

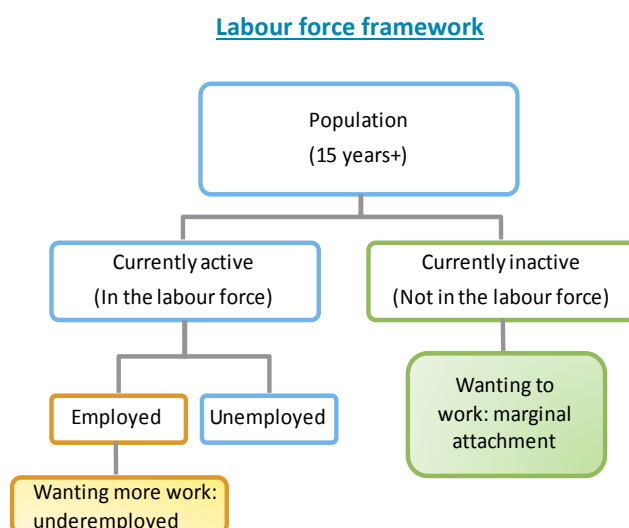
Underemployment statistics: a quick guide

Penny Vandebroek
Statistics and Mapping Section

Introduction

This guide provides a brief overview of underemployment, an introduction to the key concepts and terminology, and lists relevant data sources. This is one in a series of quick guides, designed to provide a basic understanding of Australian labour market data. Other guides include [unemployment](#), [youth unemployment](#), [long-term unemployment](#), [labour force](#) and [employment](#), which are available from the [Parliamentary Library](#) website.

In the labour force framework, the labour force is the sum of the employed and the unemployed. People who are neither working, nor actively looking for work, are therefore described as ‘not in the labour force’. Depending on the measure used, underemployed people are either employed or not in the labour force (see diagram below). The focus of this paper is on people who are currently employed and would prefer to work more hours.



Source: ABS, [Labour Statistics: Concepts, sources and methods, 2013](#), cat. no. 6102.0.55.001

Underemployment

Being underemployed can have a significant impact on the financial, personal and social lives of individuals. While there are some people who are entirely without work (e.g. the unemployed), there is also a growing number of people who are in work but who want more work (i.e. underemployed). These workers are likely to be competing with the unemployed for available jobs.

Who are underemployed people?

The [International Labour Organization \(ILO\)](#) describes underemployment as the underutilisation of the productive capacity of the labour force. [Underemployment](#) may refer to a variety of situations, most commonly it refers to someone who is employed, but not in the desired capacity. The unmet need may relate to any or all of: hours of work, level of skill utilisation, application of qualifications or experience, or level of compensation (i.e. working in a lower paid job than qualifications would suggest the worker is suited to). While there is a growing pool of research on skills mismatch, space constraints mean this theme will not be discussed here.

The focus of this guide is employed people, who wanted to work more hours, and were available to do so within a specified period of time (i.e. time-related, or 'visible' underemployment).

Employed people

The [ILO](#) describes employed people as those above a specified age (i.e. 15 years and over) who performed any work at all, in a specified period, for pay or profit (or payment in kind), or who were temporarily absent from work. More information on employment is provided in [Employment statistics: a quick guide](#).

Insufficient hours of work

The [Australian Bureau of Statistics \(ABS\)](#) identifies two distinctive groups as underemployed, people who:

- worked part-time and wanted to work more hours and were available to start work with more hours, either in the reference week or in the four weeks following the reference week; and
- usually worked full-time, but who worked part-time hours in 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 and would have done so, had the work been available.

How is underemployment measured?

The ABS conducts a monthly [Labour Force Survey](#). This household survey is designed to produce key estimates of the labour force (employment and unemployment) from a sample of more than 50,000 people.

[Underemployed workers](#) are employed people aged 15 years and over, who want, and are available to work, more hours than they currently have.

Note that the *Labour Force Survey* excludes some groups of people, including those living in institutions, members of permanent defence forces, certain diplomatic personnel, and overseas residents. More information is available from the [ABS](#).

