Trends in under- and over-employment

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Introduction

- Differentials in labour market experience are usually measured using economic activity, employment, unemployment and inactivity rates.

- The ONS estimates of under- and over-employment are less well-known parts of the regular LFS/APS publications.

- However, they provide further detail on labour market inclusion – as the IES remark in their May 2024 labour market bulletin, these measures show the extent to which people in work are managing to achieve the *amount* of work they desire to undertake.

- The ONS only publishes the time-series of headline totals for under- and over-employment.

- This paper applies the ONS methodology to End User Licence microdata from the quarterly LFS to identify differentials by sex, age group, ethnic group and region.

- It shows how these measures can be combined with other rates to produce a richer picture of changing labour market experience.

Background: Labour market participation 1992-2024

- The context for this paper is the gradual increase in labour market participation and the convergence of experience between men and women in recent decades.

- ONS quarterly indicators reveal a slow increase in the economic activity rate from 1992 to the late 2010s, then a slight decline.

- The employment rate was increasing until the 2008/9 financial crisis. It recovered strongly in the late 2010s but fell sharply during the Covid lockdowns. The recovery since then has begun to reverse.

- Labour market differentials by sex have narrowed. The percentage of women economically inactive has fallen substantially and the female economic activity and employment rates were converging with the male rates until Covid, but convergence has stalled since then.

- The female unemployment rate was much lower than that for males in the early 1990s but increased to approach equality during the 2010s. The impact of recent recessions has been greater for male than female unemployment rates.


Persons

Female-Male differential
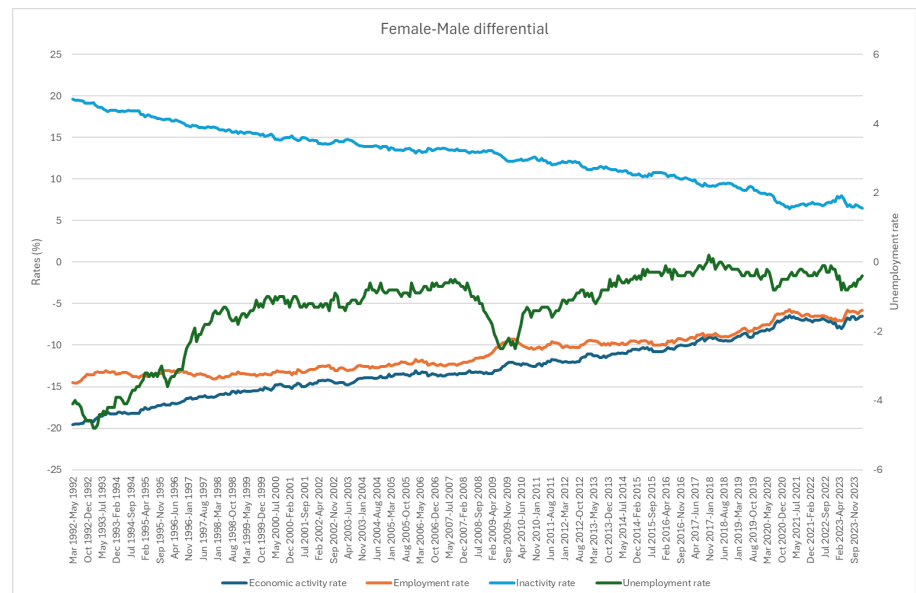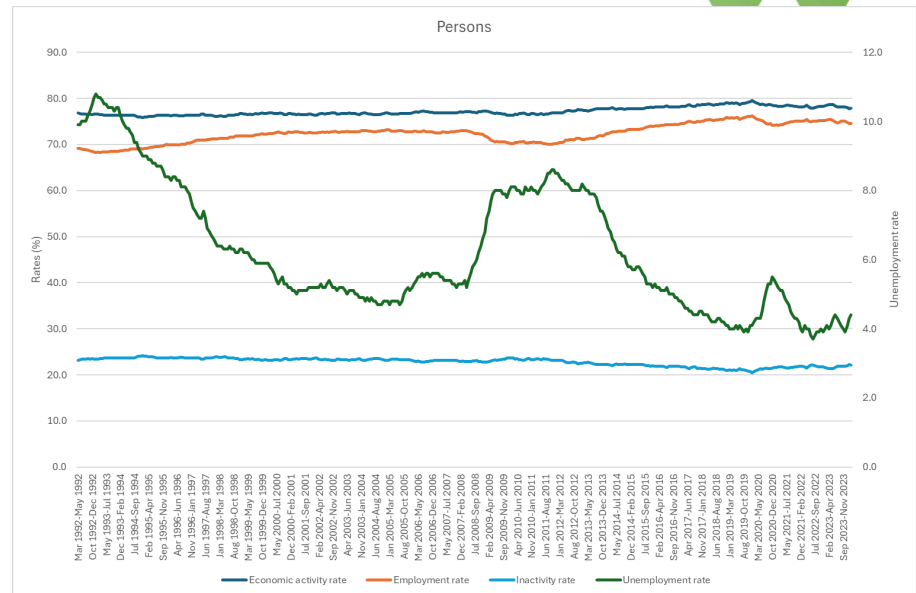
Conceptualising under- and over-employment

