

Underemployment

The recent economic downturn, or what has been labelled the Global Financial Crisis (GFC), has reinforced the need to look beyond the unemployment rate in order to better explain what is happening in the labour market. There has been considerable discussion on why the unemployment rate in Australia did not rise as much as some had predicted and this has led to more attention on other measures of labour underutilisation such as the underemployment rate. As a result, underemployment has increasingly been recognised as a key measure of spare capacity in the labour market.

Being underemployed represents lost opportunities for people to engage more fully in work and derive financial and personal benefits. Not working as many hours as desired may also cause underemployed people distress and reduce their life satisfaction.¹

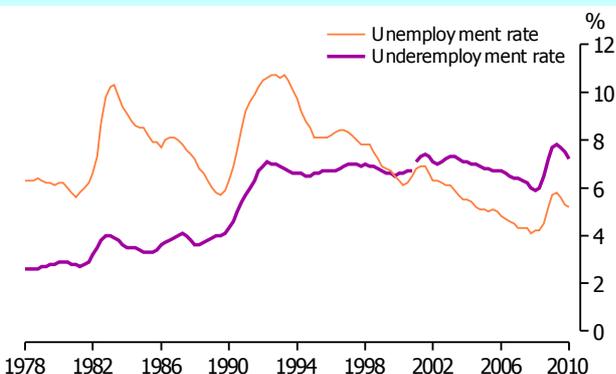
There are more underemployed workers than unemployed people in Australia.

Since 2000, underemployed workers have outnumbered unemployed people. In May 2010, there were 837,000 underemployed workers and 610,000 unemployed people. The underemployment rate was 7.2% compared with the unemployment rate of 5.2%.

Long-term trends

Although underemployed workers make up a small proportion of employed people, underemployment has been increasing over the last 30 years. Unlike the unemployment rate, which rises and falls with the business cycle, historically, the underemployment rate has

Underemployment(a) and unemployment rates



Trend data

(a) break in series in 2001

Source: ABS [Labour Force, Australia, May 2010](#) (cat. no. 6202.0)

Data sources and definitions

The information in this article comes from the ABS *Labour Force Survey* and the *Survey of Underemployed Workers*. The information collected in these surveys is published in the following ABS publications:

- ABS [Labour Force, Australia](#) (cat. no. 6202.0) – published monthly and is the main source of information on the Australian labour force. It includes the quarterly underemployment rate.
- ABS [Australian Labour Market Statistics](#) (cat. no. 6105.0) – published quarterly and brings together a range of ABS labour statistics to present a summary of the Australian labour market. It contains information on underemployed workers by industry.
- ABS [Underemployed Workers, Australia](#) (cat. no. 6265.0) – published annually and provides detailed information on the characteristics of underemployed workers.

Definitions:

- **Labour force** is the total number of people aged 15 years and over who are classified as either employed or unemployed according to their activities during the reference period by using a specific set of priority rules.
- **Full-time workers** are employed people who usually worked 35 hours or more a week (in all jobs) and those who, although usually working less than 35 hours a week, worked 35 hours or more during the reference week.
- **Part-time workers** are employed people who usually worked less than 35 hours a week (in all jobs) and either did so during the reference week, or were not at work in the reference week.
- **Underemployed workers** are employed people who want, and are available for, more hours of work than they currently have. They comprise:
 - people employed part time who want to work more hours and are available to start work with more hours, either in the reference week or in the four weeks subsequent to the survey; and
 - people employed full time who worked part time hours during the reference week for economic reasons (such as being stood down or insufficient work being available). It is assumed that these people wanted to work full time in the reference week and would have been available to do so.
- **Underemployment rate** is the number of underemployed workers expressed as a percentage of the labour force.
- **Long-term underemployed** are workers who have been underemployed for 12 months or more.

Rounding: estimates of change have been calculated using unrounded estimates, and may be different from, but are more accurate than, movements obtained from the rounded estimates.

For more detailed definitions please see ABS [Australian Labour Market Statistics](#) (cat no. 6105.0).

tended to rise in economic downturns but not recover as quickly when the economy begins to improve.