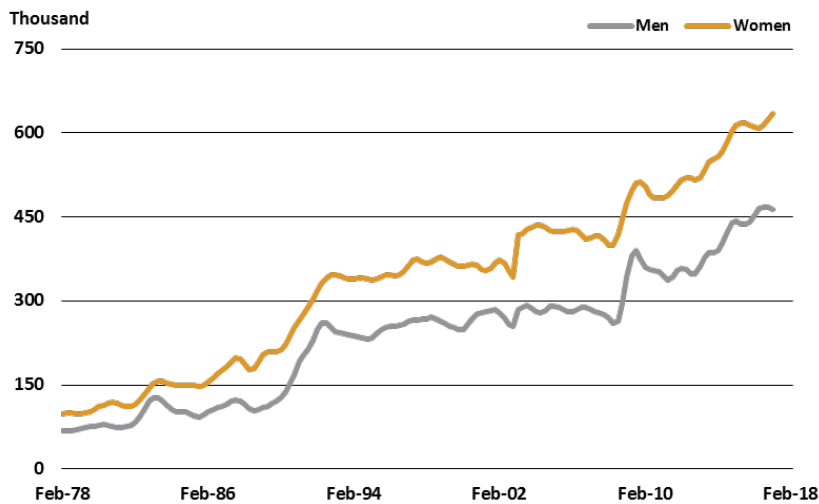
The [ABS](#) releases quarterly trend, seasonally adjusted and original (unadjusted) estimates of underemployed people through the [Labour force](#) (cat. no. 6202.0, Tables 22 and 23). The same release also includes monthly estimates (original only) from July 2014 onwards. Estimates are available by a limited range of characteristics, including age, sex, State and Territory. [Labour force, detailed, quarterly](#) (cat. no. 6291.0.55.003, Table 19) provides estimates of underemployed people by industry and occupation (main job).

What are the key measures?

The number of underemployed workers (head count)

Graph 1 shows changes in the number of underemployed people by sex from the start of the data series (trend) until the most recent quarter.

1. Underemployed people—trend

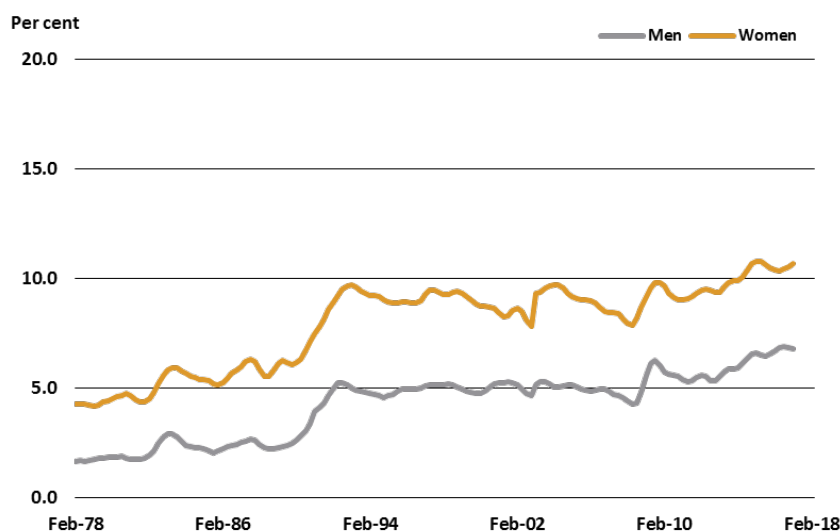


Source: ABS, [Labour force, Feb 2017](#), cat. no. 6202.0 (Table 22)

Underemployment rate

The rate is the number of underemployed expressed as a proportion of the labour force (i.e. employed + unemployed). The [underemployment rate](#) is higher than the unemployment rate as it relates to a broader group of people. Graph 2 shows changes in the underemployment rate by sex from the start of the data series (trend) until the most recent quarter. An example of the difference between the two rates is provided in Graph 4 (on the next page).

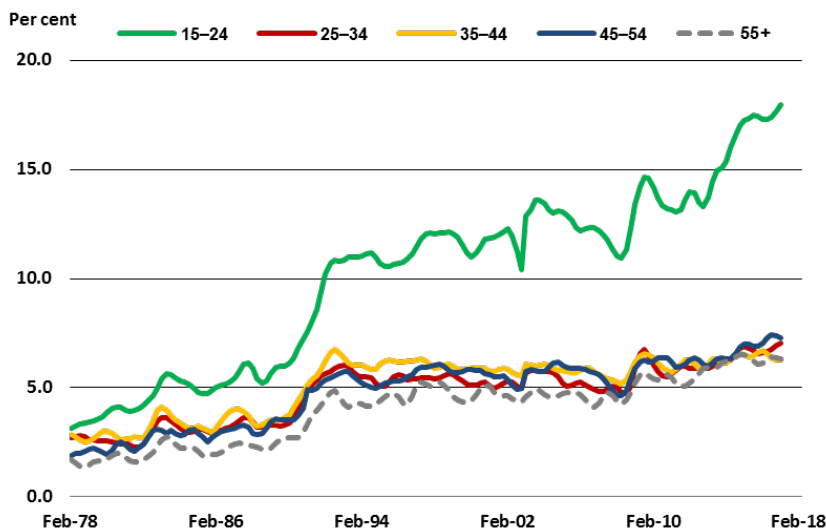
2. Underemployment rate—trend



Source: ABS, [Labour force, Feb 2017](#), cat. no. 6202.0 (Table 22)

Graph 3 shows changes in the rate by selected age groups from the start of the data series (trend) until the most recent quarter.

