Underemployment in America: Measurement and Evidence

Leif Jensen¹,² and Tim Slack¹

An important way in which employment hardship has come to be conceptualized and measured is as underemployment. Underemployment goes beyond mere unemployment (being out of a job and looking for work), to include those who have given up looking for work, part-time workers whose employer(s) cannot give them full-time work, and the working poor. To provide needed background for the other articles in this special issue, we trace the history of the concept of underemployment, review existing empirical literature, offer a critique of the measurement of underemployment as conventionally operationalized, and provide up-to-date evidence on the trends and correlates of underemployment in the United States.

KEY WORDS: employment; unemployment; underemployment; working poor; discouraged workers.

The economic turmoil of the Great Depression changed the way Americans thought about poverty at the time (Levitan, Mangum, & Mangum, 1998). To that point the prevailing view held that poverty was caused by individual deficiencies among the poor. Able-bodied people who were poor because they were not working were regarded as lazy and undeserving of societal aid. With the Depression came widespread joblessness, and a recognition that to some extent the causes of poverty were rooted in the structure of the economy and society, rather than the blameworthy individual characteristics of the poor themselves. It is no coincidence that in the 1930s industrializing nations of the West began to collect unemployment statistics as a way to gauge the performance of the labor market and the social circumstances of its workers (Clogg, 1979). The unemployment rate has been a mainstay of social indicators ever since. Clogg (1979, p. 2) writes, “[i]t is difficult indeed to conceive of another socioeconomic statistic that has been more influential in public policy debate, more critical in the shaping of modern political cleavage,

or more central to social scientific theory about the socioeconomic order.”

The calculation of the unemployment rate is relatively simple. The numerator of the rate is the number of people in a population who are unemployed, that is, who are not currently working and are actively looking for a job, plus the number who are on layoff. The base (denominator) of the rate is the number of people in a population who are economically active. Often referred to simply as the “labor force,” this economically active population consists of those people who are employed (as defined above) plus those who are currently working. Thus, the unemployment rate is simply the number unemployed divided by the number in the labor force (employed plus unemployed). Assuming it is calculated monthly or annually, the unemployment rate can be used to track the state of the labor market over time. Within a given point in time, it can also be used to describe inequalities between groups (Whites vs. Blacks, men vs. women, Floridians vs. Texans) in their prevalence of joblessness.

Despite its centrality, labor market scientists have long pointed out the inadequacies of the unemployment rate in capturing the full array of types of employment hardship (Hauser, 1974). As an alternative, some have proposed and advocated the broader concept of underemployment which goes beyond mere unemployment to include additional forms of inadequate employment (Clogg, 1979; Hauser, 1974;

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Sullivan & Hauser, 1978). These include those who are working part-time, but would like full-time work; those who are working full-time, but for poverty-level wages; those who are not working and would like to be, but have given up looking for a job (since they are not looking, they are not counted as unemployed); and those whose occupational status falls far below what one would expect given their level of education.

While on the rise at this writing, unemployment rates neared historic lows during the very strong economy of the mid- to late-1990s. Ironically, despite this prosperity, concerns over employment adequacy and underemployment in the United States continue to be voiced. The reasons for this are twofold (Jensen & Slack, 2000). First, it has been suggested that the globalization of the world economy and the corresponding industrial restructuring of the U.S. economy (away from manufacturing and toward services), have given rise to a bifurcation of the U.S. labor force into good jobs and bad jobs (Nelson & Smith, 1999). Good jobs are stable, full-time, and well-paying, offer advancement opportunities, and tend to be held by those who are highly skilled and/or well educated. Bad jobs tend to be unstable, poorly paying, and often part-time, and they are lacking in benefits and prospects for advancement. The worry is that despite a hot economy, the relative rise in the prevalence of bad jobs has consigned a sizable portion of the labor force to a high risk of underemployment. Second, in recent years the United States has reoriented its social welfare system to encourage employment and work preparedness. Specifically, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (or “welfare reform”) placed strict time limits on Public Assistance receipt and, for most, made work or work skills training a prerequisite for assistance. As welfare rolls have plummeted, and employment among erstwhile welfare recipients had increased (Lichter & Jensen, 2001), employment adequacy has become even more important for determining economic well-being among those at the bottom. The worry is that the influx of low-skilled workers has lowered wages and labor demand, and increased the risk of underemployment for those who are most vulnerable. These governments are foisting more responsibility for economic well-being on the labor market and workers themselves at the very time that questions are being raised about the implications of macroeconomic change for the quality of jobs available for low-skilled groups only heightens concern over the specter of underemployment (Jensen & Slack, 2000).

