



# Spare capacity in the Northern Ireland labour market – Paper 2

In-work spare capacity

February 2024

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# Introduction

The economy has been recovering from the economic implications of the Covid-19 pandemic and many headline labour market indicators have returned to their 'pre-Covid' levels over the last 18 months. The number of people in employment reached a record high (883k) in the first quarter of 2023 and the working age employment rate has returned to peak 2019 levels (72.4%). Correspondingly, the ILO unemployment rate fell as low as 2.1% and economic inactivity fell for three consecutive quarters (Q2 2022 – Q1 2023). On the surface, the local labour market has shown encouraging signs of recovery.

However, the recovery has been underpinned by widespread labour market and skills shortages<sup>1</sup>. On one hand, pent-up demand and pandemic savings<sup>2</sup> helped businesses return to pre-Covid levels of output once the economy returned to full operating capacity. On the other hand, the increasing rate of inflation generated a cost-of-living crisis and demographic challenges have significantly dampened the supply of labour, leaving many economic indicators below pre-pandemic trends.

During periods where there is limited labour market slack, it is important to monitor the incidence of spare capacity among the population. The first paper in this series discussed the phenomenon that unemployment may be low, but there are workless individuals that represent spare capacity not accounted for within the headline unemployment statistics. Concluding, the 'real' unemployment rate (i.e., accounting all people in the labour market who would 'like to work') was three times the UK Government's preferred ILO unemployment measure.

Similarly, the employment rate may be high but beneath the surface there are workers reporting they would like to work more hours than are currently available to them. This second briefing paper seeks to provide an overview of such 'in-work' spare capacity.

In the final/ third briefing paper in this series, we will explore an alternative method for quantifying the overall level of spare capacity in the economy, accounting for both in work and out of work spare capacity, and draw upon the evidence presented across the three papers in a policy discussion.

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<sup>1</sup> The Open University & British Chamber of Commerce (2023) 'The Business Barometer 2023' Access via: <https://www5.open.ac.uk/business/barometer-2023>

<sup>2</sup> The savings ratio (i.e., the ratio of personal savings to personal income) published by the ONS increased from 5.4% in Q4 2019 to a peak of 27.4% in Q2 2020, and remains at a current rate of 9.1% (Q2 2023).

# The nature of employment

The Covid-19 pandemic represented a significant shock to the NI economy, and it is important to monitor any resulting changes to the structure of employment in its recovery. The previous large scale shock to the labour market was the 2008-12 period encompassing the Global Financial Crisis (GFC), the European Sovereign debt crisis and subsequent fiscal tightening. In the recovery following this period the labour market generated higher volumes of non-standard employment (i.e., temporary, part-time and self-employed workers), accounting for 71% of job growth over the 2012 to 2019 period. These forms of employment were often associated with higher 'underemployment' (i.e., workers wanting to work more hours).

However, **the post-Covid recovery has been characterised by growth in standard employment (i.e., full-time and permanent)**. A tight labour market has provided opportunities for those who previously found themselves in involuntary part-time or temporary work. The introduction of 'remote working' throughout the pandemic has, to an extent, remained in the labour market<sup>3</sup> making some full-time positions more accessible to those requiring flexibility in their employment. **Self-employment fell significantly through the pandemic**, largely driven by flows out of self-employment to employee status. In Q4 2019, non-standard employment accounted for 40% of total employment, compared to 35% in Q2 2023.

Non-standard employment is often discussed with negative connotations, and conflated with employment on zero-hours contracts. However, zero-hours contracts only represent 1.5% of employment in NI, and are therefore a relatively small component of non-standard employment. In practice the labour market thrives on a balance of working arrangements. Non-standard forms of employment are not always involuntary and they provide opportunities for those unable to commit to regular full-time working hours (e.g., students, working mothers, people with health conditions etc.).

It is important to recognise how the nature of employment impacts levels of spare capacity among workers. For example, **a high proportion of part-time workers that are involuntary** (i.e., could not find full-time employment) will push up the incidence of underemployment. On balance, higher proportions of non-standard workers are typically associated with higher levels of underemployment.