For example, during the recession in the early 1990s, the unemployment rate increased from 5.9% in February 1990 to 10.7% in February 1993, while the underemployment rate rose from 4.1% to 7.0%. However, by August 1995, the unemployment rate had fallen by 2.6 percentage points whereas the underemployment rate had decreased by just 0.3 percentage points. In fact, after the recession in the early 1990s, the underemployment rate did not fall below 5.9%, while the unemployment rate fell as low as 4.1% in early 2008.

Global Financial Crisis

While in previous downturns, unemployment increased more than underemployment, in the Global Financial Crisis, underemployment had the greater increase. From May 2008 to August 2009, the underemployment rate rose 2.0 percentage points to 7.8%, while the unemployment rate increased 1.6 percentage points to 5.8%. The greater rise in underemployment compared with unemployment during the GFC has been attributed to employers reducing people's work hours instead of laying off staff.² This suggests that employers are keeping in mind the skills shortage Australia experienced prior to the economic slowdown.³

Also differing from previous downturns was the rapid fall in underemployment from the height of the GFC. Since August 2009, the underemployment rate has fallen by 0.7 percentage points while the unemployment rate has fallen by 0.5 percentage points by May 2010.

Most part-time workers do not want to work additional hours.

...part-time work

The overwhelming majority (91%) of underemployed workers are employed part time and the proportion of employed people working part time has been steadily increasing from 15% in February 1978 to 30% in May 2010. This increase in part-time employment makes the labour market more sensitive to changes in underemployment. Importantly, during economic slowdowns, like the early 1990s recession or the recent downturn, the shift to part-time work accelerates.

From May 2008 to February 2010, the proportion of men employed part time increased from 15% to 17%, and the proportion of women increased from 44% to 46%.

Different types of underemployment

The ABS collects information on *time-related underemployment*. This exists when the hours of work of an employed person are below the threshold of full-time hours (35 hours per week), and the person wanted to work more hours and was available to do so.

However, an alternative way of considering time-related underemployment would look at all workers who wanted extra work hours, regardless of how many hours they currently work and then classify them as underemployed if their preferences were not met.

There are also other types of working situations which could be considered underemployment:

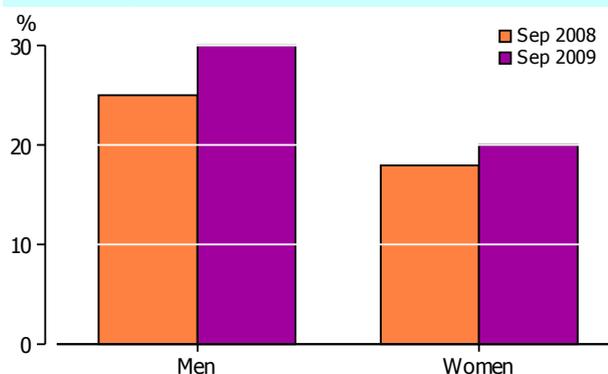
- **Skill-related underemployment.** This exists when an employed person wants or seeks to change their current work situation in order to use their current occupational skills more fully, and were available to do so.
- **Income-related underemployment.** This exists when an employed person wants or seeks to change their current work situation in order to increase their income limited by factors such as those listed below, and were available to do so. Factors contributing to income-related underemployment include low levels of organisation of work or productivity, insufficient tools and equipment, lack of training or deficient infrastructure.

For more information on the types of underemployment please see ABS [Labour Statistics: Concepts, Sources and Methods, April 2007](#) (cat. no. 6102.0.55.001)

This was a greater rate of increase than for the corresponding period before the GFC.

Most part-time workers do not want to work additional hours, and importantly, part-time work gives workers the flexibility to balance their work and personal lives. However, between September 2008 and September 2009, the proportion of part-time working men who were underemployed increased from 25% to 30%, and for women, increased from 18% to 20%.

Proportion of part-time workers who are underemployed



Source: ABS 2009 Underemployed Workers Survey

In September 2009, 69% of male and 45% of female underemployed part-time workers wanted to work *full-time* hours.