In this article we pursue three main objectives. First, we trace the history of the concept of underemployment and briefly review the empirical literature to date. Second, we critically evaluate underemployment as a measure of employment hardship. Third, we offer an up-to-date portrait of the trends and correlates of underemployment, drawing on analysis of data from the U.S. Census Bureau’s Current Population Surveys. In so doing, we seek to provide conceptual and empirical context for the articles in this special issue.

UNDEREMPLOYMENT: A THUMBNAIl HISTORY

The history of the measurement of any particular concept will be a story of trial, error, and refinement. The evolution of measures of employment adequacy is no different. As noted, measures of underemployment arose from perceived inadequacies in unemployment as an indicator of employment hardship. Interestingly, the measurement of unemployment itself was developed and proposed in the 1930s as a superior alternative to its predecessor. Prior to this time, joblessness was measured using the so-called “gainful worker” approach (Hauser, 1974). That is, respondents to a survey or census were asked whether they had a “gainful occupation,” and those who did not report such an occupation were defined as jobless. Two problems with this measure were identified. First, those with an occupation (e.g., carpenter) but not currently at work were incorrectly defined as employed. Second, those who had never held a job but were looking for one were incorrectly defined as being economically inactive or out of the labor force (Hauser, 1974). The measure of unemployment that was developed in response to these problems defined as unemployed those who were out of work and were actively seeking a job. In addition, a specific time reference was established, usually a respondent’s employment circumstances in the week prior to the interview. As such, someone who was laid off several weeks before the survey and who might otherwise define themselves as gainfully employed, would be correctly defined as unemployed.

As noted, to this day the rate of unemployment remains the preeminent labor force indicator in the United States, though concerns have been raised about its ability to capture all meaningful forms of employment hardship (Taggart, 1982). Although criticism in this regard can be traced back nearly to its
inception in the United States (Robinson, 1936), it is interesting that the most prominent dissatisfaction with unemployment as an indicator arose not for its use in Western developed countries, but in the developing world (Moore, 1953; Myrdal, 1968). With a high proportion of all adults in mid-twentieth century developing countries engaged in small-scale agriculture or other forms of self-employment, the concept of being an employee (and thus employed) lacks relevance. Other concerns were that unemployment failed to capture the fact that in developing countries the amount of time people worked was often low (suggesting existing labor was underutilized), and that the economic returns to work were often abysmal (suggesting labor productivity was low).

Motivated by these shortcomings, under the auspices of the International Labor Office a series of conferences among experts in labor statistics gave rise to a resolution to develop concrete measures of underemployment (Clogg, 1979). According to this resolution, both visible and invisible forms of underemployment were to be measured. Visible underemployment included “less than full-time employment on the part of persons who want more work” (Hauser, 1974, p. 4). Invisible underemployment is working full-time but in endeavors with very low productivity, very low economic returns, and/or that underutilize the skills of workers. In response to this resolution, Hauser (1974, pp. 4–5) “developed a conceptual framework and operating procedures to obtain measurement of both visible and invisible underemployment.” In what has become widely known as the Labor Utilization Framework (LUF), Hauser (1974, p. 5) set forth the following scheme in his ground-breaking work:

- Total work force
  - Utilized adequately
  - Utilized inadequately
  - By unemployment
  - By hours of work
    - By income level
    - By mismatch of occupation and education

