**The immediate impact of the global financial crisis and neo-liberal austerity policies on the in-work poverty dynamics in Lithuania**

The article analyzes the extent and features of in-work poverty in Lithuania in the aftermath of the global economic crisis of 2007-2008. It argues that significant expansion of the phenomenon during this time period was fostered by the neoliberal policies that have been shaping the welfare system in the country for more than two decades. Furthermore, it brings attention to the employment conditions and helps to understand experiences of those who live in in-work poverty. This article reveals that, during the investigated period, in-work poverty in Lithuania was associated with being a woman, having children, belonging to single-parent household, and being employed in a precarious working environment.

**Key words:** in-work poverty,fiscal crisis**,** austerity**,** neo-liberal policies,the Baltic countries

**Introduction**

Even though during times of economic boom (2004-2007) the GDP growth rate in the Baltic region was one of the highest in the EU, Lithuania (along with Latvia and Estonia) was among the countries that were hit hardest by the global economic crisis of 2007/8. Nonetheless, by 2010 the level of GDP rose and the “Baltic Tigers” (equivalent to the four Asian Tigers[[1]](#footnote-1)) had experienced an extraordinary economic recovery. Indeed, the recovery was so profound that the Baltic countries were praised and displayed as an exemplary turnaround story in the EU (Åslund 2013). They were mainly praised for the aggressive austerity measures that have been implemented between 2008 and 2012, such as, decrease of total social expenditure, cancelation of universal family benefits, cuts in pensions and unemployment benefits (Gruzevskis and Blaziene 2013, 12-13; Nakrosis 2015; Bontout and Lokajickova 2013). Crisis-driven labor market adjustments occurred by such means as reduction of working hours, involuntary vacations and wage cuts, and were executed by both private and public sectors. Overall, the austerity measures implemented in Lithuania have caused a serious strain on the income of many households, especially for the poorest sections of society (Avram et al. 2013). They triggered a sudden decline in levels of wages, increased unemployment, spread of non-standard and precarious job contracts, which in its turn enabled the expansion of low-pay employment and the shadow economy (Juska and Woolfson 2014). Subsequently, relatively successful national economic growth has been disguising an increasing array of growing social problems within Lithuanian society.

The harsh austerity measures introduced in the region during the crisis should be seen as a continuation and reflection of the previously existing structural arrangements and prevalent ideological discourse. Since the early 90s, the time when Lithuania, Latvia and Estonia regained their sovereignty from the Soviet Union, socio-political and economic policies in the region were heavily influenced by neo-liberal discourse that was promoted by the most influential external and internal policy actors (Deacon and Hulse 1997; Bohle 2007; Aidukaitė et al. 2012). Consequently, despite a relatively successful economic growth, Lithuania’s spending on social protection, expressed in GDP, has been far below the EU average and one of the lowest in the region (Aidukaitė 2011). Up to this date Lithuania remains one of the countries that spends one of the lowest amounts on the social protection of its citizens. Low levels of welfare expenditure transitioned into an uncomprehensive social security system, low coverage and exceptionally low levels of social benefits.

Nonetheless, the so proclaimed “Baltic Success” in dealing with macroeconomic indicators of austerity left a legacy and became a precedent, something to be admired and aspired to, even by the older and far more prosperous EU member states. During a visit to Lithuania in 2014, Mario Draghi, the president of the European Central Bank, said that the Baltic countries sent “a powerful message to everybody else” in the Eurozone:

We can draw an important lesson from the Baltic Experience. Governments not only acted boldly, but also immediately. They used the momentum of the crisis to implement the necessary consolidation and thus managed to convince the public of the need for these measures.

 (Draghi 2014)

Indeed, for neoliberal austerity-supporters “the Baltic Experience” served as evidence that austerity measures work and, in this perspective, may seem as a vision that actually can be achieved. However, a number of socio-economic indicators (other than GDP growth) showed that what can be seen as a dream for some, was essentially achieved through high social and human cost (Atas 2018). The sudden surge of the working poor in Lithuania and the consequent deterioration of quality of life of a significant proportion of people serves as more evidence that labelling the “Baltic Experience” as the “Baltic Success Story” is highly questionable. In 2010, in Lithuania, 12.6% of people in employment were facing risk of poverty, which not only exceeded the EU average by more than 4% but also was the third highest in-work poverty rate in Europe (after Romania and Greece) (Eurostat 2017[[2]](#footnote-2)).

Despite such alarming developments in Lithuania, there is a rather low level of interest in in-work poverty among national scientists and policy makers with only a few studies done measuring the general trends of the phenomenon (e.g. Lazuka and Poviliunas 2010). Consequently, the changes of in-work poverty trends in Lithuania are neither sufficiently monitored or understood. Similarly, very little is known about day-to-day experiences and realities of the working poor in the country. This strongly contradicts the growing international research interests in the issue (Lohmann, 2008; Ponthieux, 2010; Frazer and Marlier, 2010; Fraser et al., 2011; Maitre et al., 2012; Meulders and O’Dorchai, 2013; Pradella, 2015).

The lack of research and public debate on in-work poverty in the country hinders understanding and, consequently, prevents it from addressing this issue. In order to address this knowledge gap and raise the awareness of the problem, this paper analyzes which groups within the labor market in Lithuania were influenced the most by poverty during the aftermath of the Global Economic Crisis. Furthermore, reveals the effects in-work poverty had on their working circumstances and lives. By exploring these elements, this paper asks which workers and how were affected by poverty during the investigated time period in Lithuania.

