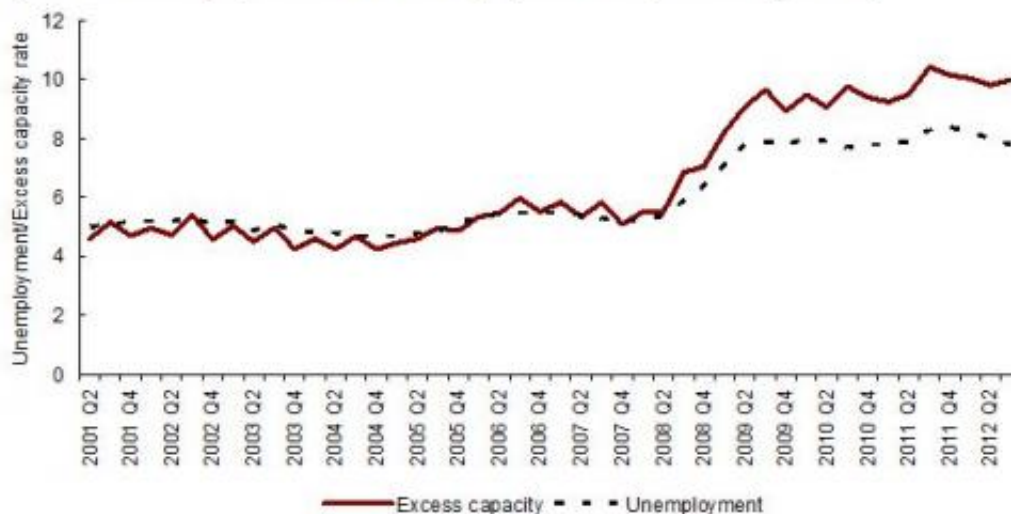


# Rising levels of 'underemployed', according to new research paper

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Figure 1. UK unemployment and underemployment index, 2001–12 (per cent)



More and more people want to work longer hours – but can't because there isn't a demand for their services. Meet the "underemployed".

This group of workers is explored in a new [research paper](#), published today in the "National Institute Economic Review", produced by the respected [National Institute](#) of Economic and Social Research.

Its authors, Professor David Bell from the University of Stirling and

Professor David Blanchflower from Dartmouth College, say rising bills and falling wages mean a growing demand for overtime and longer working hours.

Sadly, many staff don't get extra duties "because there simply isn't enough work around" – and young workers are hardest hit.

The report's authors are calling on the Office of National Statistics to publish regular "underemployment" statistics – just like the regular [unemployment figures](#) – to give a more rounded snapshot of the [economic issues](#) facing Britain.

According to the report, the "underemployment index" has risen from 6.2 per cent of the UK workforce in 2008 to 9.9 per cent in 2012. Over the same period, the [unemployment rate](#) rose from 5.8 per cent to 8 per cent.

[Professors](#) Bell and Blanchflower say: "It is our view that this underemployment index should be published monthly by the ONS by rolling quarter alongside the unemployment rate. It is not a substitute but a useful complement.

"The United States already publishes five series on the extent to which [labour market](#) resources are underutilised, so there is precedent."

They add: "The benefit of our underemployment index is that it gives a somewhat different, and potentially more accurate picture of labour market slack than the unemployment rate does, particularly in a recession. The data required to calculate it are already available in the monthly Labour Force Survey so producing it would be virtually costless."

Underemployment is particularly concentrated among the young, where

unemployment rates are close to 20 per cent.

In 2012, 30 per cent of those aged 16 to 24 that did have jobs wished to work longer hours.

This means that the labour market for the young is even more difficult than the raw unemployment rates imply. Even if there was an upturn in demand, employers would likely extend the hours of existing workers before taking the risk of hiring new young employees.

Ethnic minorities also have high rates of underemployment, particularly those that describe themselves as Black or Black British

The report says: "As with unemployment, it is the young and unqualified that are particularly prone to underemployment. This positive correlation is particularly unfortunate, since it suggests that the young unqualified unemployed have a particularly difficult route into employment since employers may choose to give their peers more hours before making new hires.

"This will extend the unemployment durations of the young, and thus increase the probability that they will experience long-term scarring effects of unemployment while young, such as future unemployment spells and reduced wages."

The report also says there has been particularly steep – and perhaps surprising – increasing in the numbers of self-employed workers who would like to work more hours.

"The demand for more hours among the self-employed may reflect a desire to self-insure against the effects of fluctuations in product demand, from which they may be less insulated than employees. Nevertheless, it is surprising that the self-employed, who can control

their working time to a greater extent than the employed, are so severely hours constrained. The likelihood is that there is simply not enough work around, which raises the possibility that some of the self-employed are closer to being self-unemployed," says the report.

The main driver of the demand for increased hours is likely to be falling real wages. Total hours worked in the economy have increased since the beginning of the [recession](#). But a combination of slow-growing wages and price inflation averaging above 3 per cent since 2008 has led to a reduction in the real value of take-home pay.

Bell and Blanchflower's innovation is to produce a new index which combines both [unemployment](#) and underemployment. It expresses the additional hours that the unemployed and underemployed are willing to provide as a share of total workforce hours. It also accounts for overemployment. Some workers, particularly those aged over 50, want to work shorter hours and are willing to accept less pay.

"Perhaps the most important finding we have is that there appears to be significant slack in the economy . . . People want to work."

The underemployment paper is published in the *National Institute Economic Review*, no. 224, May 2013.

Provided by University of Stirling

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