Accordingly, the total workforce (those employed and unemployed) are divided into those whose labor is utilized adequately versus inadequately. Those whose labor is utilized inadequately (the underemployed) would fall into one of four categories: those unemployed, those working less than full time, those with very low income, and those substantially overqualified for the occupation they have. Assuming needed data are available, Hauser suggested two additional options to this framework. First, those underemployed by low hours could be restricted to those actually expressing a desire to work more hours. Second, those not actively seeking work but who would accept a job if they thought one were available—that is, the so-called “passive workers” or “discouraged workers”—could be added as a category of underemployment. Noteworthy in its absence from Hauser’s list, however, is underemployment by low productivity, which was omitted because of “the extreme difficulty of developing productivity measures on a per-worker basis from standard labor force surveys” (Clogg, 1979, p. 214). Hauser and others went on to successfully apply the LUF to measure underemployment in many developing countries.

Spearheading the effort to adapt the LUF for use in the United States were Teresa Sullivan, and Clifford Clogg (Clogg, 1979; Clogg and Sullivan, 1983; Clogg, Sullivan, & Mutchler, 1986; Sullivan, 1978; Sullivan & Hauser, 1978). They based their scheme on the variables available in the March Supplements (or Annual Demographic Files) of the Current Population Surveys (CPS). Administered by the U.S. Census Bureau on behalf of the Bureau of Labor Statistics, the CPS is a large monthly survey of approximately 50,000 U.S. households and all individuals residing within them, and is the principal source of government employment and unemployment data. The March survey contains additional variables—for example individual and household income, education, occupation and industry—which allow researchers to describe in more detail the socioeconomic and demographic circumstances of individuals, families, and households. Because it contains such detailed questions on employment circumstances, the CPS is uniquely suited to operationalize underemployment using the LUF. From most to least severe, the operational definitions of states of underemployment typically used by researchers are as follows:

- **Sub-unemployed** is a proxy for “discouraged workers” and includes individuals who are not currently working and who did not look for work during the previous 4 weeks because they felt no jobs were available;
- **Unemployed** follows the official definition and includes those not working but who (1) have looked for work during the previous 4 weeks, or (2) are currently on lay off;
- **Underemployed by low hours** (or involuntary part-time employment) parallels the official definition of those who are working “part-time for economic
reasons” and includes those who are working less than 35 hours per week because they cannot find full-time employment. 

Underemployed by low income (or working poor) includes those whose labor market earnings during the previous year, adjusted for weeks and hours worked, were less than 125% of the official poverty threshold for an individual living alone; Underemployed by occupational mismatch (or overeducated) includes those whose educational level (measured as years of schooling) is greater than one standard deviation above the mean education for workers with the same (three-digit) occupation.

All other workers are defined as adequately employed, while those who are not working and do not want to be working are defined as not in the labor force.

Researchers have used variations of this scheme, particularly when analyzing data sets other than the CPS. For example, because the decennial census does not collect data on reasons for unemployment, it is not possible to identify the sub-unemployed (Tigges & Tootle, 1990). Even when using the CPS variations are seen. In particular, it is often the case that researchers do not use the “occupational mismatch” category (for exceptions, see Lichter & Costanzo, 1987; Madamba & De Jong, 1997; Zhou, 1993). Indeed, Clogg (1979, p. 223) himself described overeducation as “the least satisfactory measure of underemployment” used in his study. Because (1) the one standard deviation statistical criterion used to define overeducation is somewhat arbitrary, (2) completed years of schooling captures neither quality of schooling nor job skills gained on the job (Clogg, 1979), and (3) both occupational and educational categorizations have changed over the years (raising problems of comparability), researchers often define the underemployed as those falling into the remaining four categories.