...full-time underemployment

The GFC also resulted in increased numbers of full-time underemployed workers. Full-time workers are considered underemployed when they are stood down or if there is not enough work and as a result, their work hours are reduced to less than 35 hours during the reference week of the survey. From September 2008 to September 2009, the proportion of full-time working men who were underemployed increased from 0.8% to 1.3%, while the proportion of women remained steady at 0.4%.

Who is underemployed?

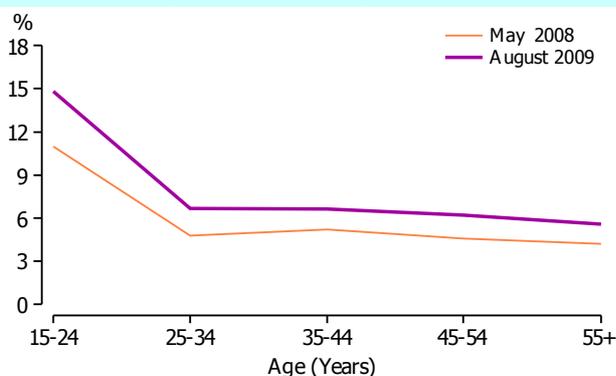
...by sex and age

Consistent with most part-time workers being female, women make up the majority of underemployed workers. In May 2010, 70% of part-time workers were women as were 58% of underemployed workers. The underemployment rate for women was 9.3% compared with 5.4% for men. Although there are more female workers who are underemployed (347,000 men and 489,000 women in May 2010), those men who do work part time are more likely to experience underemployment.

During the GFC, the underemployment rate for men increased from 4.2% in May 2008 to 6.3% in August 2009, compared with an increase from 7.8% to 9.7% for women over the same period. Since the height of the GFC, the underemployment rate for men has fallen 0.8 percentage points compared with 0.5 percentage points for women.

Young people tend to be one of the most affected groups in economic slowdowns and this was also the case in the GFC. The underemployment rate for young people (aged 15–24), jumped from

Underemployment rate by age



Trend data

Source: ABS [Labour Force, Australia, May 2010](#) (cat. no. 6202.0)

Total monthly hours worked

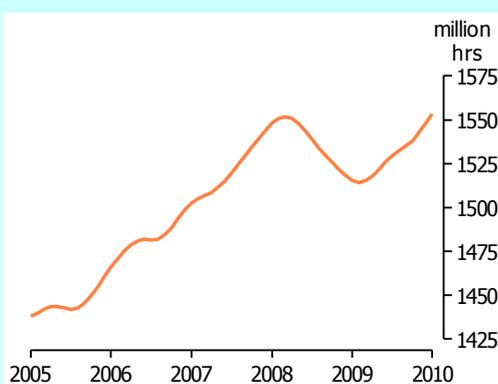
Total (aggregate) monthly hours worked measures the total number of hours worked by all employed people (full-time and part-time) in Australia. The number has generally increased over time reflecting the growing population and growing labour force.

However, the GFC resulted in a reduction in total hours worked from a high of 1,552 million hours in July 2008, before the economic slowdown to a low of 1,514 million hours in June 2009. The decrease was largely a result of a reduction in the number of total hours worked by full-time workers. Only by May 2010 did the total monthly hours worked exceed the level set before the GFC.

The fall in total hours worked was not only a result of people becoming unemployed, as shown by the rise in the unemployment rate, but also a result of a cut in the hours employed people worked in their current jobs. This cut played a major role in the rise in underemployment during the recent economic slowdown.

For more information on aggregate hours worked please see ABS [Labour Force, Australia](#) (cat. no. 6202.0).

Aggregate monthly hours worked



Trend data

Source: ABS [Labour Force, Australia, May 2010](#) (cat. no. 6202.0)

11.0% in May 2008 to 14.8% in August 2009. For young women, the rate increased from 12.8% to 16.9%, compared with an increase from 9.3% to 12.9% for young men. For older workers (those aged 55 and over), the underemployment rate increased from 4.2% to 5.6% over the same period.

In May 2010, 35% of underemployed workers were young people. The underemployment rate for young people was 13.9% compared with 5.1% for older workers (aged 55 and over).