Overall, this paper seeks to improve understanding and narrow the knowledge gap about the causes and effects of in-work poverty in Lithuania. It begins with an overview of the explanatory factors of in-work poverty as discussed in the literature. Afterwards it proceeds to the discussion of the triggers of in-work poverty in Lithuania during the investigated time period, which is followed by the first-hand accounts of challenges faced by the group within their employment and daily lives.

**What do we know about in-work poverty?**

In regards to in-work poverty research, Gutierrez Palacios et al. (2009, 19) define three main areas that are commonly used in order to explain its determinants: “the individual and job characteristic factors, household characteristics, and state institutional characteristics”. More often than not researchers seek to determine which demographic (e.g. age, gender, ethnicity), household (number of dependents, work intensity) and occupational characteristics (e.g. type of employment) increase individual risk to encounter in-work poverty. Some of these characteristics have a universal pattern as they are likely to increase risk of poverty across all EU member states, while others are country-specific.

Even though women occupy more disadvantaged positions in the labor market as they are more likely to be engaged in low paid, precarious, and atypical employment (Pena-Casas and Lata 2004, 51); it has been shown that the risk of in-work poverty among women in the majority of European countries face similar or even lower in-work poverty risk than their male counterparts (Hanzl-Weiß and Vidovic 2010). This “paradox” can be explained by measurement inconsistencies of European in-work poverty indicators, as work is measured at the individual level while poverty is measured at the household level (Ponthieux 2010; Bardone and Guio 2005, 2). In-work poverty definitions are built on the presumption that income is distributed equally among household members. However, in fact, this does not capture how income actually is distributed inside a household.

Similarly, the data on the link between age and in-work poverty are in some ways inconsistent since vulnerability of specific age groups varies from country to country (Frazer and Marlier 2010; Hanzl-Weiß and Vidovic 2010). Low level of education is considered as another individual explanatory characteristic increasing the risk of low paid employment, and potentially leading to poverty across the EU (European Commission 2012, 148). By the same token, ethnic minorities and migrants not only face disadvantages in integrating into the labor market, but also experience high in-work poverty risk throughout the EU (Gottfried and Lawton 2010, 7).

Household composition and its work intensity (household employment patterns) are identified in the literature as another important explanatory and analytical unit of in-work poverty analysis (Frazer and Marlier 2010). Having children and living in a low work intensity household are often identified as factors increasing risk of poverty among employees (Bradshaw et al. 2010; Crettaz and Bonoli 2010; Crettaz 2011; Eurofound 2010). The quality of employment is another significant factor influencing a household’s risk of falling into poverty. Gazier (2008, 10) argues that any investigation of the relationship between work and poverty must involve an analysis of the quality of work and its dynamics, implemented in the labor market. Indeed, it has been revealed that quality of employment is more important than employment per se in preventing recurrent poverty (Tomlinson and Walker 2010).

Often the issues of in-work poverty and low wages are seen as two sides of the same coin since low pay is probably the most popular (and intuitive) explanation for in-work poverty. However, experts emphasize that although in-work poverty and low pay employment overlap in some cases, the relationship between the two is not as straightforward as it may seem at first glance. Nolan and Marx (1999, 9) observed “most low paid employees are not in poor households but most employees in poor households are low paid”. For instance, a study conducted in 2000 showed that, according to the EU average, just 20% of workers who received low wages were poor (Marlier and Ponthieux 2000).

Although individual, household, and job characteristics may provide a partial explanation of in-work poverty, at the same time a number of questions emerge. For example, they do not explain the differences in the composition and extent of the socio- demographic profile of the working poor across the European Union. Consequently, in order to investigate structural determinants of in-work poverty, researchers opt to focus on specific national institutional settings and policies. A number of studies have investigated a link between the welfare state and labor market institutions and the extent of in-work poverty (Lohmann 2008; Fraser et al. 2011; Gazier 2008).

For instance, it has been suggested that higher levels of welfare generosity (measured in terms of total social expenditure as a percentage of GDP) can contribute to lower levels of in-work poverty (Lohmann 2006). It has been argued that policies of the welfare state not only have a major role in poverty reduction via transfers, but also they may influence pre-transfer levels of poverty. On the one hand, welfare policies may influence levels of pre-transfer poverty in a country as “the level of transfer influences the level of wages workers are willing to accept and thus the levels of earnings” (Lohmann 2008, 491). On the other hand, institutions of the welfare state have a big role in poverty reduction via transfers, both in relation to the employed person and other household members. Since the provision of in-work benefits is more of an exception than the common practice in EU welfare states, the benefits provided to household members are very important in terms of the conditions related to preventing or lifting households out of poverty. Differences in state arrangements related to social protection and social assistance policies, labor market policies and fiscal policies are seen as main factors that account for the variety of in-work poverty experiences across different countries (Gutierrez Palacios et al. 2009). For instance, labor market segmentation is deemed be one of the key structural determinants of in-work poverty (Rodriguez Cabrero 2010). As theories of segmented and dual labor market highlight, individuals who are employed in the secondary labor market are exposed to greater levels of precariousness due to poor quality jobs (Reich et al. 1973; Davidsson and Naczyk 2009; Tomlinson and Walker 2010). The joint EU report showed that labor segmentation is happening through the following mechanisms: 1) exploitation and discrimination, 2) the promotion of insecure employment and irregular work, and 3) low levels of education and skills (Frazer and Malier 2010, 32-37). Some authors have chosen to investigate the differences within national institutional contexts as a part of a more holistic approach of welfare regime analysis (Cretazz 2011; Andress and Lohmann 2008). This premise suggests that in-work poverty might manifest differently across different welfare regimes. For instance, Andress and Lohmann (2008, 299) argue that:

In-work poverty risk is expected to be high in the liberal welfare regime, where the market is the main provider of individual welfare and wage inequalities are high, increasing the risk of low pay, while state support in case of income loss (due to unemployment, sickness and retirement), low pay and restricted earnings capacity (for example, because of parenting) is scarce.