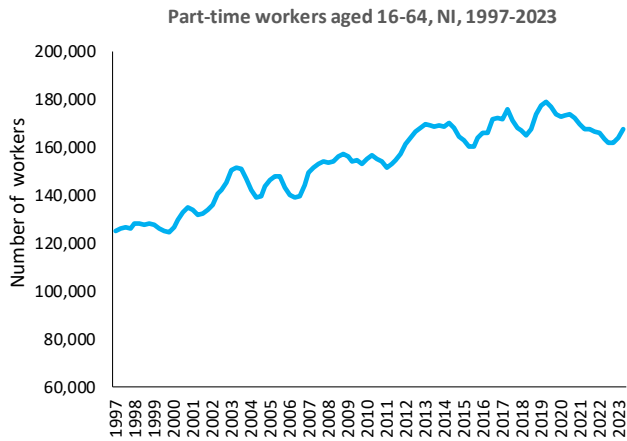
## Non-standard employment: Part-time workers

Part-time workers account for one-fifth (19%) of total working age employment in both NI and the UK. Although the proportion of part-time workers has only declined marginally over the pandemic period, the number of part-time workers has not returned to pre-pandemic levels, it has fallen from 173k in the final quarter of 2019, to 167k in Q2 2023. Part-time work tends to be less secure than full-time work, which means the impact on part-time workers can be more severe during periods of economic downturn.

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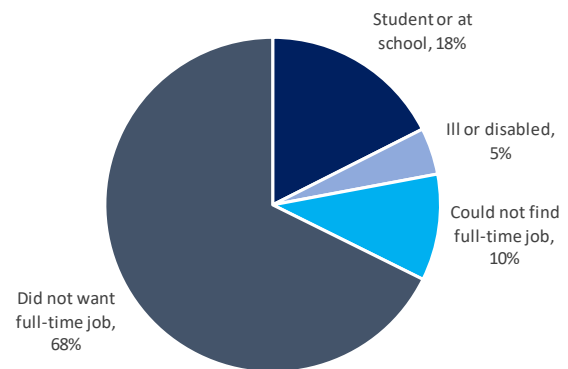
<sup>3</sup> Magennis E. & Desmond A. (2023) 'Is remote working, working?' Ulster University Economic Policy Centre Access via: [https://www.ulster.ac.uk/data/assets/pdf\\_file/0012/1529976/Remote-working-full-report.pdf](https://www.ulster.ac.uk/data/assets/pdf_file/0012/1529976/Remote-working-full-report.pdf)

**Figure 1: Number of part-time workers and reasons for part-time work, NI and UK, 1997-2023**



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average.

**Reason for part-time job, NI, Q2 2023**



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average

The lower incidence of part-time work also reflects the broader tightening of the labour market, whereby the proportion of part-time workers that could not find a full-time job has declined. There are now just one in ten (10%) part-time workers that are involuntary (i.e., could not find a full-time job), down from a peak of 27% in Q3 2013 and a pre-Covid rate of 14% (Q4 2019). The declining rate of involuntary part-time workers will contribute to lower levels of underemployment, as there are **fewer people working part-time who had initially attempted to secure full-time employment**.

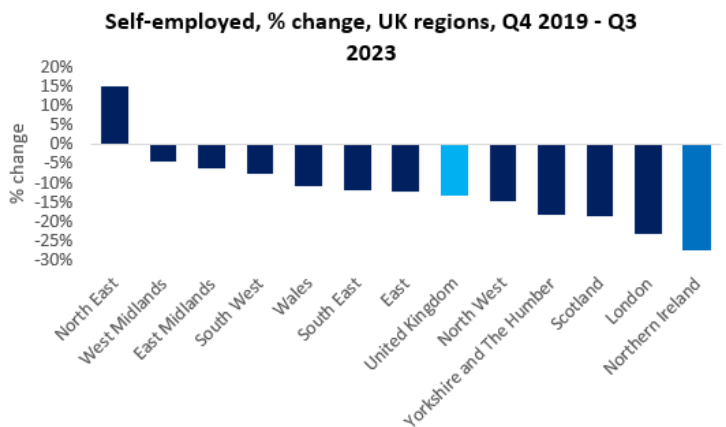
**Non-standard employment: Self-employed workers**

The number of self-employed individuals fell dramatically through the pandemic, from 131k in the final quarter of 2019 to 84k by the first quarter of 2021, a decline of over one third (35%) and the lowest number recorded in the 30-year time series. This has since increased to 95k in Q3 2023. While there has been a **post-pandemic decline in self-employed workers across almost all UK regions, NI has recorded the largest relative decrease**.

**Figure 2: Proportion of self-employed workers (aged 16-64), NI and UK, 1997-2023**



Source: NOMIS



Source: NOMIS



In the recovery years following the GFC (2012-2019) the number of self-employed workers fluctuated but in general was rising. It increased by 22% and accounted for one-third (33%) of total job growth over the period, and is often associated with a rise in the gig economy (temporary and flexible positions e.g. Deliveroo, Uber etc.).