Empirical studies of underemployment can be grouped into those that use one-shot cross-sectional data, repeated cross-sectional data, and panel data. Studies using monochronic data are principally interested in documenting and explaining differences between sociodemographic segments of the population in their prevalence of underemployment. Recognizing the spatial heterogeneity of these risks, Lichter and Costanzo (1987) analyze data from the 1980 CPS to examine differences between metropolitan (metro) and nonmetropolitan (nonmetro) residents in underemployment prevalence. They find a decided nonmetro (i.e., rural) disadvantage that is largely accounted for by lower levels of education in the countryside, and less so by residential differences in industrial composition. Other studies have examined differences between racial/ethnic groups, showing that minority groups in the United States (e.g., Blacks, Latinos, immigrants) have higher prevalence of underemployment, even after controlling for human capital, industry, occupation, family structure, and other predictors (De Anda, 1994; De Jong & Madamba, 2001; Soltero, 1996; Zhou, 1993). Research by Jones-Johnson (1989) suggests a link between underemployment and both psychological and interpersonal stress, that may be particularly severe when minority group status is added to the mix. Other work focuses on gender disparities, with women showing higher prevalence of working poverty and involuntary part-time work (Mutchler, 1985). By sector of the economy, service sector employment is associated with higher underemployment rates (Nord, 1989; Tigges & Tootle, 1990).

Research using repeated cross-sectional data examine trends in inequality in underemployment prevalence. Lichter (1988, 1989) analyzed data from multiple CPSs beginning in 1970 and into the 1980s and chronicled increasing polarization between Black and White men over this period. More recent work spanning an even greater time period suggests that, while Black underemployment is always higher than that for Whites, the trend toward Black–White polarization has stagnated, largely due to a marked improvement in the relative employment circumstances of nonmetro Blacks (Slack & Jensen, 2002). During this same period, however, Latinos were shown to fall further behind their White counterparts (Slack & Jensen, 2002). This trend of increasing Hispanic–White inequality is corroborated by research on underemployment among Mexican-origin workers (De Anda, 1991, 1996).

A more recent development in the literature on underemployment has been to capitalize on the quasi-longitudinal nature of the CPS to model the dynamics of underemployment. The CPS uses an overlapping and rotating sampling design. Newly sampled households are interviewed once per month for 4 months, are not interviewed for the subsequent 8 months, and are then interviewed monthly for another 4 months before dropping out of the sample. As such, up to half of all households in a given March CPS are reinterviewed 1 year later. Taking advantage of this feature, Lichter and Landry (1991) matched individual-level data from the 1986 and 1987 March CPS data files to model year-to-year transitions
between categories of underemployment. Consistent with cross-sectional research, they found that economically marginal groups (e.g., those with low education, racial/ethnic minorities, women) were more likely to slide into more severe forms of underemployment, and had a more difficult time moving into adequate employment once underemployed (see also Lichter, Landry, & Clogg, 1991). Jensen, Findeis, Hsu, and Schachter (1999) took the logical next step by using data from the 1968 through 1993 CPSs to compile a series of two-period panels spanning a quarter-century. In so doing they were able to show that an expanding economy reduces the risk of becoming underemployed, and makes the prospect of moving out of underemployment higher, while a contracting economy has the opposite effects. Interestingly, nonmetro workers were shown to be less adversely affected by a souring economy, but also less beneficially affected by an expanding one (Jensen et al., 1999).

There are at least three shortcomings with using the CPS in this way. First, because the CPS is a sample of households (the same households are reinterviewed, regardless of who lives in them), there are no data on movers. To the extent that employment and residential transitions are related, an important aspect of the dynamic may be lost. Second, the matching algorithm used could yield false matches, although the prevalence of these errors is likely quite low. Third, at most an individual is observed at only two points in time, such that multiple spells of underemployment and length of spells cannot be examined. Several popular panel data sets such as the National Longitudinal Surveys of Youth (NLSY) are not constrained in these ways and better enable researchers to track individual transitions between labor force states, and to model the causes and consequences of these transitions. For example, recent research has used panel data from the NLSY to document the personal toll exacted by transitions between adequate and inadequate employment. These studies have shown that transitions into underemployment are associated with elevated levels of depression and alcohol abuse (Dooley & Prahse, 1998; Dooley, Prahse, & Ham-Rowbottom, 2000).

Nationally representative repeated cross-sections are naturally superior for establishing trends, while panel data sets provide richer detail on employment dynamics. “Rotating panel surveys” seek to offer both advantages. As the name implies, these surveys rotate panels—new ones are added, old ones are rotated off—to maintain a current sample of changing populations (Firebaugh, 1997). The Survey of Income and Program Participation (SIPP) and its follow-up panel, the Survey of Program Dynamics (SPD), use this design. To our knowledge these data have not been analyzed in underemployment research, yet they hold promise in this regard.