...by education

Underemployment is more common for those with lower levels of qualifications. In September 2009, more than half (54%) of underemployed workers had Year 12 or below as their highest educational attainment.

However, during the economic slowdown the proportion of underemployed workers whose highest educational attainment was a Bachelor

degree or above increased from 15% in September 2008 to 18% in September 2009, and for those who had completed a Certificate III/IV increased from 14% to 16%.

...by industry

Generally, industries that have a large proportion of part-time workers have a higher rate of underemployed workers. These industries also tend to be dominated by women and by younger workers. For example, in February 2010, in the Accommodation and food services industry, 57% of workers were working part time, and 55% of workers were women. This industry had the highest proportion of underemployed workers at 20% (up from 16% in February 2008). Retail trade, which also had a high number of part-time and female workers had the second highest proportion of underemployed workers at 15% (up from 11% in February 2008).

In other industries like Mining, where only 3% of workers were employed part time, and just 13% of workers were women, only 0.6% of workers were underemployed in February 2010.

Why are people underemployed?

Apart from economic conditions, factors like age, family circumstances and training influence why people are underemployed.

In September 2009, almost half (47%) of underemployed workers who were actively looking for more hours said their main difficulty in finding a job with more hours was that there were not enough vacancies, up from almost a third (32%) in September 2008, reflecting more competition for jobs in 2009. Men were more likely to report this as their main difficulty compared with women (53% for underemployed men compared with 42% for women).

The next most commonly reported main difficulty in finding work with more hours was a lack of skills or experience (11%). As people grew older this became a less common reason (17% for people aged 15–19 compared with 8% for 35–44 year olds).

One notable difference between underemployed men and women is the proportion who reported family responsibilities as their main difficulty in finding work with more hours with 8% for women, and 2% for men.

How long have people been underemployed?

There is a clear relationship between age and how long people have been underemployed. Long-term underemployment (52 weeks or more) is more common among older workers.

Main difficulty in finding work with more hours for underemployed workers(a)

	September 2008			September 2009		
	Male	Female	Total	Male	Female	Total
	%	%	%	%	%	%
Not enough vacancies (b)	35.2	29.6	31.8	52.6	42.2	46.7
Lacked skill or experience(c)	15.7	14.3	14.8	12.1	10.2	11.0
Unsuitable hours	*5.7	13.3	10.4	*4.9	8.8	7.1
Family responsibilities(d)	*2.7	7.5	5.7	*1.7	7.8	5.1
Considered too old by employers	*6.7	*2.4	4.1	3.7	*3.3	3.5
Own ill health or disability	*5.3	*2.1	3.3	*3.2	*2.5	2.8
Too far to travel/transport problems	*3.1	*4.9	*4.2	*2.5	*2.5	2.5
Other difficulties(f)	18.3	14.1	15.7	13.9	14.7	14.3
No difficulties reported	*7.3	11.7	10.0	5.4	8.1	7.0
Total	100	100	100	100	100	100

* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) only includes those workers who were actively looking for more hours.

(b) includes no vacancies in line of work, no vacancies at all and too many applicants for available jobs.

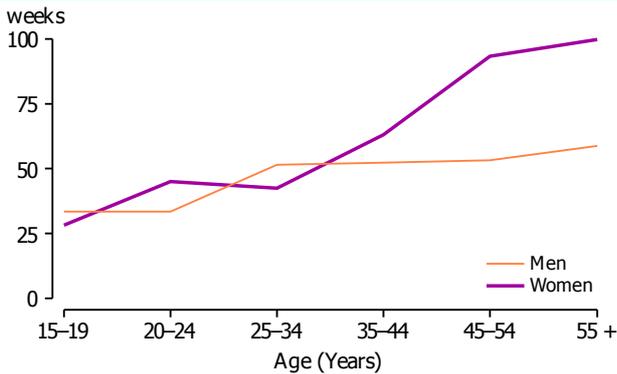
(c) includes lacked necessary skill or education and insufficient work experience.

(d) includes difficulties in finding child-care and other family responsibilities.

(f) includes language difficulties, difficulties with ethnic background, considered too young by employers and other difficulties.