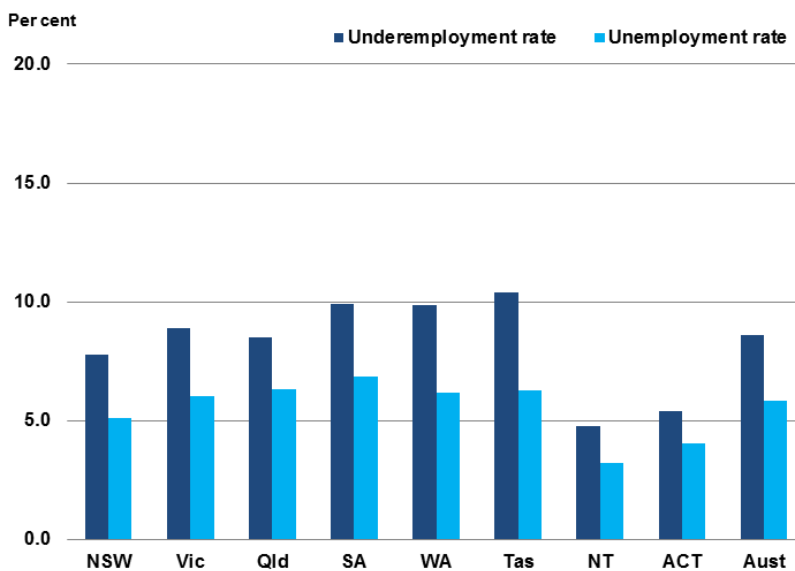
3. Underemployment rate by age (years)—trend



Source: ABS, [Labour force, Feb 2017](#), cat. no. 6202.0 (Table 22)

Graph 4 shows the underemployment rate by state and territory (of usual residence) for the most recent quarter (trend), as well as the unemployment rate for the equivalent period. This highlights the gap between the two measures and provides an indication of the overall underutilisation (see also, Graph 6).

4. Underemployment and unemployment rates by State/Territory (usual residence)—Feb 2017, trend

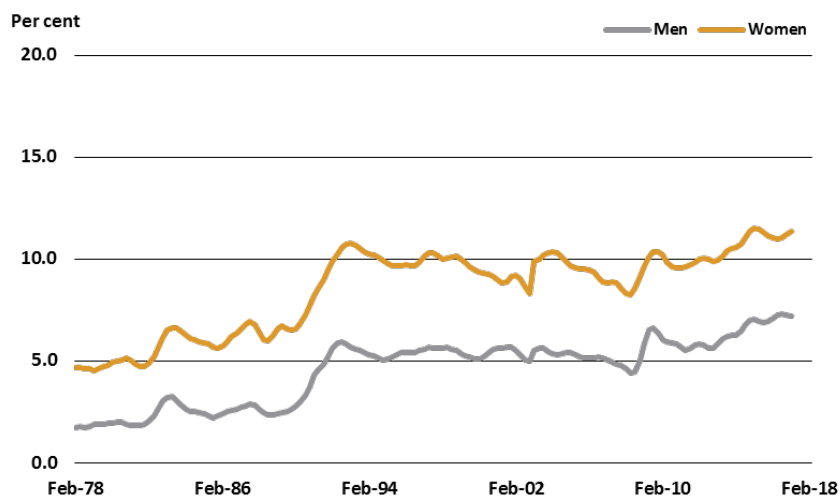


Source: ABS, [Labour force, Feb 2017](#), cat. no. 6202.0 (Table 23)

Underemployment ratio

The ratio is the number of underemployed expressed as a proportion of total employed. The [ratio](#) narrows the focus of underemployment, providing a measure of people that are employed but have insufficient work hours. The ratio mirrors the rate, but sits at a higher level, given that it is expressed as a proportion of a smaller overall group. Graph 5 shows changes in the ratio by sex from the start of the data series (trend) until the most recent quarter.