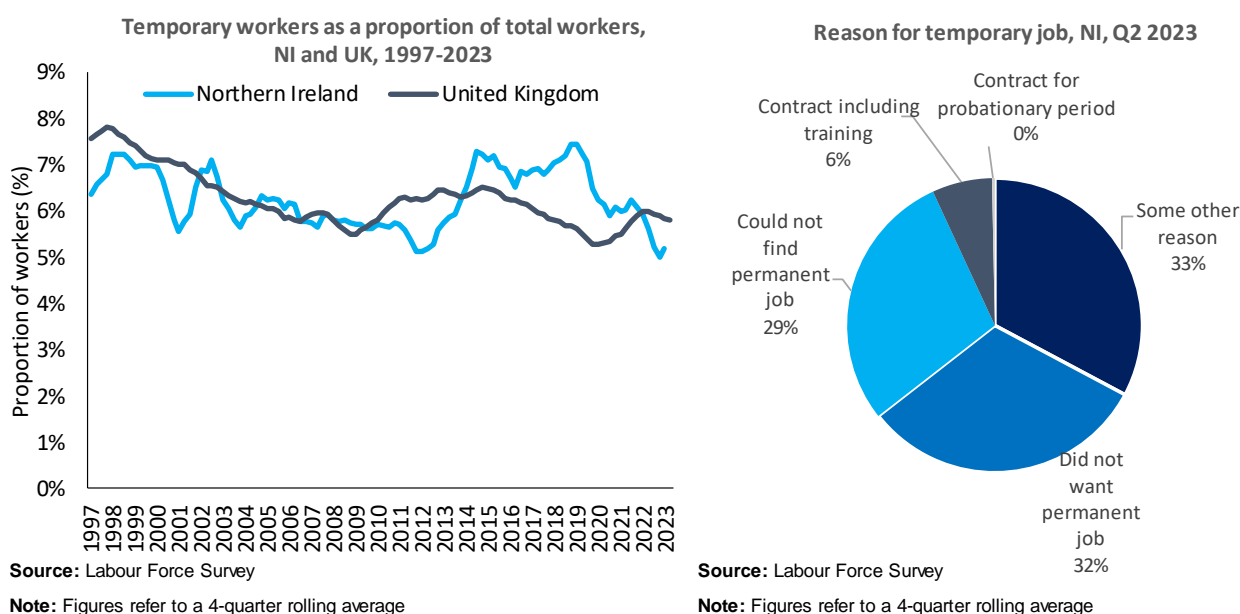
However, as the economy shut down in 2020-21, Government support for self-employed workers during the early stages of the pandemic was limited (relative to employees). During this time many workers moved into employee jobs when economies reopened or reclassified as employees in order to gain access to Government support schemes<sup>4</sup>.

### Non-standard employment: Temporary workers

**In NI, 5.2% of workers are on temporary contracts, a fall from its peak of 7.5% in the first quarter of 2019.** From 2012 to 2019, temporary workers increased by 35%, as growth in non-standard forms of employment supported the recovery from the GFC. In contrast, full-time employment (i.e., standard workers) increased by only 3.6% over the same period. However, as pandemic induced lockdowns brought demand to a halt, the incidence of temporary employment declined significantly, and it has not yet returned to pre-pandemic levels.

Further, there has been a reduction in workers who are temporary as they could not find a permanent job (i.e., involuntary temporary workers). **Less than three in ten (29%) temporary workers currently report that they could not find a permanent job.** Although this is significantly above the equivalent UK proportion (22%) and the second highest rate across all UK regions. It has fallen significantly from a peak of 59% in 2012, and reduced marginally from pre-Covid levels (33% in Q4 2019).

**Figure 3: Temporary workers (% of total workers) and reasons for temporary work, NI and UK, 1997-2023**



<sup>4</sup> For further information on understanding the changes to self-employed during the pandemic see following link to ONS article: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/understandingchangesinselfemploymentintheuk/january2019tomarch2022>

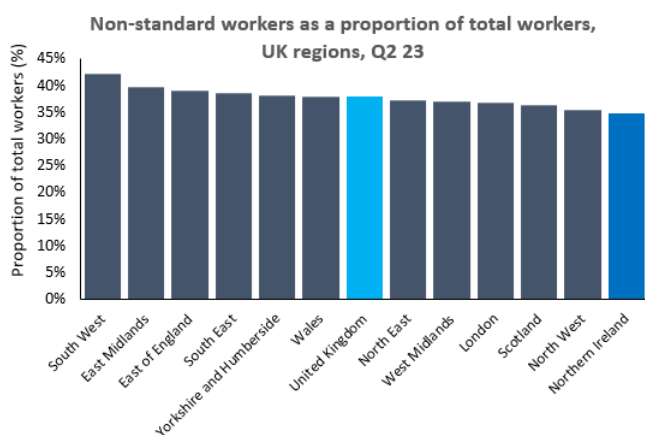
However, it is important to recognise that **a sizable proportion of temporary workers do not want a permanent job (32%)**. For these individuals, temporary employment is a choice that suits their labour market needs (e.g., flexibility, trial new roles or new workplace).