Source: ABS 2008 and 2009 Underemployed Workers Surveys

Mean duration of underemployment in weeks – September 2009



Source: ABS 2009 Underemployed Workers Survey

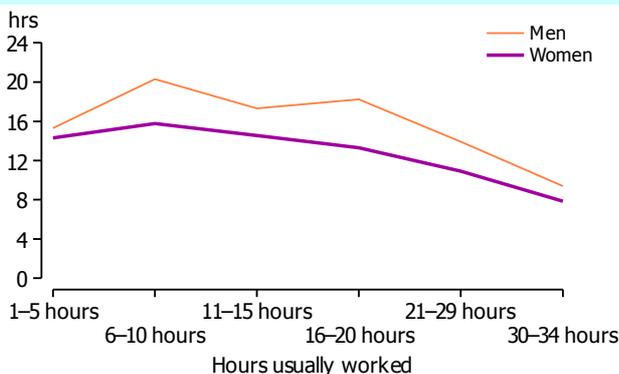
In September 2009, the average number of weeks a 15–19 year old was underemployed for was 30.5 weeks, compared with 77.5 weeks for someone aged 55 years and over. One-fifth (20%) of 15–19 year old underemployed workers had been in long-term underemployment compared with 41% of those aged 55 and over. One third of women (33%) and 29% of men were in long-term underemployment. After the age of 35, women had a longer duration of underemployment than men.

Long-term underemployment was common among workers who said their main difficulty in finding work with more hours was because of family responsibilities, their own ill health or disability, transport problems or they were considered too old by employers. These difficulties are not necessarily a result of current economic conditions but broader social and structural issues.

How many additional hours do underemployed workers want?

How people feel towards work and the different responsibilities they face in everyday life will influence how many additional hours they will want to work.

Mean number of additional hours wanted by underemployed part-time workers – September 2009



Source: ABS *Underemployed Workers, Sep 2009* (cat. no. 6265.0)

Related measures of labour underutilisation

Other measures of labour underutilisation include:

- **Unemployment rate** which is the number of unemployed people, as a percentage of the labour force.
- **Labour force underutilisation rate** which is the sum of the unemployed and the underemployed, as a percentage of the labour force.
- **Extended labour force underutilisation rate** which is the sum of the unemployed and underemployed and two marginally attached groups (people not in the labour force), as a proportion of the labour force augmented by the number of people in the two marginally attached groups:
 - persons actively looking for work, not available to start work in the reference week, but available to start work within four weeks, and
 - discouraged job seekers (people who wanted to work and were available to start work within the next four weeks but whose main reason for not actively looking for work was that they believed they would not find a job)

- **Volume measures of labour underutilisation.** Unlike the headline rates for unemployment or underemployment, which show the spare capacity in the labour force in terms of people (headcount), volume measures of labour underutilisation shows the spare capacity in terms of hours. The volume labour force underutilisation rate is the total volume of underutilisation in the labour force (hours sought by unemployed people, plus additional hours preferred by underemployed people), as a percentage of the potential hours in the labour force. Although there are more underemployed workers than unemployed people, the volume rates will show a different picture because unemployed people are able to offer more additional hours than underemployed workers.

For more information on these please see ABS [Australian Labour Market Statistics](#) (cat. no. 6105.0).

Generally, people who currently work fewer hours are more likely to want to work a greater number of hours. In September 2009, those who worked between 6–10 hours a week, on average wanted to work 17.3 extra hours, while those who worked 30–34 hours a week wanted to work an additional 8.7 hours.

There are differences in the number of extra hours men and women want to work. The differences are most likely driven by the different pressures faced by men and women. For example, women often have increased family responsibilities compared with men (for more information please see *Australian Social Trends March 2009* ["Trends in Household Work"](#)).

In September 2009, underemployed part-time working men wanted to work on average 15.7 hours extra compared with 13.1 hours for women.

From 2008 to 2009, the average number of additional hours wanted by underemployed part-time workers increased from 13.4 hours to 14.1 hours. This increase may have been driven by people wanting to return to their work hours before the number of hours they worked was reduced as a result of the GFC (see box 'Total monthly hours worked').