A CRITIQUE OF UNDEREMPLOYMENT

Underemployment was proposed as a more exhaustive—and hence more valid—measure of employment hardship than mere unemployment. Still, it is not without its own shortcomings. The following critique is organized around two sets of difficulties. The first includes problems with the measurement of underemployment as conventionally operationalized, apart from those of overeducation which were described above. The second set concerns problems of content validity, in other words, its ability to capture the full range of types of employment hardship.

Several weaknesses of the current definition as typically used concern the underemployed by low income category. Again, this group—the working poor—is supposed to include those working full-time, but at wages insufficient to bring them much above the official poverty threshold. One difficulty stems from the fact that the workers’ earnings is based on CPS income questions whose time referent is the calendar year prior to the March survey. Respondents of the March, 2000 CPS, for example, where asked about the amounts received from various sources of income in 1999. This slippage means that the underemployed by low income group certainly includes some people who might have a quite well-paying job at present (but whose total earnings were low the previous calendar year), and excludes people who had high earnings in the previous year, but currently have a very low-paying job. Use of the SPD or other panel data sets would allow researchers to use contemporaneous income in the calculation of working poverty. There also is perennial criticism of the official poverty thresholds themselves (Citro & Michael, 1995). Especially pertinent are that they do not take account of cost of living differences by place of residence, and that they are probably set at levels that are too low (that they underestimate the true prevalence of poverty). Although the latter problem is compensated for somewhat by using 125% (rather than 100%) of the official thresholds, the choice of that cutoff and of the thresholds themselves have been regarded in some quarters as being arbitrary. Clogg (1979) acknowledges this but notes that as long as some standard definition is used, trends over time can be reliably captured. Moreover.
users can experiment with alternative thresholds if they so choose.

Clogg (1979) also describes three groups for whom the prevailing underemployment definition may be problematic. One such group consists of “unpaid family workers” who may be defined as underemployed by low-income (indeed, they often have no reported earnings) while working for a family business that otherwise may be quite lucrative for all household members concerned. This points to the more general problem of using individual earnings (rather than family or household earnings) as a way to identify the working poor. Someone might have poverty-level wages despite living in an otherwise well to do household. Their working poverty may in a sense be “voluntary,” calling into question whether they should be defined as underemployed at all. Second, “agricultural workers” are a problematic group since they are often self-employed and cannot be underemployed by low hours. Third, secondary workers—workers in the household other than the principal “breadwinner”—are problematic to the extent that their low wages or spates of unemployment may not reflect as severe a degree of underemployment as is the case when primary wage earners themselves are in these circumstances. As more and more couple-headed families rely on the income of both spouses, this shortcoming will become even less relevant. To these three groups one might add those people who are defined by the LUF as “not in the labor force” (not working and do not want to be), even though they are able-bodied and are the only working age adult in the household.

An additional problem of particular salience for community psychologists pertains not to the operationalization of underemployment per se, but to the fact that prevailing data sets that have the variables needed to calculate it have sample sizes that are not large enough to allow for the computation of small area estimates (e.g., underemployment rates for particular counties or towns). Those interested in determining the severity of underemployment in a particular place—and its relationship with community psychological well-being—would have to rely on indirect indicators (e.g., unemployment rate), or data they gather themselves.

The second set of shortcomings of underemployment has to do with content validity, or the ability of this measure to capture all meaningful forms of employment hardship. Admittedly, this is a less serious problem than those outlined above, since the measure itself was not developed to be completely exhaustive, just more exhaustive than unemployment when it comes to labor utilization. Still, an appraisal of what is not captured is informative.

Underemployment by low income is meant to identify those full-time workers whose wages are insufficient to bring them much above poverty. However, by focusing only on wages, other components of total compensation are ignored. Health insurance and other benefits can make an otherwise poverty-wage job quite worthwhile, since a greater share of those wages can be used to purchase other essentials. Although this suggests a certain percentage of the working poor perhaps should not be counted as underemployed, more common and more problematic are circumstances where someone with a low-wage job (but not low enough to be defined as underemployed) lack these benefits. One could argue that they should be included among the working poor.