### Non-standard employment: Total

**Non-standard forms of employment account for 35% of total workers, its lowest share in almost 25 years.** In the decade to 2019, non-standard forms of employment accounted for almost three-fifths (58%) of total employment growth. However, in the post-Covid recovery, non-standard employment has not yet returned to levels recorded at the end of 2019.

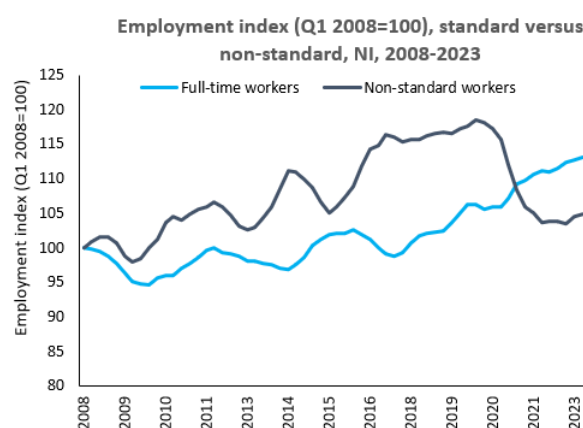
NI represents the region with the largest decline in the volume of non-standard workers (11%) over the period Q4 2019 to Q2 2023. NI also has the lowest incidence of non-standard workers across all UK regions (35%), below the UK average (38%).

**Figure 4: Non-standard forms of employment by UK region and employment index, NI, 2008-2023<sup>5</sup>**



Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average



Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average

Although the incidence of non-standard employment is a significant factor in levels of underemployment, it is not the only contributing factor. There are sub-groups within the workforce that are also associated with higher levels of underemployment. The remainder of this report will discuss a range of contributing factors to the prevalence of underemployment.

<sup>5</sup> Figures have been adjusted to avoid double counting across different categories of non-standard employment.

# Underemployment

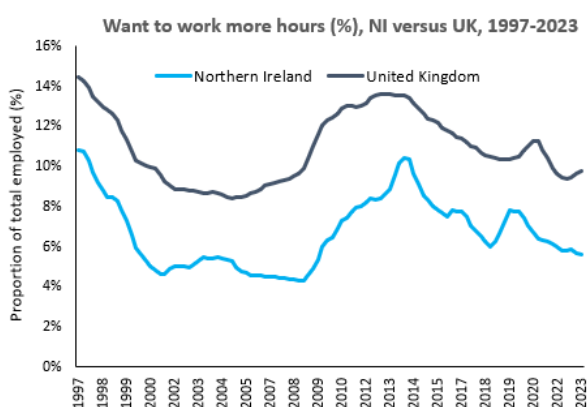
Even within a buoyant labour market, there is a cohort of individuals within the working population that would like to work more hours, representing underutilised labour. This concept is referred to as ‘underemployment’ and represents an important indicator in measuring the true level of labour market slack.

**In NI there are currently 47k workers who would like to work more hours, this translates to 5.6% of the employed population.** The incidence of underemployment has declined from a peak of 10% in Q1 2014. However, it is still above the pre-GFC low of 4.3% in Q3 2008.

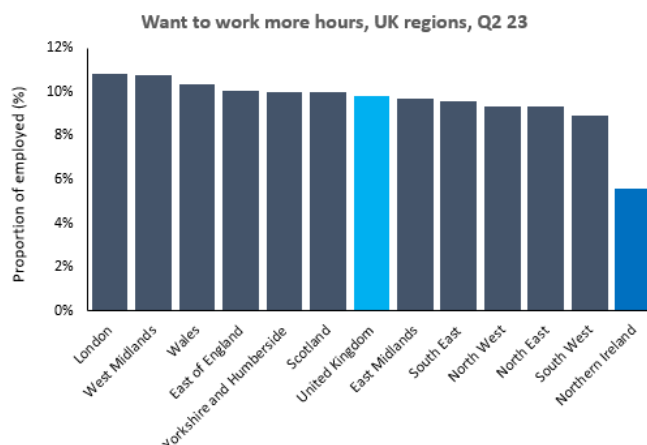
Underemployment was an important metric of labour market health in the recovery from the GFC. Although unemployment rose over the 2008-12 period, it did not reach the peaks that had been forecast. However, the unemployment rate masked demand weakness in the economy, which manifested in the form of rising underemployment. Many firms engaged in a policy of labour hoarding, whereby they avoided laying off workers during periods of weak demand and offered employees reduced working hours in an attempt to retain talent and avoid future hiring costs. This type of firm behaviour is more common during periods of labour market tightness.