- Unemployment measures the degree of "slack" in the labour market, being the number of people not in employment who want and are seeking work. However, this underestimates the level of extra capacity in the economy because some workers are not employed to their full potential.

- **Underemployment** is the underuse of a worker because a job does not use the worker's skills, is part-time, or leaves the worker idle. There are various definitions of underemployment:
  - The number of people who want to work more (Time-related unemployment)
  - The number of people who are working part-time, but would like a full-time job
  - The percentage of people accessing professional or high-status jobs
  - People working in jobs which do not match their educational level

- This paper is concerned with time-related underemployment, where someone already in employment wants to work additional hours.

- It was operationalised using data from the Labour Force Survey. ONS estimates are published for the UK as a whole for each quarter from January to March 2002 onwards. The EMP16 publication provides a breakdown of the components of under- and over-employment in each quarter.

- The number underemployed was 2.3 million in January to March 2002 (6.8 per cent of all employed) rising to a maximum of 3.9 million in January to March 2014. It fell for the remainder of the decade but increased sharply during the period of Covid lockdowns before falling again to 2.1 million (6.4 per cent of employment).

- The number of people identified as overemployed has varied around 10 per cent of those in employment throughout the period 2002 to 2023 (but was lowest in the period when underemployment was highest). It was 11.9 million (10.6% of those employed) in January to March 2002 and 9.7 million (8.4% of those employed) in January to March 2024.

Measuring under- and over-employment

- Walling and Clancy (2010) define underemployment as employed persons who want to work more hours in either their existing or an additional job, are available to start in the next two weeks and are working less than a threshold number of hours (48 for those aged over 18 and 30 for those younger).

- This concept of time-related underemployment was operationalised using the Labour Force Survey variables UNDEMP (whether a person would like to work longer hours, at current basic rate of pay), UNDST (whether they could work longer hours within the next 2 weeks), TOTHRS (total hours worked in reference week) and UNDHRS (extra hours wished to work).

- This measure shows that 2.8 million people (6.4% of those in employment) were not able to undertake as much work as they wanted to during the quarter January to March 2024.

