

## **Working poor in Western Europe: What is the influence of the welfare state and labour market institutions?**

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Using data from the European Community Household Panel (ECHP) and macro data from other sources (e.g. OECD, EUROSTAT) the paper regards the influence of the welfare state and of labour market institutions on the extent of in-work-poverty in comparative perspective. Against the background employment-oriented welfare state reforms it is argued that welfare state generosity protects not only the workless but also the working population from being poor. In addition labour market institutions are expected to play a crucial role in explaining country differences in the extent of poverty due to their influence on the distribution of earnings. The analysis combines individual and country level variables. A large part of the variance between countries can be explained by the composition of the working population and of the households people live in. Relevant are differences in the size of households, in the number of earners per households, but also in employment status, working time and occupation. It is, however, argued that such differences in composition are not exogenous but are strongly influenced by the institutional framework. Macro level variables such as welfare generosity or type of wage bargaining system also do have a direct influence. However, the results at the macro level are altered strongly depending on which factors are taken into account at the micro level.