



What is underemployment?

The Australian Bureau of Statistics measures 'underemployment' in its national labour force surveys by asking people a series of questions about their current work situation and work preferences. The ABS defines 'underemployment' as "employed persons aged 15 years and over who want, and are available for, more hours of work than they currently have". The majority of underemployed people are employed part time (less than 35 hours per week) but want to work more hours and are immediately available to work more hours. A smaller number of underemployed people are employed full time but want to work more hours (e.g. overtime).

Underemployment is often confused with unemployment. *Underemployment* means someone is working but wants more work hours and is available for more work. *Unemployment* means someone is not working at all but wants to work and is available to do so. Together, these two measures add up to *labour underutilisation* which is an indicator of total labour spare capacity.

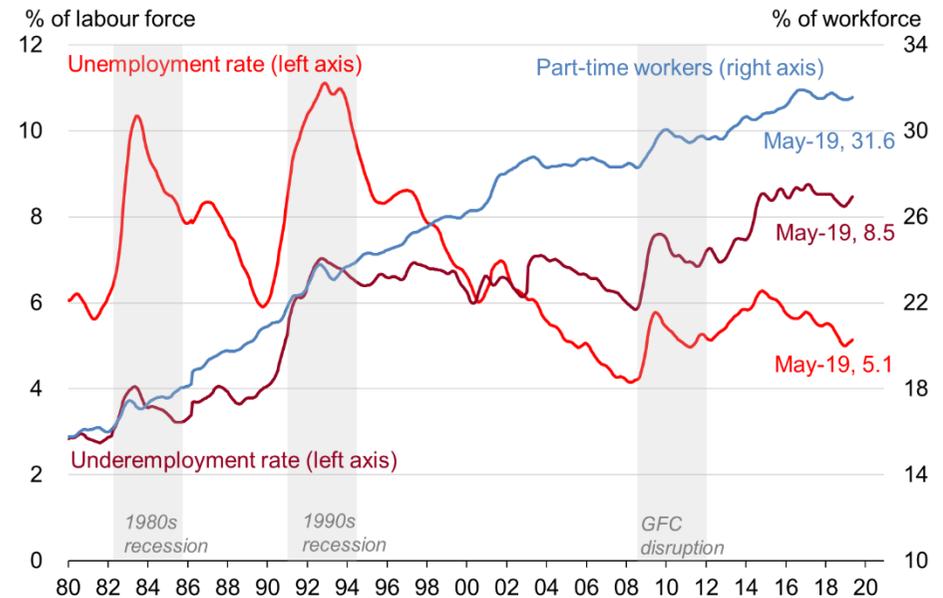
How many people are underemployed in 2019?

The ABS estimates that in May 2019, 695,200 people were unemployed (5.1% of the labour force, trend) and **1,147,400 people were underemployed** (8.5% of the labour force, trend). As a proportion of the labour force, Australia's underemployment rate has been higher than the unemployment rate since 2003. The underemployment rate has been 6.0% or higher since 1991 (Australia's last recession), except for a few months in 2008, and above 8.0% since mid-2014. The underemployment rate reached a record high of 8.8% in Feb 2017 (trend, chart 1).

Who is underemployed in 2019?

Part-time workers. Underemployment is strongly correlated to part-time employment and has risen in line with part-time work (chart 1). In May 2019 the majority of underemployed people (62%) normally work part-time. This includes 57% who are part-time but want more work hours plus 5% who are working less than their usual part-time work hours for 'economic reasons'. 34% of underemployed people work full-time but say they would like more hours (e.g. overtime) and 4% normally work full-time but are temporarily working part-time for 'economic reasons'.

Chart 1: Australian unemployment and underemployment rates and proportion of part-time workers, 1980 to May 2019 (trend)



Australian unemployment and underemployment rates, May 2019 (trend)

5.1%
Unemployment rate

8.5%
Underemployment rate

Casual workers. Industries that have high ratios of underemployment and part-time work also tend to have higher rates of casual work. The ABS estimates that 57% of underemployed part-time workers were casuals in February 2019 (that is, employees without paid leave entitlements), 26% were permanent employees and 17% were self-employed workers.