The problem of people working in low-wage jobs with no benefits has become more prevalent in the U.S. economy, as industrial restructuring, corporate downsizing, and outsourcing have given rise to a sizable “contingent” workforce (Barker & Christensen, 1998). “Contingent work usually refers to nonstandard employment relationships that are associated with temporary or insecure employment duration, inadequate wages and benefits, and a conditional relationship that limits the attachment between employer and employee. Compared to permanent employees, contingent workers earn less and are less likely to be covered by employer health insurance or pension plans” (Jensen & Slack, 2000, p. 1723). Among this group, temporary help workers, or “temps,” are particularly marginalized. Temps typically work for temporary help supply firms that provide labor to other businesses on a contractual and often fixed-term basis.

That contingent workers and temps often lack benefits is only one reason why many of them could be counted as underemployed. Also relevant is the lack of security of the positions they do have. The point is, researchers interested in underemployment might consider drawing a distinction between otherwise adequately employed workers whose positions are relatively permanent and secure, versus those who could lose their jobs at a moments notice. Being an essentially monochronic measure, the nature and degree of attachment to the labor force over time has not been factored into underemployment, but perhaps could be in future work. A similar issue pertains to “displaced workers.” This group has been defined as “persons . . . who lost or left a job [which they had held for three or more years] because their plant or company closed or moved, there was insufficient work
for them to do, or their positions or shifts were abolished" (Hipple, 1997, p. 38). In recent years, displaced workers have been identified in the CPS so it would be possible to subdivide the unemployed into displaced workers (presumably a worse form of underemployment) versus others whose chances of reemployment would appear to be somewhat brighter.

TRENDS AND CORRELATES

Despite these problems of measurement, the empirical literature reviewed above has usefully contributed to our understanding of trends in employment hardship over time, and of inequality between groups in the risk of underemployment. In this section we offer an up to date portrait of underemployment in the United States today. Figure 1 shows the prevalence of underemployment by type and year for the period 1990–2000. The point estimates are derived from original analysis of the March Current Population Surveys for those years. It should be noted that between 1993 and 1994 the March CPS interview schedule was modified slightly, and therefore so was our operationalization of underemployment by low hours (i.e., involuntary part-time). Specifically, the variable used to establish reasons for working part-time was changed from one in which very specific reasons were provided as separate categories (dit20crn), to one in which these reasons were collapsed into those that were economic versus noneconomic (wkstat). In 1994 and after, we define those working part-time for economic reasons as being underemployed by low hours.

Overall, underemployment began the decade at roughly 17% and rose to over 20% amidst a sluggish economy early in the decade. Underemployment declined steadily to around 14% by the year 2000, clearly reflecting the very strong economy during those years. In all years except one (1992) the modal type of underemployment was that by low income. The working poor comprised about 40 to almost 50% of all underemployed workers throughout the 1990s, or around 7% of the entire labor force. Unemployment is the second most common form of underemployment (except in 1992 when it was the most common form), and appears especially susceptible to macroeconomic swings, varying from a high of 7.5% of the labor force in 1992, to 4.1% by decade’s end. Underemployment by low-hours is the third most prevalent form, and declines steadily from a maximum of 5.2% of the labor force in 1992, to 4.1% in 2000. Finally, discouraged workers hovered around 1% of the labor force throughout the period, and in 2000 represented less than 5% of all underemployed workers.