- Conversely, the over-employed are working more than they wish to. They want to work fewer hours, even with lower pay. The calculation uses the variables UNDHRS and TOTHRS. They greatly outnumber (9.8 million in Jan-Mar 2024 – or 8.4% of those in employment) the under-employed.
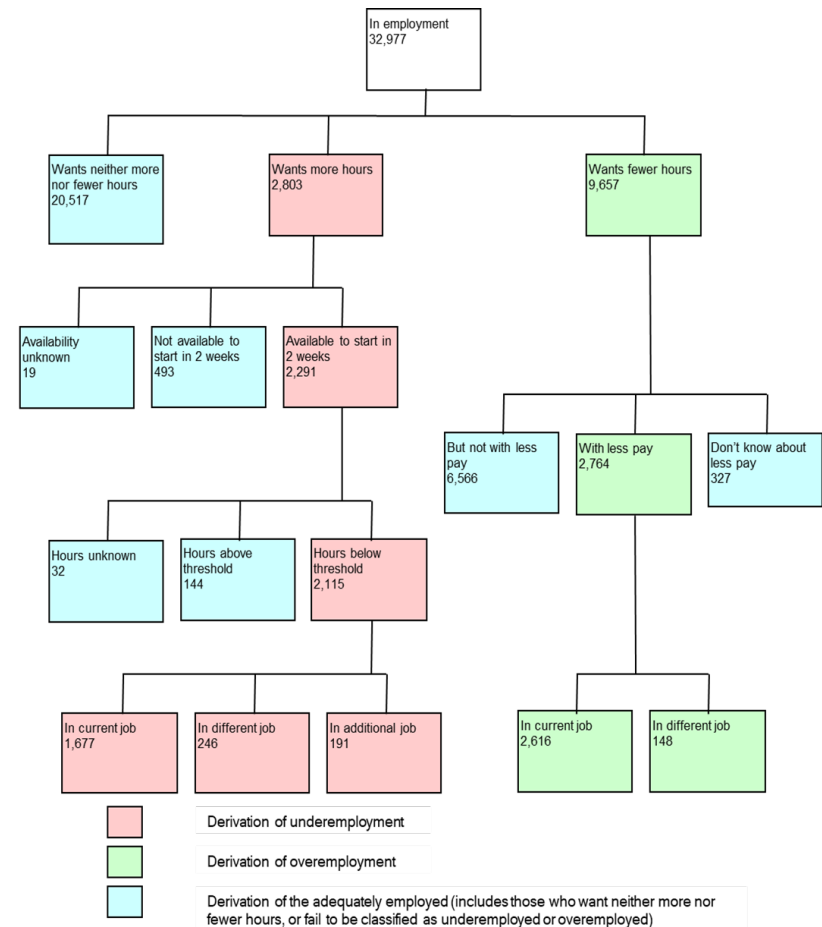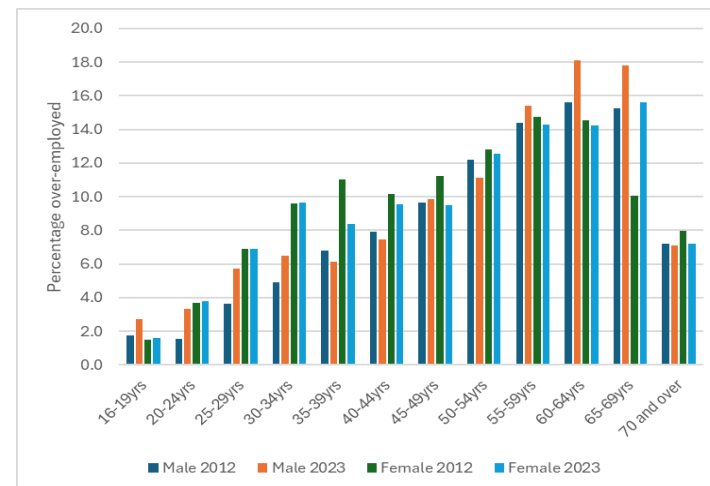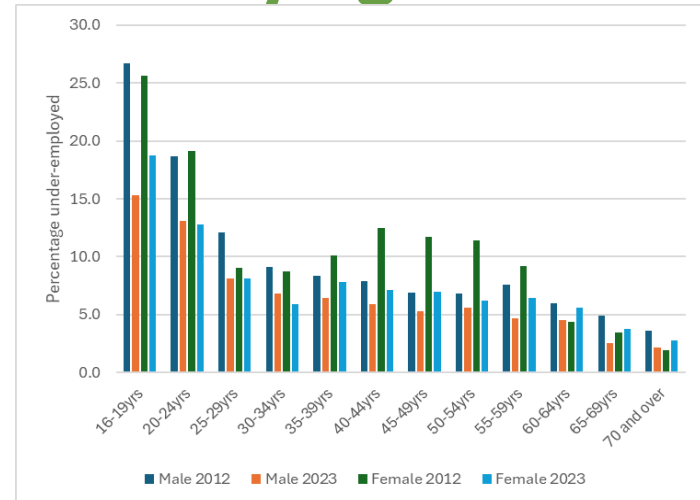
Trends in under-and over employment