On the one hand, the welfare regime model provides a useful basis for a theoretical analytical framework as it can explain some variations in the composition of the working poor across different regimes. On the other hand, there is a lack of studies that could prove a strong evidence that variations in the levels and characteristics of in-work poverty could be explained by the welfare regime typology.

All in all, in-work poverty research looks at the issue from three key dimensions, namely micro, meso and macro. Individual and job characteristics represent a micro dimension of in-work poverty analysis as it looks at such triggers of in-work poverty as gender, age, households’ size and its employment intensity. Analysis of job characteristics represents meso level of in-work poverty research as it investigates the employment factors that are likely to increase individual vulnerability to in-work poverty. Finally, institutional and structural characteristics outlines the macro triggers of the phenomenon. This paper adopts a multidimensional framework of analysis as it not only looks at individual, household and job triggers of the phenomenon but also discusses its structural determinants. What is more, it takes the conventional in-work poverty analysis one step further by investigating the first-hand experiences and effects of poverty on the working people.

**Methodological remarks and limitations**

Even though there is an increasing interest in the issue within the European scientific community, a majority of researchers choose to research the problem through a macro-economic dimension, either by providing descriptive analysis or discussing structural factors shaping in-work poverty, predominantly, in the older Member States. In-work experiences of the poor are rarely documented, especially in the Baltic States. Thus, the qualitative data discussed in the following sections, addresses this regional research gap. Furthermore, this data was used to provide a unique glance into the first-hand employment experience and the effects working poverty has on lives of individuals and their families. They provide information about the realities of the working poor that are not possible to monitor or capture by statistical data. Statistics, when available, are used to contextualize the individual experiences of the research participants and illustrate how they reflect the broader national trends.

The qualitative data presented in this paper was collected through 36 semi-structured interviews with working people, 28 of whom were women. The interviews were conducted in January of 2012 in the capital of Lithuania, Vilnius. The research participants were selected through a purposive sample procedure. Maxwell (1997, p.87) defined this sampling technique as ‘particular settings, persons, or events that are deliberately selected for the important information they can provide that cannot be gotten as well from other choices’. The interviewees were selected according to two criteria: 1) their employment span had to exceed 6 months; 2) household income had to be below the official poverty line. The selection criteria of the participants reflected the existing statistical “in-work poverty” indicator used by the European Commission and Eurostat (European Commission 2009, p.11). The participants were recruited with the help of local NGOs, primarily the Maisto Bankas (Food Bank), assisting people experiencing poverty. With the exception of three families, all people in the investigated sample qualified as ‘people in greatest need’ (‘labaiausiai nepasiturintys asmenys’) and were receiving MIALTNA support from the NGOs*.* MIALTNA is the EU’s a food distribution programme, which, with the help of local NGOs, has provided food to the most deprived persons[[3]](#footnote-3).

The potential participants were identified, approached and asked about their willingness to participate in the research, either by the researcher personally, or by the representatives of the organizations. In the first case, the researcher approached people who came to collect their food support at the headquarters of the Maisto Bankas. Individuals employed for more than 6 months were selected by inquiring people about their employment status. Afterwards they were given a briefing about the research, and then were asked whether they would agree to participate in it. Nearly twenty participants were selected in this way. The second recruiting approach was to contact various NGOs and ask them to select individuals who corresponded to the criteria outlined in the research. These organizations asked their members about their willingness to participate in the research and , subsequently, the contact details of prospective participants were given to the researcher. After identification of the working poor within the wider population, the sampling strategy was converted to convenience/availability sample as everyone who agreed to participate in the study was included in the sample.

With the consent of the participants, the audio versions of interviews were recorded and afterward transcribed. Interviews were carried out in Lithuanian, and in a few cases in Russian. The identities of the interviewees were anonymized. This study utilized thematic analysis. This type of analytical strategy moves ‘beyond counting explicit words or phrases and focuses on identifying and describing both implicit and explicit ideas within the data, that is, themes’ (Guest et al 2012, p.10). All the data were arranged according to three key themes, namely, personal characteristics of respondents, aspects relating to their employment and their household characteristics. The analysis was conducted using NVivo, a qualitative data analysis computer software program, which allowed to organize and store the date electronically.

 It must be noted thateven though these interviews have provided a vital understanding of experiences of the working poor in Lithuania, the chosen sampling method had some limitations. Whilst the sampling strategy provided a unique gateway to the working poor, the group that otherwise is difficult to identify or access within the wider population, some demographic groups were not adequately represented within the sample (e.g. younger and older workers). Similarly, this study was conducted only among the residents of Vilnius, the capital of Lithuania, therefore, it does not necessarily reflect or represent experiences of people living in other areas.

