Underemployment: The Hidden Face of the Employment Crisis

2022
Introduction

With the UK’s unemployment rate sitting at a record low of 3.8%, youth employment at 11.6% (lower than pre-pandemic), and record numbers of job vacancies, it’d be logical to think that there is little of concern when it comes to employment rates. But scratch beneath the surface and the picture is far more complex.

Far too many people – of all ages, but particularly young people – are caught in the underemployment trap. Underemployment is, put simply, the hidden face of the unemployment crisis; and it shows no signs of slowing down.

In fact, without concerted steps being taken to stem underemployment, there is a risk of growing a workforce that is undervalued, underused and ultimately disengaged.

Between May and July 2022, Catch22 brought together employability experts, businesses, youth employment champions and job seekers in a series of round tables to explore the subject of underemployment.

We explored the definition of underemployment, its causes, how it affects people and what can be done to tackle it.

This short document outlines the key findings.
‘Underemployment’ – sometimes defined as the ‘underuse of a worker’ - is where someone is in a job, but it may be unstable, low paid, present few opportunities or the employee feels undervalued.

The Office for National Statistics (ONS) has recently started using the Labour Force Survey to measure underemployment. Latest figures show that at the end of 2021, underemployment rates were estimated to be just over 7%. By their definition, in order to be classed as underemployed, people must have been looking for an additional job, a job with longer hours to replace their main job or be wanting to work longer hours in their current job.

Catch22’s Horizons employability programme is thought to be one of the only employability programmes in the UK that directly tackles the issue of both underemployment and unemployment. Building on the ONS criteria, this programme uses the following criteria to define underemployment:

**WHAT IS UNDEREMPLOYMENT?**

- On a Low Wage – less than the London Living Wage
- On a Part Time Contract – less than 16hrs a week
- On a Temporary Contract
- On a zero-hour Contract
- Unstable hours or shift pattern (at risk of redundancy or unemployment)
- Overqualified
- Limited opportunities to progress

**WHO IS IT AFFECTING AND WHY?**

Underemployment can affect anyone at any age. However, as the chart below from the Resolution Foundation shows, young people are disproportionately affected:

There are clear indicators that the quality of jobs on offer for young people leaves much to be desired

People may find themselves underemployed for a range of reasons, including lack of social capital, lack of emotional support, poor education attainment or lack of a financial safety net. They may also have personal reasons – such as caring responsibilities – that appear to restrict their options when it comes employment.

These contributory factors can be exacerbated by geography; if a person lives somewhere remote with poor digital access or poor transport links, this can further hinder their chances of finding sustainable work.

Added to this, many people, particularly young people, don’t necessarily know their rights in the workplace or know what a ‘good’ job looks like and what to expect from an employer. This can easily lead to being trapped in a cycle of underemployment with no obvious way out.
HOW DOES IT AFFECT PEOPLE?

Not everyone who fits in into the underemployment criteria above may choose to define themselves as underemployed. Temporary or zero-hour contracts may work for some people. Others may not be actively seeking progression opportunities or indeed want to work more hours. For some, being overqualified for a role doesn’t necessarily mean they’re unhappy in it.

But for those who find themselves in a role where they’re underemployed and don’t want to be, the effect can be damaging.

In the short term, it can lead to stress and anxiety and in many cases being overworked (with people having to take on multiple jobs to compensate for unstable contracts). This can have a knock on effect on mental health and family life.

Many people feel out of control; with zero-hour contracts the power is completely in the hands of managers, who can turn the labour supply on and off dependent on demand.

In the longer term, being underemployed for a significant length of time can affect career prospects. Serial lack of development opportunities can reduce the likelihood of being able to secure a sustainable role further down the line. It can damage someone’s confidence and lead to a belief that it’s impossible to land a role that is fulfilling, flexible and can pay the bills.

“I was feeling very low and lost”
- James

“I was in a temporary role and all of a sudden was told my contract was coming to an end. I wanted something more stable and secure, and needed to find a job quickly, but had no idea where to start.”
- Lily

LIFTING PEOPLE OUT OF UNEMPLOYMENT

The nature of underemployment, and how it manifests itself, inevitably varies between individuals.

However, building on the characteristics of underemployment, there are clear groups of needs that could begin to be addressed in order to reduce the prevalence of underemployment:

SKILLS AND QUALIFICATIONS

For some people who are underemployed, gaining skills and qualifications is key to being able to identify a clearer career path.

HOLISTIC SUPPORT

There can be a range of contributory factors to being underemployed: housing insecurity, the need to support a family, and the rising cost of living can all mean little option but to take any job available.

Ensuring there is adequate support to address these issues could greatly reduce the need to seek employment of any sort.
FINANCIAL EDUCATION
Given the financial pressures that can often result in underemployment, solid financial education on how to budget and how to navigate the benefits system could offer a route out of underemployment.

CAREER GUIDANCE AND MENTORS
For some people who are underemployed, lack of awareness of the options open to them career-wise can be a severely limiting factor. Good careers advice has to start in schools, with education on the range of career pathways including traineeships and apprenticeships. Mentors (either within the workplace or outside of it) can provide vital support and guidance to people unable to see a way out of their current role, or unsure of how to articulate their workplace rights.