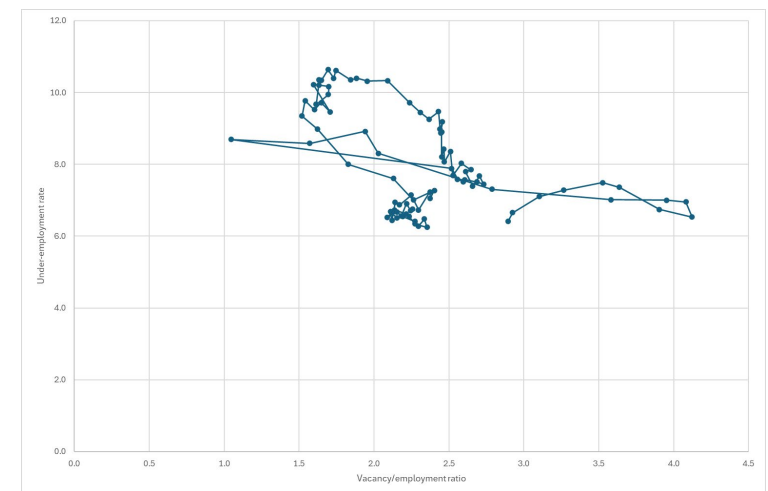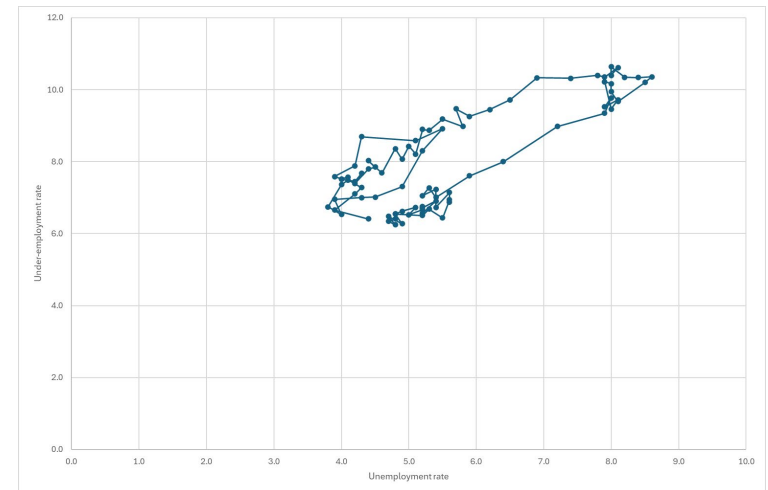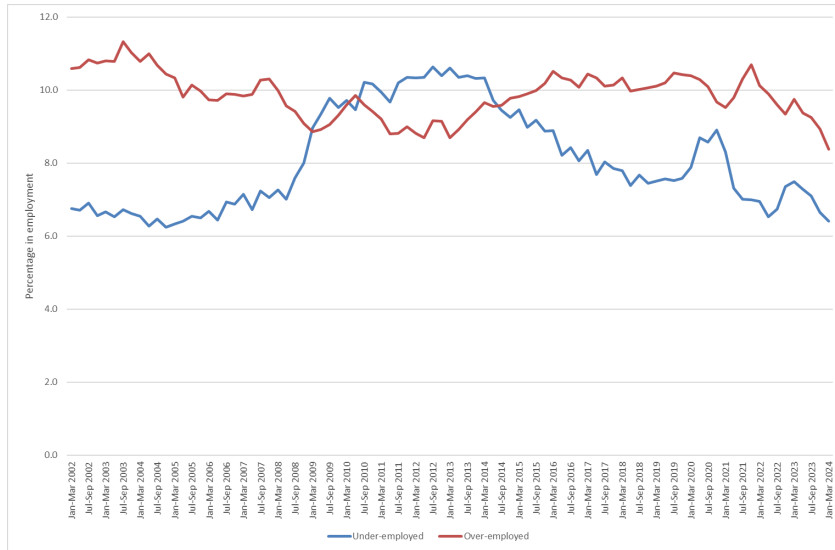
- The under-employment rate was low in the early 2000s, then increased sharply in the 2008/9 recession.
- It remained high until 2014, afterwards declining, but increased sharply during the Covid lockdowns.
- The over-employment rate shows less variation over time. It was lowest following the 2008/9 recession and has declined recently.