**The key triggers of in-work poverty escalation during the aftermath of the Global Economic Crisis**

The sharp increase in in-work poverty in Lithuania by and large coincided with the period of the global financial crisis. The recession impacted upon economies of all the EU Member States (Avram et al. 2013). Deterioration of economic growth followed by recession had a severe impact on labor markets across the region, which consequently adversely affected working circumstances of individuals within different sectors of employment also in the Baltic States (Juska and Woolfson 2014; Sippola 2012; Bučaitė -Vilkė and Tereškinas 2016). The global financial crisis had an impact on growing poverty levels among the working people due to such austerity policies, adopted by both private and public sectors, as reduction of working hours, wage cuts and payment delays (Gottfried and Lawton 2010). Nevertheless, there are significant differences in the extent and socio- demographic profile of the working poor across the EU and most of the other countries in the region did not experience such a significant expansion of the problem as did Lithuania. Taking into account the fact that the cluster of lowest earners in Lithuania were in rather precarious positions in the labor market even before the crisis (due to low levels of employee mobilization, low coverage of collective bargaining agreements, excessively low wages and low social protection expenditure) they were the ones who were affected by these measures the most (Crowley and Ost 2001; Vanhuysse 2009; Aidukaitė 2013). Moreover, Lithuania has one of the highest levels of income inequalities in the EU, which also indicates that growth in GDP per capita did not benefit all income groups equally, in particular leaving behind low-paid workers and their families.

Therefore, the crisis deepened employment inequalities of an already thriving labor market segmentation within the region and consequently prompted in-work poverty growth in the country (Masso and Krillo 2011; Juska and Woolfson 2014). Furthermore, governmental austerity measures, such as revocation of universal family benefits or wage reductions implemented in the country at that time, did little to ease the burden of working households, especially for those with low incomes (Avram et al. 2013). This had a devastating effect on the most vulnerable groups of employees of that time, especially women.

The participants of this research revealed that they experienced the negative impact of the crisis through such aspects as a decrease in wages, working hours or even loss of their jobs. For many interviewees it was also the time when they were pushed into poverty.Indeed, the in-work poverty risk in Lithuania increased considerably between 2007 and 2010, while it remained around the same level in the EU27 as a whole (Figure 1).

[Figure 1]

Even though from 2007 until 2010 the in-work poverty rate in Lithuania increased among both genders, the effect on women was noticeably stronger. Whilst male in-work poverty rose from 7.7% in 2007 to 10.6% in 2010, the rate among females increased from 8.4% to 14.3% in the same time period (Eurostat 2017). At that time period, the risk of in-work poverty for women in the majority of European countries was similar or even lower to that of their male counterparts (Eurofound 2010; Ponthieux 2010; Pena Casas-Latta 2004). In 2010 Lithuania not only exceeded the EU average rate of female in-work poverty by 6.5 percentage points , but it also had one of the highest working poverty rates among females in the EU (Eurostat 2017)[[4]](#footnote-4).

**The gender effect**

Women have experienced higher risk of in-work poverty due to the combination of two key factors, namely, their employment (or their position within the labor market) and household structure. To begin with, the highest total risk of in-work poverty was recorded among women in the youngest cohort (18-24), which indicates that young women were more likely to become “outsiders” as the labor market entrance conditions for them apparently were less favorable in comparison to their male counterparts (Table 1 in Annex). Moreover, women in atypical employment were far more likely than men to face risk of poverty. For instance, the working poverty risk among women in temporary employment was nearly four times higher than among men (Figure 2). Furthermore, women working in temporary positions in Lithuania were far more likely to experience poverty than women in other countries in the region (32.8 %, in comparison to 12.8% in the EU27, 8.1% in Estonia and 19.0% in Latvia). This means that in 2010 every third woman in temporary work in Lithuania was at risk of being working poor.

 [Figure 2]

While working part-time put working people in Lithuania in a significantly greater risk of poverty (22.7%, in comparison to 12.4% in the EU27), working full-time did not eliminate risk of poverty for 11% of employees in the country (in comparison to 7.3% in the EU27, 5.5% in Estonia and 8.2% in Latvia). Even thoughthe research shows that women are more likely to adopt flexible non-standard work patterns, due to the deeply ingrained traditional gender roles (Lewis 2006; Petrongolo 2004), in Lithuania this type of employment is not as widespread as in other European countries. The female part-time employment rate was more than three times lower in Lithuania (9.3%) in comparison to the EU27 average (31.9%). This trend was also visible among the interviewees, the majority of whom were employed on a full-time basis.

Household structure has been widely discussed in the literature on working poverty as it is arguably the most important trigger of poverty (Pena-Casas and Latta 2004) and in this study, it has been identified as the second key factor that made employed women more vulnerable to poverty in Lithuania. All participants of this study were living in families with children. More than half of them were single mothers. Indeed, the working povertyrate was found to be highest in Lithuania among single parents with dependent children (the great majority of whom are women) (Figure 3). This fact reflects the general trend across Europe: having dependent children increases the risk of in-work poverty, especially for single parents (Crettaz and Bonoli 2010; Frazer and Marlier 2010; Bradshaw et al. 2010). However, in Lithuania, the proportion of working poor among single people with dependent children (41.9%) was nearly two times higher than in the EU27(21.3%), Estonia (22.2%) and Latvia (21.8%). In other words, the group of workers that was disproportionally affected by the issue at the EU level (single person with dependent children) was nearly twice as likely to experience poverty in Lithuania.