AWELE’S STORY

Awele is a mother of three and has faced several challenges throughout her life. She’s been in the care system, a victim of domestic abuse, and was recently diagnosed with Dyslexia. Awele was out of work for a while due to Covid and had completely lost confidence in herself. She didn’t think she could find a role that fitted around her childcare or anything she was qualified for. It was her dream to work with young people and families, but she didn’t feel confident she would get to that.

Following work with her Horizons Career Coach, Awele had the confidence to speak to her children’s school about opportunities and they mentioned they were looking for someone to work with children at risk of dropping out. After a couple of interviews and trial shift she was offered the position. She spoke to them about flexibility and they were happy to tweak her hours so that she could pick her children up from school. Awele was delighted with this role as it fitted her desire to work with young people, the hours were perfect and the school have already put a progression plan in place for her.
Lloyd’s Story

Lloyd is a 32 year old university graduate who had been stuck in customer service roles and recently lost his job due to the pandemic and mental health issues. He was really keen to make a positive career change and move into digital marketing, but had struggled in his job search due to a lack of experience. He was lacking confidence and got very nervous before interviews.

Working with the support of his Horizons Career Coach, he was able to slowly build his confidence and structure a strong CV. After two months of workshops, training and 1-2-1s, Lloyd was ready to apply for jobs. Lloyd was successful in securing an interview for a digital marketing role at Library of Things - a social enterprise that helps people save money and reduce waste by affordably renting out useful items. He impressed at interview with his passion for digital marketing and his knowledge around the circular economy. He was offered the role and is thriving in it.

Lloyd’s role is a really important role in our team at a point where we are scaling up the business. It’s great to be able to offer someone the opportunity to make a change in their career and start working in the sustainability sector, supporting the candidates’ needs as well as our organisational needs. Lloyd has hit the ground running and is already a great asset to the team and brilliant to work with.

- Charlotte, Head of Marketing, Library of Things
WHAT CAN BE DONE TO TACKLE UNDEREMPLOYMENT?

As will almost all complex challenges, underemployment is something that requires a multi-pronged approach to tackle. The first step is to recognise it as a problem. Only then can employers, policy makers and individuals who find themselves struggling to escape from the underemployment trap, take steps to address it.

FOR INDIVIDUALS

Recognise your status as underemployed

While some people may feel unsatisfied with their work for a variety of reasons, not everyone will be aware of the characteristics of underemployment. Being able to identify yourself as underemployed is often the first step to escaping the trap.

Know your rights

everyone has a right to request flexible working (although of course there’s no guarantee it’ll be granted). There are also minimum maternity and paternity rights.

Explore opportunities

whether it's training or development within or outside the workplace, the option to have a mentor or accessing employability programmes such as Horizons.

FOR EMPLOYERS

Offer flexibility

For employees with caring responsibilities. This might mean condensed hours or flexible start/finish times.

Provide mentoring within the workplace

Employees face many pressures outside the workplace, and often simply don’t have the time or inclination to sit down and map out a career path. Offering staff the support of a mentor can increase the likelihood of them succeeding in their role and understanding what they can do to progress.

Ensure clear development opportunities

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Consider flexible benefits

Depending on the circumstances of the employee, some benefits are more valuable than others. For example, some may never use free gym membership, but for others it would be a significant benefit and cost-saving. Similarly, free family healthcare could be valuable to some employees, but of little value to those without a family. Having a ‘shopping list’ of benefits for employees to pick and choose from not only demonstrates a recognition that everyone has different needs, but also is likely to mean the employee feels valued.
**FOR POLICYMAKERS**

**Incentivise jobs in growth sectors**
Much more should be done to make jobs in sectors where there are vacancies – and in particular those growth sectors such as green jobs, tech, hospitality and social care – attractive to young job seekers. It is not enough to assume people will take just any job – and even if they are forced to, it is unlikely they’ll stick at it for long or be fulfilled. This might include incentive payments for candidates going into these roles, attractive training and/or reskilling packages relating to these industries.

**Remove sanctions that encourage Job Centre Plus to place job seekers into ‘any’ job**
Currently, there is a tendency for Job Centre Plus to place job seekers into ‘any’ job, rather than a role that may be more appropriate and sustainable. Sanctions that encourage this approach almost always affect marginalised groups more, and directly lead to underemployment.

**Promote a personalised approach to job support**
Local government plays a critical role in tackling underemployment, with Local Skills Improvement Plans (LSIPs) key to linking local employers with Further Education providers to open up local jobs. Similarly, Youth Hubs have the potential to connect young people with regional job opportunities that are sustainable and should be well-resourced.

**Consider the implication of wider policies on the underemployment trap**
There are much broader policies that need to be addressed to get to the root of some of the barriers to underemployment. For example, improved paternity leave, where both parents are entitled to paid time off for the first few months of their child’s life, might help prevent new mothers being forced into part-time jobs to balance childcare demands. An uplift in Universal Credit might mean some individuals would be afforded greater choice in terms of the jobs they take, rather than being forced into taking any job in order to ensure an income.

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**SUPPORT US IN TACKLING UNDEREMPLOYMENT**

Catch22 is committed to supporting 20,000 people facing barriers to work into sustainable employment by 2024.

We run award-winning employability programmes that help those with complex barriers where government schemes won’t be enough.

Find out more about our current partnerships or contact us at partnerships@catch-22.org.uk if you’re interested in working with us.