Table I describes the nature and severity of inequality in underemployment prevalence across key sociodemographic groups using data from the March 2000 CPS. The table is broken down by residence in nonmetropolitan (nonmetro) versus metropolitan (metro) areas (and within the latter, by central city versus suburbs), in order to underscore the important residential variation in this regard. Essentially, a

![Fig. 1. Underemployment by type, 1990–2000.](image)
### Table I. Percentage Distribution of Underemployment by Selected Characteristics

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<th>Total</th>
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<td>11.3%</td>
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<td>27.3</td>
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<td>19.8</td>
<td></td>
</tr>
<tr>
<td>Divorced/separated</td>
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<td>18.3</td>
<td>13.3</td>
<td>15.5</td>
<td>11.8</td>
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<tr>
<td>Widowed</td>
<td>18.5</td>
<td>24.2</td>
<td>17.3</td>
<td>19.5</td>
<td>15.1</td>
<td></td>
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<tr>
<td><strong>Education</strong></td>
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<tr>
<td>Less than high school</td>
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<td>28.4</td>
<td>29.3</td>
<td>32.5</td>
<td>26.0</td>
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<tr>
<td>High school or GED</td>
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<td>17.9</td>
<td>15.5</td>
<td>19.2</td>
<td>13.6</td>
<td></td>
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<tr>
<td>Some college</td>
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<td>15.4</td>
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<td>15.1</td>
<td>11.7</td>
<td></td>
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<tr>
<td>College degree or more</td>
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<td>8.9</td>
<td>6.2</td>
<td>6.8</td>
<td>5.7</td>
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<tr>
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<td>21.6</td>
<td>23.5</td>
<td>27.2</td>
<td>22.9</td>
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<td>10.6</td>
<td>12.6</td>
<td>9.5</td>
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<tr>
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<td>11.1</td>
<td>8.4</td>
<td>10.1</td>
<td>7.3</td>
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<tr>
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<td>22.4</td>
<td>18.6</td>
<td>22.2</td>
<td>16.1</td>
<td></td>
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<tr>
<td>Finance, insurance, real estate</td>
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<td>7.8</td>
<td>6.6</td>
<td>9.5</td>
<td>5.0</td>
<td></td>
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<tr>
<td>Services</td>
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<td>14.7</td>
<td>11.5</td>
<td>13.6</td>
<td>10.0</td>
<td></td>
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<tr>
<td><strong>Region</strong></td>
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<tr>
<td>Northeast</td>
<td>13.1</td>
<td>16.6</td>
<td>12.7</td>
<td>17.5</td>
<td>10.6</td>
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<tr>
<td>Midwest</td>
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<td>14.0</td>
<td>11.7</td>
<td>15.7</td>
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<tr>
<td>South</td>
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<td>17.2</td>
<td>13.0</td>
<td>14.6</td>
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<tr>
<td>West</td>
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<td>18.2</td>
<td>14.3</td>
<td>15.1</td>
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**Source:** Original calculations from the March 2000 Current Population Survey.

Metro area is defined as a county with a city of 50,000 or more population (or total urbanized area of 100,000 or more), plus surrounding counties with significant economic ties to the central county as evidenced by commuting patterns. All other counties are defined as nonmetro. About three quarters of all counties are nonmetro, but nonmetro residents account for less than one quarter of the U.S. population.

Table I shows that the overall prevalence of underemployment in 2000 (13.5%) masks substantial residential variation in this regard. Residents of nonmetro areas are the most disadvantaged (16.2%), but underemployment also is high in the most urban category—the central cities of metro areas (15.5%). Only 11.3% of suburban residents are underemployed. The risk of underemployment also is strongly related to age, with those in the youngest age category (18-24) having by far the highest risk. Underemployment prevalence decreases steadily with age, but increases again among those who are nearing retirement age (55-64). In the U.S. job market, men continue to carry an advantage over women (e.g., with respect to wages), and the same is true in regard to underemployment. About 15.3% of all women, and 18.8% of nonmetro women workers are underemployed. There also are stark differences by race and ethnicity which echo well chronicled disadvantages of minorities in U.S. society. Indeed, the prevalence
of underemployment among non-Hispanic Whites (11.3%) is much lower than it is for Blacks (19.9%), Hispanics (21.3%), and American Indians (23.3%). Aside from Whites, Asians are the only other group to have an underemployment rate less than the national average. In general, rural (nonmetro) minorities have among the highest rates of underemployment. Essentially one quarter of nonmetro Blacks, and over one quarter of nonmetro Native Americans are underemployed. Interestingly, relatively little residential variation is seen among Hispanics—they have high rates across the board. Marital status also makes a big difference, with distinct disadvantages seen among those who have never been married (22.1%) and widows (18.5%)—a pattern which is clearly reflective of the nonlinear age gradient in underemployment noted above. Human capital theory holds that workers are remunerated in direct proportion to the bundle of skills they bring to the labor force. It is little surprise then that of all these variables the one with the strongest association with underemployment is education. Nearly three in 10 workers who never completed high school are unemployed, versus 16.0% among high school graduates, and only 6.6% among college graduates. There are clear differences also with respect to industry of employment, with those in extractive industries (farming, forestry, fishing, mining) having particularly high rates of underemployment. Finally, regional differences in underemployment are not substantial—though residents of the South and West appear at a slight disadvantage.