What have underemployed workers done to get more hours?

In September 2009, almost half (49%) of underemployed workers were actively looking for more hours. And of those workers who were looking, the most commonly reported step people took to get extra hours was to ask their current employer (60%). Over half (55%) of underemployed part-time workers contacted prospective employers; half (50%) searched Internet sites; half (50%) looked at in newspapers; and just under a third (31%) contacted friends or relatives to find work with extra hours.

What are underemployed workers prepared to do for more hours?

Underemployed workers in their early 20s are more prepared to move interstate or change employers to get a job with more hours than those in other age groups. It is in this age group when most people start to leave the family home or finish their studies, so they are more mobile than most other age groups (for more information please see *Australian Social Trends June 2009* 'Home and Away: the living arrangements of young people'). As people get older, they start to build their families and establishing stronger bonds to their careers and employers, making it more difficult to move.

In September 2009, 12% of underemployed workers aged 15–19 years said they would move interstate if offered a suitable job. This more than doubled to 27% for those aged 20–24 years and gradually fell to 12% for those aged 55 and over.

Men were also more likely to move interstate for a suitable job than women. In September 2009, 23% of underemployed men said they would move interstate compared with 14% for women.

Younger workers who were long-term underemployed were more likely to be prepared to move interstate than those in shorter-term underemployment. More than one-third (36%) of people aged 20–24 years who were in long-term underemployment were prepared to move interstate compared with 23% for workers who were in shorter-term underemployment. However, after the age of 35, people were no more likely to move interstate if they were in long-term or shorter-term underemployment.

Younger workers were also more likely than older workers to be prepared to change employers in order to get a job with extra hours. In September 2009, 30% of underemployed workers aged 15–19 years old said they would change employers to work more hours and this gradually fell to 16% for those aged 55 and over.

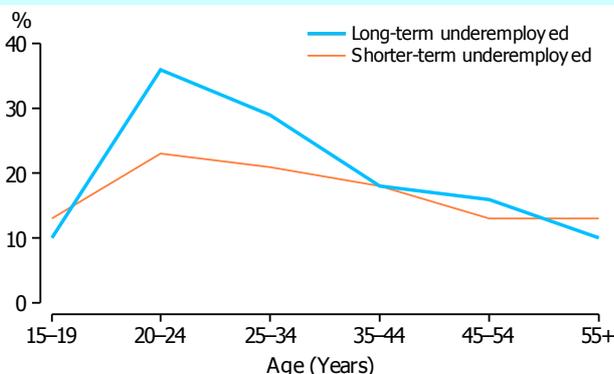
Looking ahead

The impact of the slowdown on long term trends in underemployment will not be known for some time, but it is clear that the slowdown has had a substantial effect on the labour market.

The trend towards more part-time work observed over the last 30 years seems to be continuing. And as more and more people are working part time, the underemployment rate will become increasingly useful as a tool of gauging the amount of spare capacity in the labour market.

It is projected in the 2010 Intergenerational Report that the ratio of working age people to people aged 65 years and over will almost be halved by 2050.⁴ If this occurs, it will be important for Australia to make the most of its labour force by not only increasing rates of participation in employment, but also increasing the levels of participation of those who are currently working and are willing and able to work more hours.

Long-term underemployed workers and whether prepared to move interstate – September 2009



Source: ABS 2009 Underemployed Workers Survey

Endnotes

- 1 1. Wilkins, R., 2007, '[The Consequences of Underemployment for the Underemployed](#)' in *Journal of Industrial Relations* 46(2), Sage Publications.
- 2 2. The Australian, 29 March 2010, '[GFC's part-timers given short shift](#)', <www.theaustralian.com.au>.
- 3 3. Thistleton, 25 January 2010, '[Skill crisis to return, ACT short of 120,000](#)' in the *Canberra Times*, <www.canberratimes.com.au>.
- 4 4. The Treasury, *The 2010 Intergenerational Report*, p. 5, <www.treasury.gov.au>; ABS *Population Projections, 2006 to 2101* (cat. no. 3222.0), show a similar trend to *The 2010 Intergenerational Report*. ABS projections can be accessed from the ABS website.