- The under-employment rate varies in a similar way to the unemployment rate. There is a weaker negative association with the ratio of vacancies to employment.
- In the remainder of this paper, variations in under- and over-employment are explored by demographic group, geography, highest educational qualifications, and occupation.
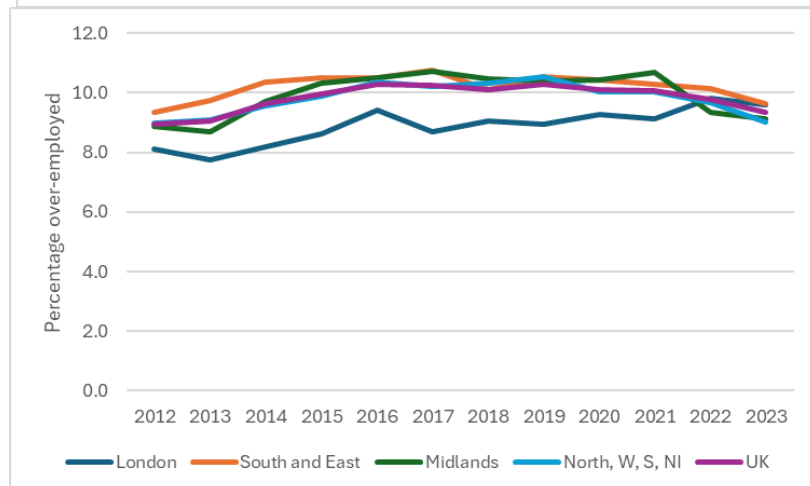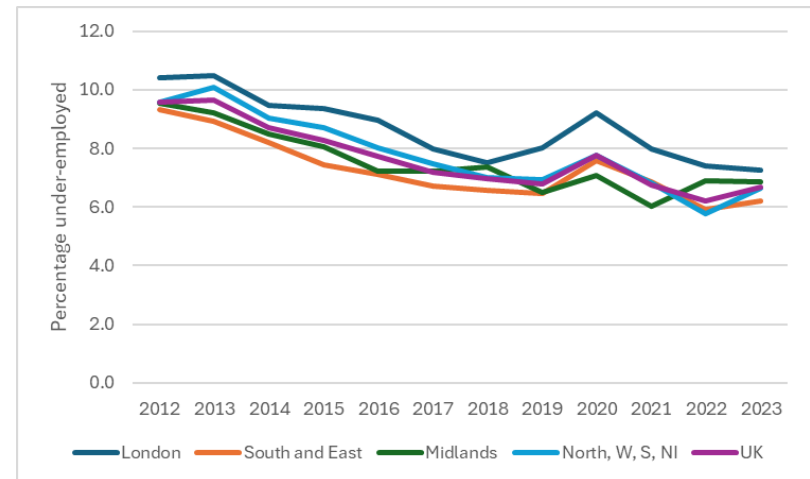
Under- and over- employment by age and sex

