

Time-related underemployment rate

Introduction

The time-related underemployment rate is a measure of labour underutilization that provides information regarding the share of employed persons who are willing and available to increase their working time (for production within the SNA production boundary) and worked fewer hours than a specified time threshold during the reference period. It signals inadequate employment and complements other indicators of labour slack and labour underutilization such as the unemployment rate and the potential labour force.

ILOSTAT contains statistics from national sources on time-related underemployment by sex and age.

Concepts and definitions

Persons in time-related underemployment comprise all persons in employment, who satisfy the following three criteria during the reference period: a) are willing to work additional hours; b) are available to work additional hours i.e., are ready, within a specified subsequent period, to work additional hours, given opportunities for additional work; and c) worked less than a threshold relating to working time i.e., persons whose hours actually worked in all jobs during the reference period were below a threshold, to be chosen according to national circumstances.

Regarding the first criterion, for example, workers should report that they want another job or jobs in addition to their current employment, that they want to replace any of their current jobs with another job or jobs with increased hours of work, that they want to increase the hours of work of any of their current jobs or that they want a combination of the above. This criterion also encompasses those persons who actively seek to work additional hours, using for this purpose the same definition of job search as in the measurement of unemployment.

Examples of practices used to determine the working time threshold include the boundary between full-time and part-time employment; median values, averages, or norms for hours of work as specified in relevant legislation; and collective agreements, or agreements on working time arrangements or labour practices in countries.

Employment comprises all persons of working age who during a specified brief period, such as one week or one day, were in the following categories: a) paid employment (whether at work or with a job but not at work); or b) self-employment (whether at work or with an enterprise but not at work).¹

¹ Resolution concerning statistics of work, employment and labour underutilization, adopted by the 19th International Conference of Labour Statisticians, Geneva, 2013; http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_230304/lang-en/index.htm

Method of computation

The time-related underemployment rate is calculated as follows:

$$\text{TRU (\%)} = \frac{\text{Persons in time-related underemployment}}{\text{Persons employed}} \times 100$$

Recommended sources

Labour force surveys are typically the preferred source of information for determining the time-related underemployment rate. Such surveys can be designed to cover virtually the entire non-institutional population of a given country, all branches of economic activity, all sectors of the economy and all categories of workers, including the self-employed, contributing family workers, casual workers and multiple jobholders. In addition, such surveys generally provide an opportunity for the simultaneous measurement of the employed, the unemployed and persons outside the labour force (and thus, the working-age population) in a coherent framework.

Other types of household surveys and population censuses could also be used as sources of data on time-related underemployment. The information obtained from such sources may however be less reliable since they do not typically allow for detailed probing on the labour market activities of the respondents.

Interpretation and use of the indicator

Underemployment reflects under-utilization of the productive capacity of the labour force. The concept of “underutilization” is a complex one with many facets. In order to draw a more complete picture of underutilization with reference to the decent work deficit, one needs to examine a set of indicators which includes but is not limited to labour force, employment-to-population ratios, inactivity rates, status in employment, working poverty and labour productivity. Utilizing a single indicator to grasp labour underutilization will provide an incomplete picture.

Underemployment has been broadly interpreted and has come to be used to imply any sort of employment that is “unsatisfactory” (as perceived by the worker) in terms of insufficient hours, insufficient compensation or insufficient use of one’s skills. The fact that the judgement about underemployment is based on personal assessment that could change daily at the whim of the respondent, makes it a concept that is difficult to quantify and to interpret. It is better to deal with the more specific (more quantifiable) components of underemployment separately; the “visible” underemployment can be measured in terms of hours of work (time-related underemployment) whereas “invisible” underemployment, which is measured in terms of income earned from the activity, low productivity, or the extent to which education or skills are underutilized or mismatched, are much more difficult to quantify. Time-related underemployment is the only component of underemployment to date that has been agreed on and properly defined within the international community of labour statisticians.

Statistics on time-related under-employment are useful as a supplement to information on employment and unemployment, particularly the latter, as they enrich an analysis of the efficiency of the labour market in terms of the ability of the country to provide full employment to all those who want it. In fact, the resolution adopted by the 19th ICLS in 2013, restated the definition of time-related underemployment and its central role as a measure of labour underutilization. A new indicator meant to account for time-related underemployment and supplement the unemployment

rate was also introduced, the “combined rate of time-related underemployment and unemployment” (calculated as the number of persons in unemployment or time-related underemployment as a percentage of the labour force). Thus, the indicator on time-related underemployment can provide insights for the design, implementation and evaluation of employment, income and social policies and programmes. Particularly in developing economies people only rarely fall under the clear-cut dichotomy of either “employed” or “unemployed”. Rather, the vast majority of the population will be the underemployed who eke out a living from small-scale agriculture and other types of informal activities.

Whereas unemployment is the most common indicator used to assess the performance of the labour market, in isolation it does not provide sufficient information for an understanding of the shortcomings of the labour market in a country. Low unemployment rates however, do not necessarily mean that the labour market is effective. The low rates may mask the fact that a considerable number of workers work fewer hours, earn lower incomes, use their skills less, and, in general, work less productively than they could do and would like to do. As a result, many are likely to be competing with the unemployed in their search for alternative jobs and a clearer picture of the underutilization of the productive potential of the country’s labour force can be gained by adding the number of underemployed to the number of unemployed as a share of the overall labour force, as suggested by the resolution mentioned in the preceding paragraph. Therefore, adding an indicator of time-related underemployment can assist in building a better understanding of the true employment situation.

Limitations

National definitions of time-related underemployment vary significantly between countries, as do the operational criteria used, affecting the comparability of the data. Most definitions include persons whose “hours actually worked” during the reference week were below a certain threshold. Some definitions include persons whose “hours usually worked” were below a certain threshold and other definitions include both groups of workers. Perhaps because no international definition of “part time” exists, national determinations of hourly thresholds are not always consistent. In a few countries the threshold is defined in terms of the legal hours or the usual hours worked by full-time workers. Some countries enquire directly as to whether workers work part time, or define the threshold in terms of the worker’s own usual hours of work. As a consequence, the threshold used varies significantly from country to country.