

Tackling Underemployment - opportunities for workers and employers

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About the research

Underemployment—defined as the underuse of labour in terms of hours, wage, and/or skills—has significant negative effects on workers' job satisfaction, productivity, health and wellbeing, and financial stability. Underemployment also leads to higher staff turnover, weaker morale, poorer workplace relationships, and lost productivity.

Since 2008, underemployment has been steadily rising in the UK labour market (Torres et al., 2023). To address it we need a wrap-around approach, with employers, unions, service providers and policy makers working together in partnership.

This report outlines the key findings from twenty-one regional (Bristol, Glasgow, Nottingham and Greater Manchester) and national stakeholders interviewed as part of the Underemployment Project. Participants included national and regional policy makers, employment support service providers, and campaign and advocacy groups working on improving employment opportunities.

Policy Context

The Labour Government's Make Work Pay plan aims to 'tackle low pay, poor working conditions and poor job security' to deliver a New Deal for Working People. Since entering government, Labour have introduced their flagship Employment Rights Bill, proposals to reform the minimum wage, and reforms to working-age social security and employment support, set out in the Get Britain Working White Paper. These reforms have the potential to benefit many marginalised UK employees, including underemployed workers. However, the legislative detail will be crucial for the reforms to have the transformative effects set out in Labour's pre-election promises.

Policy Recommendations

1. Employment Reforms need to ensure that security and flexibility at work are guaranteed for all employees.
2. Skills and training provision needs to address skills underemployment.
3. Time, Wage and Skills underemployment need to be effectively measured and tracked across national and local labour markets.

Key findings

Our research examines three dimensions of underemployment: time, wage and skills (Torres et al, 2023). Across our interviews with stakeholders, we delved into each of these dimensions, however, many of the issues raised by our participants cut across the different types of underemployment, indicating that underemployment is intrinsically multidimensional.

Barriers to good work: inequality and marginalisation in the labour market

Significant inequality persists in the UK labour market. There is unequal access to good quality or decent work which can lead to underemployment. Women, parents and carers, refugees and migrants, and older people are more likely to be underemployed, and are faced with the economic, health, and social costs of underemployment.

These inequalities are often compounded by regional differences in the availability of good jobs.

"A lot of people are tied to place, and you can't just move. Especially if you lack skills, or if you lack capital, you can't just move to a place where you can get a better job."

- National Policy Body

Underemployment traps make it difficult to find better quality work

People are often trapped in underemployment and report 'feeling stuck', resulting in negative effects on career progression, financial security, and health and wellbeing. Local and national service providers and campaign organisations explained that many underemployment individuals are time poor (due to caring responsibilities and long or non-standard hours), and the lack of recognition of their skills impacts their confidence navigating the labour market.

"You're in that 'any job' and you get stuck there. Good work is good for your health but bad work is bad for your health. A lot of people end up in work that's not suitable for them and that has an impact for their physical health and their mental wellbeing as well."

- National Charity 2

"A lot of employers now, once upon a time they would have taken someone on and trained them, you know, and kept training them over a number of years but a lot of employers now sort of expect the State to have done that before they get hold of someone."

- Local Council

The labour market and employer practices

Key jobs in the labour market, including the provision of care, hospitality and retail services, are undervalued, resulting in low pay and poor progression pathways for underemployed workers. In these contexts, work arrangements are often organised to benefit employers rather than employees, with seasonal, zero hours and precarious work all utilised to save costs. Our findings also suggest that employers are not investing in training and supporting skills development in their workforce.

Addressing Underemployment

Supporting people to move out of underemployment is challenging, however, our research with stakeholders identified key research and practice-based solutions:

Employment Reforms need to ensure that security and flexibility at work are guaranteed for all employees.

Proposals set out in Labour's Make Work Pay plan are welcome and have the potential to transform the working lives of underemployed workers. These proposals need to have clear legislative powers to ensure workers' security (wage, guaranteed hours, contract, sick pay, and collective bargaining rights), and flexible working rights are supported in the workplace.

Many employees will need flexible working arrangements across their working lives, whether for health reasons, caring responsibilities, or crises. However, the need for flexibility should not mean underemployment and/or insecure work, especially for women, parents and carers.

"People often do trade-off, they trade-off work versus care. And the employment policies and unemployment policies in Job Centres never count care as a productive time."

- National Policy Body

Stakeholders called for cultural shifts within workplaces, in order for flexible working to be embedded across the labour market. Interviewees highlighted employer initiatives as effective in engaging employers in positive 'good work' practices (including Age Friendly Employer Pledge, Fair Work and Living Hours accreditation and Real Living Wage Employment).

"Flexibility being modelled by senior leaders in the workplace – and including men – so that it's clear there's no stigma attached to it."

- National Charity 3

Skills and training provision needs to address skills underemployment

Policy discourse has focused on upskilling and tackling the UK's 'low skill' economy. However, our research shows that skills underemployment is a growing issue in the UK. Over 3.7 million people were overqualified in their current jobs (Torres et al., 2023). Employers have a key role to play, in partnership with education providers, national and local governments, Jobcentre Plus, and support organisations, to identify, recognise, develop and utilise the skills of underemployed workers, including those skills obtained outside of the UK for refugees and migrants.

Stakeholders recommended **specialist and partnership support** for underemployed workers within workplaces and employment support services, with services seen to be most successful where personalised and integrated pathways were in place. Participants saw that employers had an important role in developing inclusive recruitment practices, and, once people were in post, continuing their skills development through conducting skills audits and providing in-house training to ensure their workforce was effectively utilised.

Whilst our research highlighted examples of good provision and services, a common issue raised was short-term commissioning practices. Many programmes are funded for short periods of time and this churn of provision impacted engagement.

"This stop/start of initiatives that come is so confusing for people that, again, that acts as a barrier to them engaging with the skills system, or the support system."

- Local Authority

In the wider policy landscape, the 'work-first' approach of the Jobcentre, where low-income and unemployed social security recipients are compelled to take any job, is detrimental to accessing and progressing into good work. Reorientating from work-first to **good work** is an important first step in ensuring that workers are supported to find work that is sustainable, fairly paid, and matches their skills and ambitions.

Time, Wage and Skills underemployment need to be effectively measured and tracked across national and local labour markets. Local and national stakeholders called for comprehensive and detailed local data to inform decisions and ensure support provision is effective. Currently, underemployment is not measured comprehensively, with national statistics defining underemployment as workers who do not have enough hours in their current job or are unable to find a full-time job (time underemployment). At a minimum, wage and skills underemployment need to be added to the current official measure.

Conclusion: Tackling underemployment locally and nationally

Addressing underemployment will bring real benefits to workers, through reducing the economic, health and social risks experienced, and to employers, through increasing workforce stability and better utilising the existing skills and experience of their workers.

The recommendations set out in this report will require partnership support from employers, local and national government, and campaign and support organisations. As Labour's plans unfold through the legislative process, there is potential that workers will experience improved security (rights, wage, and hours), and two-way flexibility. However, it currently remains difficult to ascertain the final shape of the reforms.

Importantly, approaches to tackling underemployment will need to reflect local labour markets. Local governments, support providers and employers will have a key role in ensuring recommendations work locally, not only in terms of the employment landscape but in relation to the wider social infrastructure, such as transport and care provision.

Further information

The project "A sociological investigation of underemployment and the lived experiences of underemployed workers" (2023-2026) addresses the increase in underemployed and vulnerable workers. Funded by UKRI (grant number ES/X000184/1)

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