

Addressing poverty in the EU

Taking action on welfare, household debt and pensions

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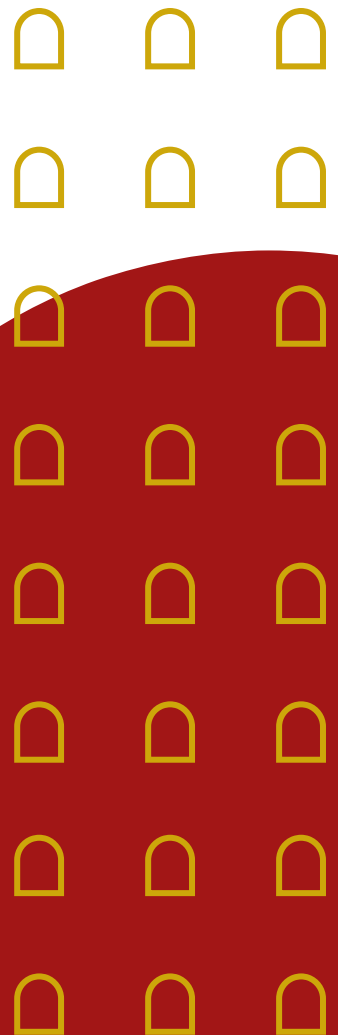
16 January 2025

Research Insights #11

Millions of people across the EU are living in poverty because they are trapped in low-paid, part-time work to finance their household debt. Increasing access to welfare, helping households to manage debt and supporting more stable pensions, will give EU citizens more financial security – empowering them to negotiate higher salaries, better working conditions and ultimately lifting them out of poverty.

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Cite brief as: Galanis, G., Gouzoulis, G. and Iliopoulos, P. (2025). Addressing poverty in the EU: Taking action on welfare, household debt and pensions, Research Insights #11, School of Business and Management, Queen Mary University of London. Available at www.qmul.ac.uk/busman/research/research-insights.



In this briefing, we share insights from research exploring the social and labour force impacts of ‘financialisation’ in the EU, a model of economic growth based on financial markets and speculation. Our research shows how declining public welfare and rising personal debt depresses wages and forces people into involuntary part-time work, leading to financial insecurity. This is compounded by companies investing in volatile stock market operations to fund their businesses and pension schemes, which leads to cost-cutting measures impacting on workers and uncertainty over retirement income.

Research overview

We have carried out econometric research exploring a range of secondary Eurostat and panel data from the last 20 years, including figures on under-employment, pay, household debt and union membership.

- Two papers explore the impact of financialisation on rates of involuntary part-time work and wage share in Greece after the 2008 global financial crisis.
- A third paper explores the impact of financialisation on trade union membership analysing data for 15 EU countries.

Key recommendations for policymakers

1

Encourage governments to introduce permanent private debt relief measures to help people manage or reduce their personal debt, recognising that this will have positive effects for society.

4

Incentivise companies to move away from employing workers on part-time and temporary contracts as a way of cutting costs and instead towards providing more secure, long-term employment.

2

Ensure people can access public welfare services, such as healthcare, regardless of their employment status, so people are not forced into precarious employment to access services.

5

Move towards more stable ‘pay-as-you-go’ pension systems that are funded by secure employment contributions, rather than speculation in volatile financial markets.

3

Strengthen trade unions to help balance power between workers and employers.

Rising household costs and reduced public welfare, particularly in relation to housing, are forcing people across the EU to borrow to cover their everyday expenses. Our research examines how personal debt, welfare systems, labour conditions and approaches to corporate and pension financing interact to increase levels of poverty across the EU.

Key insights from our findings



Support people to manage personal debt

When people have too much debt and little social support, they lose bargaining power and will take lower-quality jobs to survive. This strengthens the position of employers, making it harder for workers to negotiate better wages and working conditions, keeping them in poverty. Steps to address this:

- Introduce permanent relief measures to help people manage their personal debt
- Increase access to public welfare (if public welfare is tied to being in employment, people are more likely to accept poorly paid, part-time work to access state support – this has the unintended effect of keeping people in precarious and lower-quality employment)



Move towards more stable pension systems

Financial insecurity for workers is compounded by their pension funds investing in risky financial assets, creating uncertainty for workers around future retirement income.

Our research in Greece found this led to people taking on involuntary part-time work and older employees and retirees returning to the labour market, creating more competition and empowering employers.

Steps to address this:

- Move towards more stable ‘pay-as-you-go’ pension systems funded by secure employment contributions
- Companies can ensure the sustainability of pension schemes via higher wages and full employment
- Incentivise companies to create more secure employment – investing in secure employment enables employees to commit to their work and be more productive, helping businesses to grow



Regulate shareholder influence and support unions

Increasingly, non-financial companies fund their businesses through investments in volatile stock markets, a strategy often driven by shareholders. This exposes the company to higher levels of risk which pushes corporate management into cost-cutting strategies, including taking action against trade unions.

Policymakers aiming to promote a fairer growth agenda that addresses poverty should:

- Develop policies to support trade unions
- Regulate the influence of shareholders on corporate strategy
- Impose stricter rules on companies around downsizing



Our research has established clear links between personal debt, welfare systems, labour conditions and corporate and pension financing, keeping people trapped in this position. Effective policy to reduce poverty needs to address these factors together, rather than focusing on wages or employment alone. This will also have positive effects on the labour market and improve workplace democracy.”

– Dr Giorgos Gouzoulis

Underpinning research

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- Gouzoulis, G., Iliopoulos, P. and Galanis, G. (2024). EU-induced financialisation and its impact on the Greek wage share, 1999–2021. *European Journal of Industrial Relations*, 0(0), 1–26. <https://doi.org/10.1177/09596801241292046>
- Gouzoulis, G., Galanis, G. and Iliopoulos, P. (2024). Financialisation, shareholder value orientation, and the decline of trade union membership in the EU. *Transfer: European Review of Labour and Research*, 30(2), 161–179. [10.1177/10242589241245063](https://doi.org/10.1177/10242589241245063)



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Editor: Nick Sarson
Design: [Research Retold](#)