[Figure 3]

The fact that in-work poverty manifests more often in the working households with children may be explained by the argument that reliance on market income no longer can guarantee “an income sufficient to lift families with children above a poverty threshold” (Bradshaw and Huby 2014: 27). Consequently, social transfer plays an important role in lifting families out of poverty and reducing child poverty rate (Van Mechelen and Bradshaw 2013). In comparison to other types of benefits (e.g. old age or social exclusion) the child benefits had the biggest influence on reduction in poverty levels not only in Lithuania, but across the majority of European countries. Between 2008 and 2012 spending on family with children in Lithuania decreased by nearly 20%, which was primarily influenced by cuts in universal family benefits (Bradshaw and Chzhen 2015). Consequently, decreasing spending on child benefits in Lithuania undoubtedly played a role in the high in-work poverty level in the country*,* especially among women.

**The impact of low-wage employment**

Around a half of all people in the sample were sole-earners within their households. Nearly all participants in this research were either receiving minimum, or just above minimum, wage. At the time of the study the minimum wage in Lithuania was LTL800 (232 EUR). A wage is often not only the main but also the only source of income for people in employment. Therefore, the level of income may have a significant influence on in-work poverty risk. Furthermore, low wages are often accompanied by insecure employment, financial insecurities and social exclusion (Shildrick et al. 2010), therefore, low-wage workers could potentially be more likely to experience in-work poverty. However, there is no available data on the level of earning of the working poor or what proportion of this group earn low wages since earning dimension is not included in the statistical in-work poverty indicators. Nevertheless, Lithuania has one of the highest[[5]](#footnote-5) shares of low-wage employees in the EU: in 2010 27.2% (29.4% of women and 24.5% of men) were earning low wages (Bezzina 2012).Also, Lithuania is characterized by excessively low wage levels as it falls into the group of countries with the lowest levels of national minimum wages in the EU (Schulten 2014). Furthermore, the decline in wages that occurred in 2009 in both private (by 5%) and public (up to 9%) sectors escalated the situation (Gruževskis and Blažienė 2011: 4). Even though the individual income from employment had been subjected to a low flat tax rate (15%) that incorporated tax-exempt allowances (a part of the minimum wage was still taxable), “there are no tax credits in Lithuanian individual income tax system (except of that providing for elimination of double taxation of income of the Lithuanian resident derived abroad)” (OECD 2013: 24). The absence of specific social benefits (in-cash or in-kind), low wage rates and the existing tax burden did little to ease the financial struggle of low-wage workers. Unsatisfactory levels of wages were one of the most widespread work-related concerns raised by all interviewees. Across the whole sample, there was a unified agreement that their current level of earnings was not allowing people to sustain an adequate living standard. Thirty-six year old full-time baker Birutė gave an account of the change in her wage in the period before and after the fiscal crisis. She revealed how it had affected her family life:

In my opinion, the biggest problem is the substantial cut in wages that we experienced after the financial crisis. Four years ago I worked in the IKI system (*a chain of supermarkets*). At that time I was earning 900 litas NET (including night shifts) in a month. I took a work leave and I went to Great Britain during the summer to look for better opportunities. I came back after four months and got back to my work. And then I was getting about 1500 Net, we could afford everything then since everything was cheaper. Price of milk at that time was 1.20 litas, now it is double that. We had to reduce the amount of meat that we eat. I think 1500 should be a minimum salary now. People are forced to take loans if they want to improve their situation. It is easy to get loan, but consequences are harsh.

A gap between wages and increasing living costs had an enormous effect on the wellbeing of many families. Despite such low wage levels, employees in Lithuania still had to carry the personal income tax burden and they were not entitled to any specific in-work benefits. They were only eligible to apply for the generic means-tested benefits (such as child benefits, compensations for utility bills or social assistance benefits). However, the majority or the participants stated that they were not receiving any social assistance benefits (due to strict eligibility criteria) or they were receiving some sort of support (often child benefits) that they deemed as insufficient and having little impact on their household budget.

Employment within the private sphere of the service sector was the most common among the participants. Employees working in customer services dominated the sample, with the most widespread employment positions being sales assistants and cleaners. In 2011, from 189 100 service and sales workers in the country, 135 300 were female and 53 700 male (Statistics Lithuania 2012). Furthermore, 24 600 of women, in comparison to 15 400 men, had a second job in the service sector. Incidence of minimum wages was more recurrent in the private domain of the service sector. For example, in 2011, 33.9% of employees in accommodation and food services and 25.1% in other service activities were earning the minimum wage (Statistic Lithuania 2012). Juska and Woolfson (2014) argue that manufacturing and service sectors in Lithuania embody the secondary labor market that offers limited jobs, low pay and security, and poor employment quality. As a result, individuals who are employed in the secondary labor market are exposed to greater labor market insecurities and precariousness and, therefore, may face higher in-work poverty risk.

**The reality of precarious employment**

Precarious employment might involve such risk as: unconventional working hours, inadequate pay for overtime, short notice of upcoming extra hours of work, requirements to conduct tasks not involved in the job contract, discrimination at work, inability to take time off work in case of family circumstances, weak employee support in relation to career advancement and work entitlements, inability to get benefit entitlements because of bureaucratic errors occurring in the work place, and a highly insecure job position (Shildrick et al. 2010).

Such unfavorable employment characteristics were reflected in the work experiences of the interviewees. People expressed their discontent about the frequently occurring unpaid overtime. A female baker revealed:

I am working 8 hours a day officially, 12 hours unofficially. Now it is everywhere like that. It is a private bakery, and official working schedule is just hanging on a wall. However, in reality, it is completely different. Every big supermarket is doing the same thing: they are saying that person will work 8 hours, but everyone actually is working 12 hours a day. In public sector you will work 8 hours, but not in a private one. They are not paying for the night shifts, and for the weekend shifts. I can’t choose my working hours. And even as a single mother who is raising two kids, I can’t go on a paid sick leave even for a few days.