- The percentage under-employed was highest for young people and lowest for older people in both 2012 and 2023.

- However, the rate of under-employment is higher for women aged from 35 to 39 than those in their 20s and 30s.

- This suggests a greater impact of the 2008/9 recession on middle-aged women.

- The rate of underemployment was lower in 2023 than 2012 for both sexes. However, the rate increased for women aged over 60.

- Over-employment increases with age until the 60-64 age group, then declines.

- The percentage over-employed is higher for younger and older age groups in 2023 than in 2012. Women aged 25 to 39 are more likely than men to be over-employed.
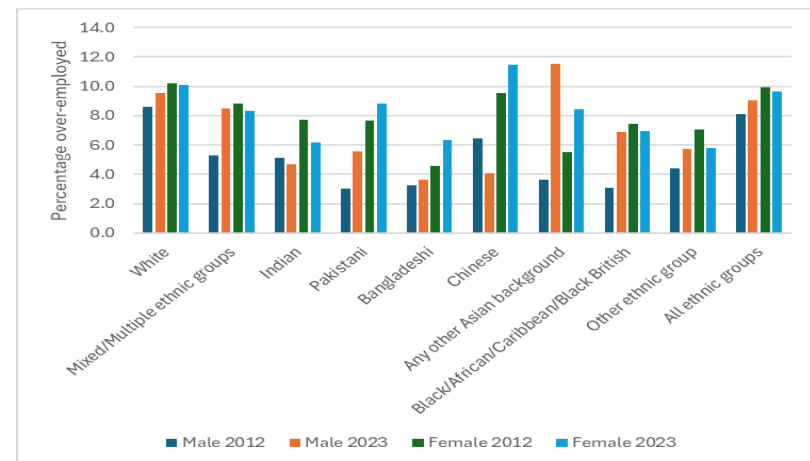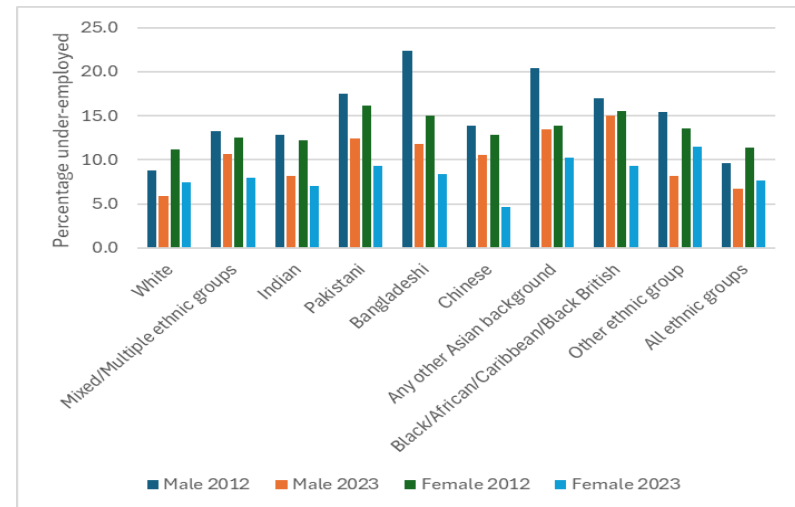
Under-and over-employment by area of the UK

- Geographical variations are summarised using four groups of nations and regions.
- The rate of underemployment fell in all parts of the UK between 2012 and 2023.
- London experienced the highest rate of under-employment, especially during the Covid lockdowns.
- The lowest rates occurred in Southern and Eastern England for most of the period, though the midlands experienced the lowest rate during the Covid lockdowns.
- In contrast, the percentage over-employed increased in all parts of the UK.
- It was highest in Southern and Eastern England and the Midlands. The over-employment rate was substantially lower in London than the rest of the UK. However, rates have displayed convergence in the 2020s.
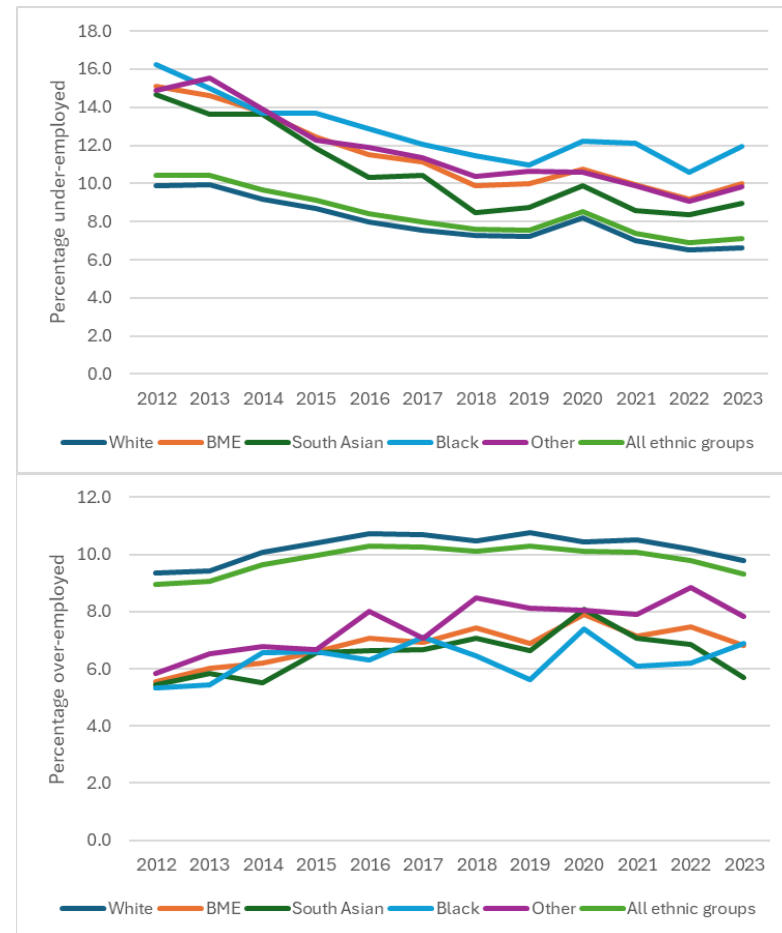
Under- and over-employment by ethnic group

- For most ethnic groups, the percentage under-employed was higher for men than women and decreased for both sexes between 2012 and 2023.