CONCLUSION

Americans make ends meet principally through income earned in the formal labor market. As that market has bifurcated to some degree into good and bad jobs, and as the new welfare system has placed unprecedented emphasis on employment as a route out of poverty, concerns have been raised about employment hardship among the most vulnerable Americans. Concerns about employment adequacy are not at all new; they can be traced back at least to the Great Depression. An important way in which employment hardship has been conceptualized and defined is as underemployment. The overarching purpose of this paper has been to contextualize the remaining papers in this special issue, by providing a history and critique of underemployment, by reviewing the prevailing literature on this topic, and offering a brief statistical portrait of underemployment in the United States today.

Certain conclusions bear emphasis. First, the Labor Utilization Framework (LUF), and the conventional measure of underemployment it gave rise to, is clearly a superior alternative to unemployment alone as a measure of employment hardship. In keeping with the LUF, it offers a more comprehensive measure that includes other forms of visible underemployment (e.g., involuntary part-time work) and invisible underemployment (e.g., working poverty). Of course, no standardized measure of any important concept will be perfect, and underemployment is not without flaws. Some of these concern problems with the conventional operationalization itself (e.g., using poverty thresholds that ignore cost of living differences), while others have to do with related forms of employment hardship (e.g., job security) which it does not measure. Together, these criticisms are minor; underemployment provides a useful way to plot trends over time as well as inequality between groups in the prevalence of employment hardship. In all years these trends are decidedly countercyclical, recently reflected in the fact that underemployment rose and then fell over the 1990s owing to the recession early in the decade and subsequent economic expansion (Fig. 1). Inequality between groups in the risk of underemployment are often striking, and should be an issue of great policy concern. Women, minorities, the young, and those with low educational attainment are all especially vulnerable to underemployment. Moreover, these vulnerabilities are often particularly acute among residents of rural areas and central cities.

As important an indicator as underemployment is, it remains underutilized. The proximate reasons for this are practical. Few data sets have all the variables needed to define underemployment completely. Also, those that do include the variables needed (e.g., the CPS), do not include instructions for computing an underemployment variable, much less a precomputed variable ready made for public use. To be sure, the computation of underemployment is somewhat complex. A researcher starting from scratch would have to ferret through original documents such as Clogg (1979) to develop their own computer code, or obtain this code from others working in the field. This difficulty dissuades use of underemployment and thus constrains its popularity, which in turn mutes any clamor for such a variable in Federal data sets. Apart from the relative obscurity of underemployment as a concept, Federal agencies might also be reluctant to gather and disseminate underemployment
statistics because of the questions surrounding its measurement noted above, and because agencies are already overburdened. However, we would speculate that any reluctance is not political, since in recent years the government has been willing to gather data on other potentially sensitive topics such as displaced workers. The point being, there may be some purchase in researchers voicing their desire for greater attention to underemployment in the Federal statistical system. This message could be brought to the agencies themselves, or to organizations concerned about Federal statistics (e.g., the Council of Professional Associations on Federal Statistics [COPAFS]).

To conclude, community psychologists are acutely aware of the stresses and problems that accompany economic marginality. The articles in this special issue take the next step in the exploration of the nexus of underemployment and community and psychological well-being. Here we have sought to provide a conceptual and empirical foundation on underemployment and thus better inform the analyses which follow.

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REFERENCES