5. Underemployment ratio—trend



Source: ABS, [Labour force, Feb 2017](#), cat. no. 6202.0 (Table 22)

Underemployed worker characteristics

The ABS provides more detailed information about underemployed workers through a supplementary labour survey. Since February 2015, estimates have been released through [Participation, Job Search and Mobility](#) (cat. no. 6226.0). The release includes information on part-time workers who would prefer to work more hours, the number of hours sought, the types of steps taken to find more hours, the availability to work more hours and a range of personal characteristics (e.g. sex, age, relationship in household, educational attainment). Prior to 2015, estimates were available from an alternate release, [Underemployed Workers](#) (cat. no. 6265.0). While the ABS provides time series estimates for the past and current surveys, they caution that comparisons should be undertaken with care, as the survey periods vary, some of the population groups are conceptually different and some data items have changed, see 'Comparability with previous surveys' in the [Explanatory notes](#).

Labour underutilisation

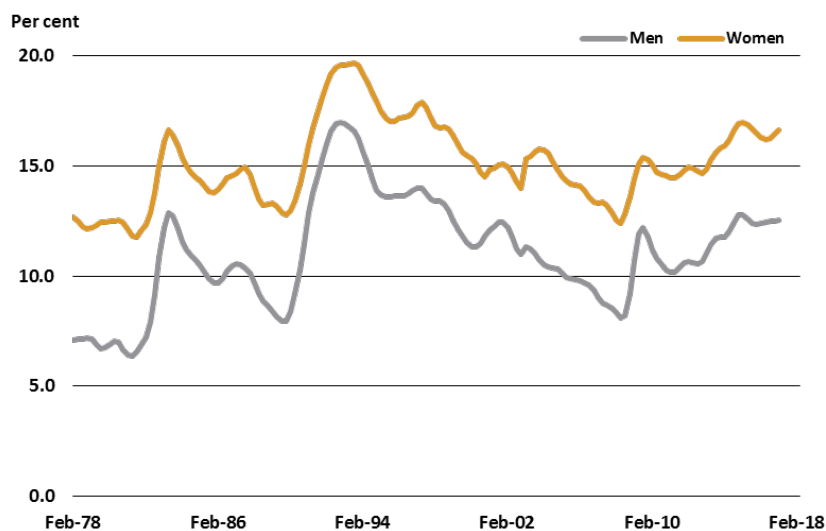
[Underutilisation](#) is a broader measure of spare labour capacity than the official unemployment rate. The ABS produces a range of supplementary measures of labour underutilisation, including the underemployment rate and ratio, as well as the underutilisation rate. These measures cover additional groups of people considered to be underutilised labour resources, including some who are currently outside the labour force (i.e. neither employed nor unemployed).

To improve understanding of potential additional labour capacity, the ILO suggests consulting a range of labour force indicators, including: employment-to-population ratio, participation rate/inactivity rate, status in employment, and labour productivity. Analysing data by personal characteristics, such as age distribution, family composition, the presence of children, education level, and migration status, can also assist in assessing underutilised labour capacity.

Underutilisation rate

The rate is the sum of the unemployed and the underemployed, expressed as a proportion of the labour force. Graph 6 shows changes in the rate by sex from the start of the data series (trend) until the most recent quarter.

6. Underutilisation rate—trend



Source: ABS, [Labour force, Feb 2017](#), cat. no. 6202.0 (Table 22)

Volume measures

Capacity for **hours** can be measured through the difference of the hours usually worked by employed people and the unused potential hours of labour available. Hours include those sought (by the unemployed) and additional hours preferred of people whose labour is not fully utilised (i.e. the underemployed). Estimates are published from August 2014 onwards in the [quarterly detailed release](#) (cat. no. 6291.0.55.003, Tables 23a and 23b). The hour estimates relate to a **one week period** of the relevant quarter month. Key volume measure rates include: unemployment rate; underemployment rate; and underutilisation rate. The release also includes the number of hours sought by the unemployed, the underemployed and in total.

Other data sources and information

The Statistics and Mapping Section of the Parliamentary Library provides quarterly updates of ABS data in the [Monthly Statistical Bulletin](#) (1.9 Underemployment).

The Reserve Bank of Australia (RBA) included an update on underemployment in their February 2017 *Statement on Monetary Policy*, see: [Statement Box B: Underemployment and labour market spare capacity](#).

The ABS provides the following articles on interpreting underemployment statistics, '[Spotlight on underemployment](#)', *Labour force, Nov 2016* (cat. no. 6202.0) and '[Labour underutilisation: more than unemployment](#)', *Australian Labour Market Statistics, Jan 2011* (cat. no. 6105.0).

© Commonwealth of Australia



Creative Commons

With the exception of the Commonwealth Coat of Arms, and to the extent that copyright subsists in a third party, this publication, its logo and front page design are licensed under a [Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia](#) licence.