Although, some aspects of a job are often unsatisfactory, an awareness of even less satisfactory jobs circulating in the market creates an illusion that a current job is satisfactory:

There are some other jobs out there, but they have even bigger requirements. I had to quit a job in a big supermarket, although my wage was higher than in my current job, because the pressure was enormous there. I was working more than 12 hours. I only could leave when I was finished with a task of the day. Therefore, I decided to quit, and look for a job that coincides with my health. In my current job working hours are more flexible. It is not so strict that I have to stay from 6am till 6pm. If I am managing to complete my task, I can leave a bit earlier. Although my wage is lower now, I feel less pressure and working conditions are better.

Another line of employment concerns was related to the absence of a clearly defined working role. Some participants complained that they had to perform a number of duties which were not part of their job description. A sale assistant noticed that “now it is extremely difficult to get any kind of job. And I think by knowing that, employers are abusing the situation. They are hiring you to be a sale assistant, but you will also be a cleaner and anything else they want”. Participants revealed that they had to conform to the requirements of their employers to perform additional tasks at their job, because they felt that they do not have any other choice if they want to remain in their job:

If a person works now, one has to work for several people. Because employers have a golden phrase, ‘there are a number of people who are lining up for your job’. It is difficult emotionally. A sales person has to take a big amount of money into a bank. A question about security of this kind of task was raised in our employment place. And they are answering that ‘if you don’t like your tasks, we will find a person who will’. Then you understand that you don’t have any other option. If you are not skilled to do an administrative task, they will shout at you that you are not good at that. Once I was asking my friend how to fill in some accounting books. She asked me if I have changed my job. Have I become an accountant? No, I said, I am just a sale assistant. But if you would be employed as an accountant, you would get over 1000 litas. And now for a minimum salary you have to do all these tasks. I have to work not only as a baker but also as a cleaner, a sales person, an administrator and a supervisor. There is no strict labor division and it is not clear what your position is. But it is not possible to negotiate anything.

One of the respondents noticed that the issue of “multitasking” at work became very prevalent after the fiscal crisis. Another said that “I have many friends who are working in big markets, their salary was reduced, however, the amount of the work increased”. Employees had a constant feeling of uncertainty and anxiety coming from verbal pressure exerted by employers. Even though people realize the injustice of the situation, they are restricted from any actions. This is a common theme expressed in a number of interviews. A thirty-five year-old sale-assistant, Inga, is described pressure that she experiences at work on a daily-basis:

Our management is strictly supervising us and watching over our every step. They may not like you and they will fire you without any consideration. If they see that you didn’t have enough sleep, they will tell you that you look bad and you should do something about it. It is very unstable; I don’t know what they will think about me in half a year. We are even not able to have a fifteen minutes break during the 12 hours shift. We have to swallow our food in shop and get back to work as fast as possible. We work 12 hour a day for 15 days a month. I think it is more hours than we suppose to work. But no one says anything, because everyone is afraid to lose their job. I think a person is such a creature that is getting used to things. We just learn how to adapt in the situation that is upon us.

Despite these issues and the precarious nature of their employment, interviewees had an unconditional appreciation of having a job, any job. People were aware of unemployment and the discrimination taking place in the labor market in recent years, especially related to age and gender. Speaking about her appreciation of having a job, one woman revealed that “employers are unwilling to employ you if you are older and I am almost fifty”. However, this type of discrimination was already experienced by participants as young as 38. Speaking about the difficulties of finding a job in the current labor market, a woman of 48 years, noticed that “there are many people like me, people who are of my age and they are not fitting in”. Both male and female participants emphasized that middle-aged women face a bigger challenge in finding a job than younger ones. Such personal observations reflect the official data on age discrimination provided by the office of equal opportunities of Lithuania (Burneikienė, 2012). According to the number of complaints received by the office in the past years, age discrimination is one of the most widespread forms of discrimination in the country. Age discrimination is especially pronounced within the labor market due to the negative attitude of the younger employers towards the older employees. This trend can clearly be observed in the online job advertisements, which often favor people of certain age groups. Such age discrimination occurs more often among women (Burneikiene 2012). Furthermore, lone mothers revealed that employers are often unwilling to employ them, because of their child-caring obligations. A single mother, who was about to look for a new job due to the closure of the factory where she had been working, shared her anxiety of the upcoming job hunt: ‘everyone is afraid to hire a mother with 3 children. They are saying what will happen if any of the children will get ill?’.

Poverty stricken working people in the country find themselves caught in a loophole in the welfare structure. On the one hand, despite active labor market participation they are unable to secure sufficient income that would enable them to lead dignified poverty-free lives. On the other hand, due to active labor market participation, they are not entitled to any supplementary governmental support. In other words, they are damned if they do (participate in labor market activities), damned if they do not. Therefore, due to rather meagre welfare transfers, residents of Lithuania are left with little choice but to pick the lesser of two evils and accept low levels of earning rather than even lower levels of transfer. Since the labor market within the liberal welfare regime creates a strong demand for low-skilled jobs, these individuals are likely to be pushed into low-paid jobs. All in all, even though the roots of in-work poverty in Lithuania are predominantly structural, the emerging struggle is rather personal.