Lower-skill industries with high rates of part-time work tend to have the highest underemployment ratios and highest numbers of underemployed workers (chart 2). These include hospitality (cafes, restaurants and hotels), retail trade, recreational services and administrative services. The giant healthcare industry also has a relatively high part-time work ratio (44.5%) but it has a lower underemployment ratio (9.7%) than the low-skill services industries. This indicates that healthcare has some ‘spare capacity’ within its current workforce, but to a lesser extent than its part-time work rate alone might suggest. Industries with very low underemployment ratios have low levels of spare capacity within their current workforce, regardless of their part-time work rate, because fewer part-time workers in these industries are available to work more hours.

The construction industry is relatively unusual in having a relatively high ratio of underemployed workers (6.4%), relative to the industry’s part-time work ratio (15.2%). ‘Underemployment’ in the construction sector seems to include many full-time workers who want more overtime hours.

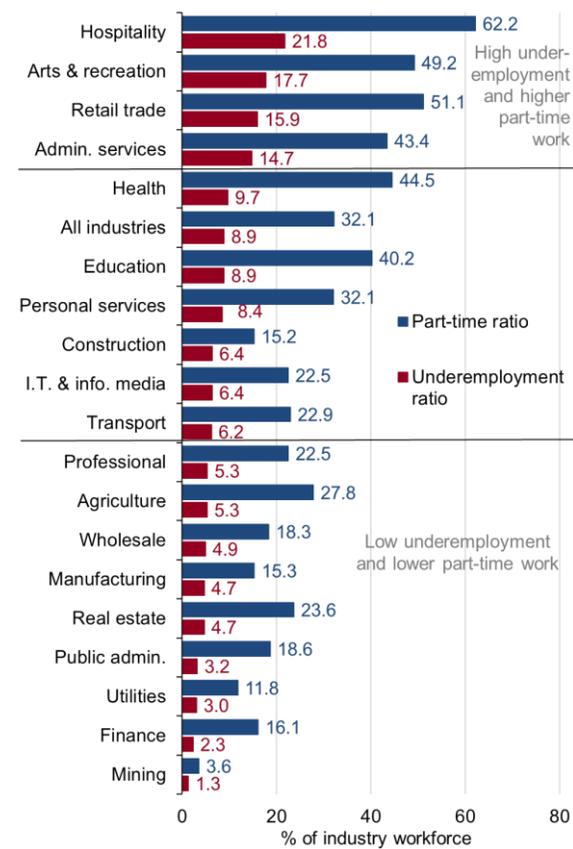
Men and women. 52% of underemployed workers were men and 48% were women in May 2019. This is a touch higher than the proportion of women in the workforce in 2019 (47%). More women than men tend to work part-time (46% v 19%) and so the proportion of female workers who are underemployed (10.3%) is higher than for male workers (6.8%, trend).

Younger workers tend to work part-time (e.g. while studying) more than do older workers, so they tend to have higher underemployment ratios. In May 2019, 20% of workers aged 15 to 24 years were underemployed (including 27% of workers aged 15-19 years, trend), compared to 7% of workers aged 25-34 years and 7% or less of workers aged 35 years or older.

Why are people underemployed in 2019?

Underemployed part-time workers are seeking an extra 11 hours of work per week on median, as of February 2019. Those currently working less than 10 hours per week (20% of underemployed part-timers) want an additional 12 hours of work, as do those working 10-19 hours per week (35% of underemployed part-timers). This indicates that although underemployed part-time workers want more hours, they do not necessarily wish to work full-time. Indeed, 50% of underemployed workers in Feb 2019 “did not take any steps” to seek more work hours. 31% had asked their current employer for more work hours and 39% had looked at job ads online.

Chart 2: Underemployment and part-time work ratios by industry, May 2019



Data sources and definitions

ABS 6202.0 *Labour force survey Australia*, May 2019
 ABS 6291.0.55.003 *Labour Force, Australia, Detailed, Quarterly*, May 2019
 ABS 6150.0.55.003 *Labour Account Australia, quarterly experimental estimates*, March 2019
 ABS 6226.0 *Participation, Job Search and Mobility*, Feb 2019
www.abs.gov.au

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