- In 2012, the percentage under-employed was highest for Bangladeshi, Other Asian and Black people. In 2023, Black and Pakistani people displayed the highest rates.

- In contrast, the percentage over-employed was greatest for Chinese, Other Asian and white people.

- In the Chinese and white ethnic groups, women were more likely than men to be over-employed. This rate increased between 2012 and 2023 for Chinese women, in contrast to Indian and Black women.

# Trends in over- and over-employment by ethnic group

- The percentage under-employed was lowest throughout the period 2012 to 2023 for white people.

- The percentage of South Asian people underemployed declined and converged towards the white rate during this period.

- In contrast, the percentage of Black people underemployed declined more slowly and was higher than for other ethnic groups after 2018.

- The percentage over-employed was highest for white people and increased from 2012 to 2016, afterwards declining.

- The percentage over-employed increased for minority ethnic groups and was lowest for Black people.

# Under- and over-employment by highest educational qualification

- The percentage under-employed is highest for people with "Other" (including foreign) educational qualifications, and lowest for those with degrees or better as highest qualification.

- Those reporting no qualifications fall in the middle of the range.

- The decline in the percentage under-employed over the period 2012 to 2023 was smallest for those with degrees and higher education qualifications.

- The percentage over-employed is highest for those with the best educational qualifications.

- The percentage over-employed is lowest for those with no educational qualifications or "Other" qualifications.

- The percentage over-employed was highest between 2015 and 2020 for the best qualified.

- Convergence in rates by the end of the period was largely due to a decline for the best qualified.
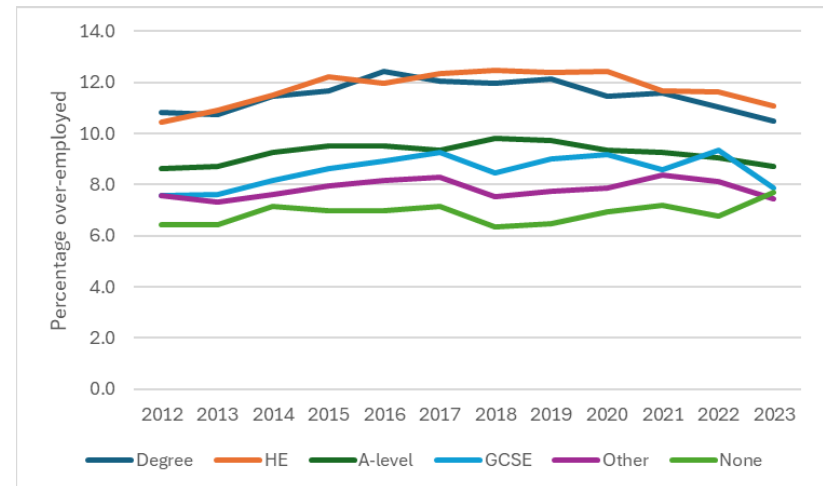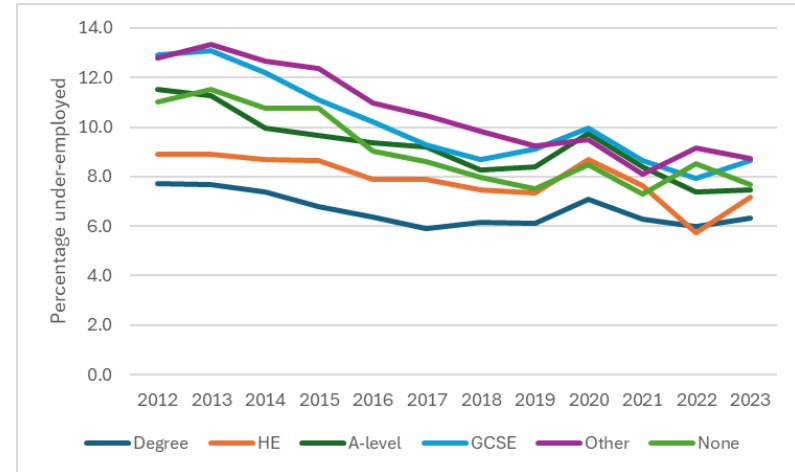
Under- and over-employment by occupation

- The rate of under-employment is highest for people in elementary and sales and customer service occupations.