**The ramification of living in in-work poverty: from compromised health to stigma**

A number of studies have established that there is a strong link between poverty and poor health (Townsend et al., 1988). People living on a low income are more likely to experience a number of mental and physical health problems in comparison with people who are better off (Oppenheim and Harker 1996). The majority of participants of this study identified psychological distress as one of the main difficulties caused by living on low incomes. Insufficient income and inability to save not only sustains feelings of financial insecurity, but also increases feelings of anxiety and depression:

At this stage we are not able to save any money and it is very depressing. When you are able to save you feel good and you know that if you will get ill or you will have some additional expenses you will be able to cover it. And when you see that you are not able to save anything life is getting gloomy.

 (Andrius, opera house employee)

Similarly, forty three year-old part-time manager Alina spoke about the daily emotional struggle she encountered:

When a person doesn’t have any money, it is very difficult mentally. You feel inferior. We were living differently before and now when we have to live this way it is very difficult. My job requires me to look good, and it also needs money. You have to look good at work, you have to smile even if you know that your fridge is empty. You have to fight with yourself constantly, you trying not to give up. You know that you need to smile, you need to live, but in reality, the living is very difficult.

 (Alina, a single mother of two)

Psychological distress escalates with the pressure of parenthood. Earlier studies showed that individuals with dependent children often associate the ability to provide material goods with an essential feature of being a good parent. The feeling of guilt that emerges from an inability to provide for children is extremely common among women. This can be explained by the fact that the responsibility of financial management in low income households is commonly attached to women (Women’s Budget Group 2005). Several studies in the UK revealed that usually women have the responsibility of the day-to- day household budget management (Kempson 1994; Hooper at el. 2007; Bennett and Daly 2014). Moreover, research conducted by Sung and Bennett (2007, p.165) revealed that “both men and women often considered spending for children and the household by women as those women’s personal spending, because women’s identity was seen as so closely bound up with family”.

A majority of the respondents expressed concern about the wellbeing of their children. Often, emotional discomfort was caused by an effort to protect children from knowing the actual struggles of a household. This was often a very stressful experience. Twenty year-old Vaida said, “I am trying not to show my emotions. I don’t want to show my child that something is wrong. But I have some difficult moments; sometimes I take medicine to calm myself down*.*”Some parents revealed that refusing their children some goods, in many cases even some food products, has a devastating effect on their emotional wellbeing. The process of “explaining to children that we are not able to afford anything they want” is the biggest nightmare of many. At the same time, a number of parents said that their children were their only motivation to keep on going, as they didn’t see any prospects for their own future. Forty year old Danutė, revealed that at times her struggle to survive and support her family was unbearable. She admitted that “It is very difficult psychologically. If not for my children, I would kill myself. They are my only motivation.” Cohen’s (1992) research shows that “Women were more likely than men to associate their own sense of self-worth with how they provided and brought up the children”. As Attree (2005, p. 236) puts it this creates a “moral dimension of ‘managing’ poverty” as the inability to provide proper diets for their children is often considered by mothers as a personal failure and therefore, it diminishes their self-esteem.

In some cases, psychological pressure affected the physical health of the participants. Antanas, who was experiencing constant pressure to provide for his family feels desperation over his inability to change his situation. He said that the entire struggle had a severe effect on his life, “I had a heart attack 3 times, and I am just 40. Do you think it is from a good life?”. However, even though people were suffering from some health problems they were trying to avoid seeking medical help. Some people reported that they would go to see a doctor only if their children were ill. Otherwise, they would try to use available home remedies. That applied even for some more extreme cases. Laura said that she has a disability, and she felt very poorly all the time. She was aware of having serious health issues. However, she tried to avoid going to the doctor. On the one hand, she felt that she “cannot waste time” on it. On the other hand, she was trying to avoid the potential cost of treatment and medication. Although some respondents were aware of the potential risk of ignoring health issues, for many, their health was not a priority.

Stigmatization and discrimination were common experiences for people living on low incomes. Stigma is often defined as an inevitable consequence of living in poverty. It affects many aspects of people’s lives and can take a number of forms. Stigma is closely associated with the dichotomous process of “othering” (Pickering 2001; Lister 2004). The concept of “othering” refers to a symbolic division between “them” (the poor) and “us” (the non-poor), which underlines the moral superiority of the latter group. Indeed, individuals on low income, feel that they are “different” from the rest of society either because they are actively reminded of it by others, or because they feel their own inability to maintain living standards existing in the wider society. People living in poverty often reveal that they feel negative attitudes towards them from some members of the public, as they feel that “others” do not show any respect and look down on them. An inability to afford the lifestyles that are perceived as normal by the majority, often makes people living with low income or poverty feel different and marked by stigma. People live with an awareness that even such basic items that they purchase, such as food or clothes, are far below what other people can enjoy (Dowler et al. 2001; Kempson 1996; Ghate and Hazel 2002; Beresford et al. 1999).

Poverty-affected working individuals are more often exposed to social situations where they either feel inferior, or they are actively reminded of their inferiority by others. Simple daily activities of employees, such as leaving home, going to work, using public transport or communicating with people at work, intensify levels of social interaction, and therefore increase risk of exposure to stigmatization and “othering”. Joana, who notably defined her living conditions as above average, became distressed about the attitude of some people with regard to her economic situation. She recalled a painful encounter with a group of parents in the kindergarten attended by her children:

We had a situation where we had to buy Christmas presents with our last money. This happened in the kindergarten. First, we tried to agree with other parents to buy the same gifts for all children who are attending this kindergarten. I was saying that there is no need to show the children that some parents are doing better than others financially. However, I was told by several of the parents that ‘you can’t hide it, if you don’t have money it is visible anyway’. Some can insult you and they will think that it is normal.

