they live in poor households or not) based on the assumption that households pool their income. However, this assumption may not always be true, which would hinder the reliability of the working poverty statistics.

In addition to this, statistics on the working poverty rate provide an indication of the share of employed living in poverty, but they do not convey any information on the characteristics of the employed, their level of education and skills, their working time or the composition of their households. All of this is crucial to determine the reasons behind these workers' poverty (insufficient working time, insufficient wages, too many household members living on the wages of too few working household members, etc.). Whether a worker is considered as working poor depends on his or her own employment-related income, but also on the employment-related income of other household members, the other types of income received and the total number of household members. Hence, in order to draw accurate conclusions on the characteristics and determinants of poverty, it is important to study the working poverty rate along with other labour market indicators and with information on household composition and structure. More detailed statistics on the specific characteristics of the working poor (such as their status in employment, economic activity and occupation) would help identify the categories of workers most vulnerable to poverty, so that they could be targeted by relevant policies. Statistics on the working poor by the number of hours worked would reveal whether the main issue is the low number of hours worked, possibly due to time-related underemployment, or insufficient earnings despite long hours of work.

Thus, although the study of the working poverty rate provides a valuable indication of quality of employment and the state of the labour market's health, it does not pinpoint the specific issues driving it, which would be crucial to formulate effective targeted policies. An example of a more comprehensive study of working poverty, the factors driving it and the characteristics of the working poor can be found in [*Economic class and labour market inclusion: Poor and middle class workers in developing Asia and the Pacific*](#) (Huynh and Kapsos, 2013) from the ILO Asia-Pacific Working Paper Series.

Concluding remarks

The world has made outstanding progress during the past two decades in reducing working poverty and the improvements are noteworthy in all regions. Nonetheless, progress has slowed down in recent years, pointing to the need for renewed efforts to ensure that all workers around the world are able to secure decent living conditions for themselves and their families.

Decent work is both a means and an end: achieving decent work for all men and women is a goal on its own, but this goal can also act as an instrument to accomplish many aspects of sustainable development, including the eradication of extreme poverty in the world.

However, with 8 per cent of the world's workers living in extreme poverty in 2018 despite having a job, the link between employment and poverty reduction is not as straightforward as we would hope. For employment to fulfil a true role in lifting people out of poverty, it has to be of good quality. Only decent jobs, providing workers with adequate earnings, sufficient (but not excessive) working time, social protection coverage, job security and a safe working environment can contribute to achieving sustainable development, and particularly, the elimination of poverty. Sound, effective labour market policies are needed to safeguard the positive nature of the link between employment and poverty reduction.

Action is required especially in Africa, where almost a third of all jobholders live in extreme poverty. Particular attention should also be paid to the situation of youth in labour markets around the world, as in all regions without exception, employed youth are more likely to be poor than employed adults. This reveals significant deficits in the quality of jobs held by youth, which should be a focus of policymakers. The dire situation of youth in the labour market can have a long-lasting, negative impact on their lives, but also on the community as a whole, as it may drive various social issues.

The persistence of working poverty serves as a warning that the labour market is not fully meeting its potential. The mere existence of working poverty should prompt policymakers and labour market agents to take actions to formulate strategies that promote decent work and quality employment for all workers.