- It is lowest for managers and directors and professional and associate professional occupations.

- In 2012, the underemployment rate was more than 5 times higher in the lowest status occupations than the highest status occupations. It had narrowed slightly by 2023.

- In contrast, the percentage over-employed was highest for the highest-statis occupations and lowest for elementary and sales and customer service occupations.

- The over-employment rate increased in many occupations between 2012 and 2023 (especially for men).

- It was markedly higher for women than men for managers and directors (in 2012), professional, associate professional, administrative and secretarial, and sales and customer service occupations.
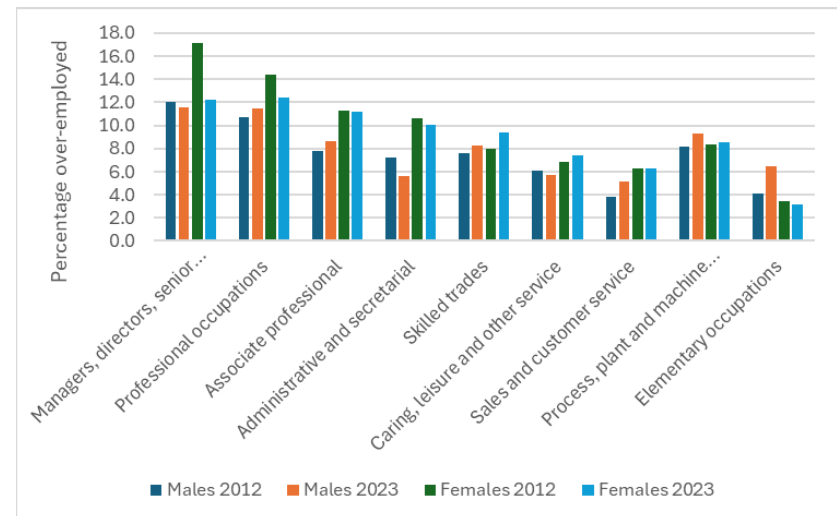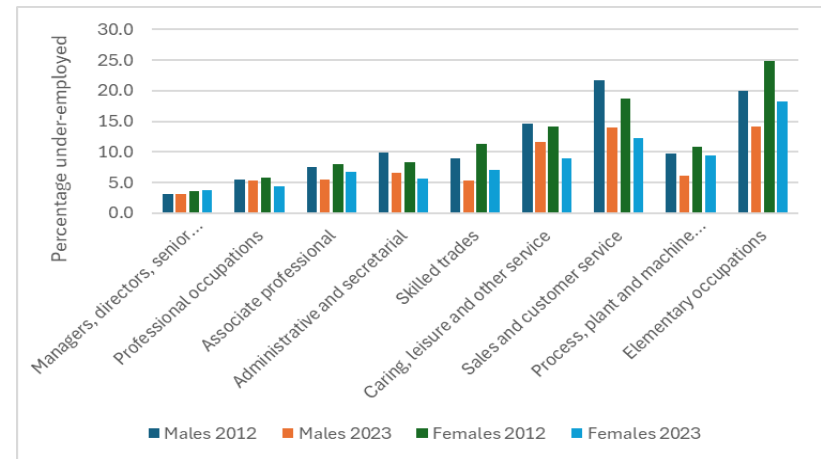
Conclusions

- The concepts of under- and over-employment provide an additional perspective on the inclusion of different sections of the population in the labour market.

- Together with unemployment and economic activity, they can be used to identify the extent to which different sections of the population are able to gain access to the type and amount of work they want to do.

- Patterns of under-employment by population breakdown broadly reflect patterns of unemployment and labour market participation rates.

- This indicates that labour market disadvantage in unemployment rates understates deficits or advantages in the *quantity* of work accessed.

- Over-employment is a more complex indicator which reveals different patterns by section of the labour force.

- While over-employment may include people working longer voluntarily, it could also be an indicator of lower productivity in work or indicate the necessity to work longer hours in order to achieve desired levels of income from work.

For more information

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Reference:

Walling, A. and Clancy, C. (2010) Underemployment in the UK Labour Market, Economic and Labour Market Review, 4(2), pp16-24.

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