**Conclusion**

This paper provides insights into an under- researched area of in-work poverty in Lithuania. Relying on in-depth interviews, it provides an account of intimate experiences of working people living in poverty in the aftermath of the global financial and economic crisis. This never have been documented before. The paper argues that due to the neo-liberal austerity policies that were implemented as a response to the global economic crisis of 2007-2008 in Lithuania, the country has experienced an alarming and unprecedented growth of in-work poverty levels. In this study precarious low-wage employment has been identified as a key trigger of in-work poverty in the country. The fact that low-wage employment is so widespread in Lithuania, puts a significant proportion of the population at a greater risk of poverty. Precariousness of employment encountered by the working poor manifests not only through employment features such as low-pay or unpaid overtime, but also through psychosocial experiences such as constant anxiety due to the fear of being easily replaceable and losing one’s job. The in-work poverty expansion in Lithuania disproportionally affected women, families with children and single parents. Precarious position within the labor market and household composition made working women especially vulnerable to in-work poverty. Besides facing financial struggles and deprivation, the working poor are often subjected to discrimination and stigmatization because of their inability to conform to living standards existing in the wider society. Such experiences had a deteriorating impact on both the physical and mental wellbeing, as well as the overall quality of life for the participants of this study.

All in all, this paper provides a rare glimpse into the realities of individuals who were exposed to in-work poverty in the country, as well as portraying the personal nature and consequences of the phenomenon. So, what does it mean to be working poor in Lithuania? It is likely to mean working full time or being employed in more than one place. It also means having little control over your own career pattern, which is likely to be shaped by such structural events as the global financial crisis. It also means having no say in your place of employment and doing routine extra tasks (including unpaid overtime work) due to the fear of losing your only source of income. People living in in-work poverty lead ordinary lives that require extraordinary efforts. They have little support from the welfare state; therefore, they largely rely on themselves or, in some cases, their closest family members. Their daily lives represent constant struggle. Not only are they deprived of material things, such as food and decent housing, that are considered to be the norm by the majority of people living in developed countries, but they also experience the emotional burden and social stigma that derives from such a way of life. Most importantly, however, the interviews revealed that the experience of the working poverty in Lithuania is life- changing as it likely to alter individual long-term life trajectories. As a final point, future researcher is needed into short-term and long-term effects of in-work poverty on different demographic groups. Also, since in-work poverty trends in Lithuania during the last decade have proved to be rather fluctuating further research into more recent in-work poverty trends is also required.

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**Annex**

Table 1

**Table 1:**In-work at-risk-of-poverty rate by age and sex, 2010 (%)

|  |  |  |  |
| --- | --- | --- | --- |
|   | Total, by Age | Males, by Age | Females, by Age |
|   | *18-24* | *25-54* | *55-64* | *18-24* | *15-54* | *55-64* | *18-24* | *25-54* | *55-64* |
| EU27 | 10.8 | 8.3 | 7.1 | 10.8 | 8.8 | 7.3 | 11.0 | 7.6 | 6.9 |
| Estonia | 4.3 | 7.1 | 6.0 | 1.2 | 5.4 | 6.4 | 8.2 | 8.7 | 5.8 |
| Latvia | 8.0 | 10.2 | 8.2 | 8.6 | 9.7 | 8.3 | 7.3 | 10.6 | 8.1 |
| Lithuania | 11.8 | 13.4 | 9.5 | 6.4 | 11.2 | 9.6 | 17.1 | 15.2 | 9.3 |

Source: *Eurostat, EU-SILC 2017*

**Figure 1:**In-work at-risk-of-poverty rate (Total), 2007-2013 (%)

Source: *Eurostat, EU- SILC 2017*

**Figure 2**: In-work at-risk-of-poverty rate by household type, 2010 (%)

Source: *Eurostat, EU-SILC 2017*

**Figure 3**: In-work at-risk-of-poverty rate by type of contract, 2010 (%)

Source: *Eurostat, EU-SILC 2017*

1. Refers to greatly successful economies of Hong Kong, Singapore, South Korea and Taiwan. [↑](#footnote-ref-1)
2. Indicates data extraction year [↑](#footnote-ref-2)
3. In case of Lithuania, to people whose individual monthly income does not exceed 1.5 times the government supported income (SSI). During the period of this research, this amount was LTL525 (£123) for one person in a family and for disabled and single individuals this amount was not more than LTL700 (£164), which meant that these people were living below the official at-risk-of-poverty threshold. [↑](#footnote-ref-3)
4. 3 Notably, while in-work poverty was expanding more rapidly among women, unemployment was spreading faster among men. In 2010 in Lithuania as many as 21.2%of men were unemployed in comparison to14.5%of women (Eurostat 2017). The higher rates of job loss among men in Lithuania during this period can be explained by the greater deterioration in male dominated employment sectors such as manufacturing and construction. Gruževskis and Blažienė (2011, p.6) showed that the highest loss of jobs during these two years occurred in the sectors of construction (73 thousand job vacancies) and manufacturing (52 thousand jobs). Sharply increasing levels of unemployment among men and the feminization of in-work poverty undoubtedly could be interrelated: in nuclear families sustained by two adult workers, a case of job loss by the male partner could make the woman the only breadwinner in the family, which would decrease household’s work intensity and increase female in-work poverty risk. [↑](#footnote-ref-4)
5. Less than in Latvia (27.8%) but more than in Romania (25.6%) [↑](#footnote-ref-5)