The rate of underemployment in the UK has consistently remained above NI, by an average of 4.2 percentage points (p.p.) over the 1997 to 2023 period. The general trend in the rate of underemployment has been broadly similar between NI and UK, although the most recent data has recorded a slight divergence. Whilst underemployment in NI continued to decline in Q2 2023, the UK has experienced an uptick.

**Figure 5: Underemployment (% of employed population), UK regions, 1997-2023**



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average

**NI reports the lowest proportion of underemployed workers amongst UK regions, by a considerable margin.** The incidence of underemployment varies based on each worker’s personal characteristics and working arrangements (e.g., contract status, job type, qualification level, gender, age, family unit).

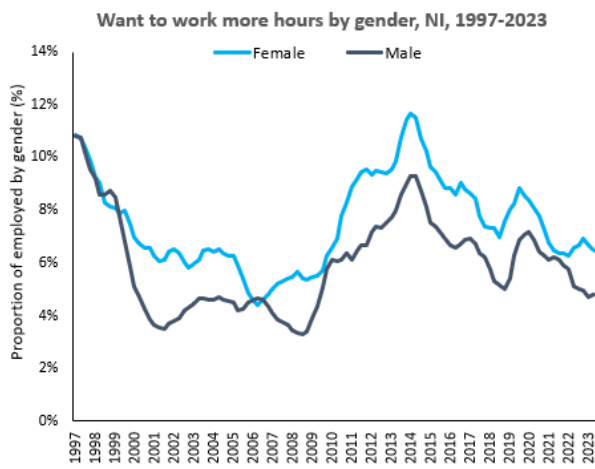
To harness the full potential of additional labour reserves and benefit businesses, it's important to understand the composition of underemployment. Additionally, monitoring trends in the levels and rates of spare capacity will aid insights for policymakers and business in supporting those workers.

### Underemployment: Gender

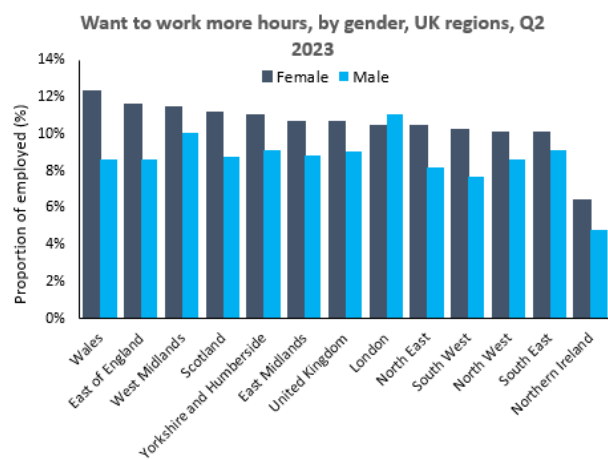
**The underemployment rate for females (6.4%) is higher than males (4.8%),** often linked to increased incidences of part-time work among females, higher underemployment in sectors dominated by females<sup>6</sup> and the greater need for flexible working arrangements often found in more precarious employment<sup>7</sup>.

The female underemployment rate peaked at 12% in Q1 2014, compared to a male peak of 9.3% in the same quarter. After consistently declining from 2019, female underemployment diverged from males throughout 2022. This represented the first divergence since before the GFC and may be linked to women being disproportionately impacted by the rise in the cost of living, subsequently seeking additional working hours to support their families<sup>8</sup>.

**Figure 6: Underemployment (% of employed population) by gender, UK regions, 1997-2023**



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average

<sup>6</sup> Kamerāde, D., & Richardson, H. (2018). Gender segregation, underemployment and subjective well-being in the UK labour market. *Human Relations*, 71(2), 285-309. <https://doi.org/10.1177/0018726717713829>

<sup>7</sup> TUC (2022) 'Women much more likely than men to have flexible work arrangements that lead to loss of hours and pay' Access via: <https://www.tuc.org.uk/news/tuc-women-much-more-likely-men-have-flexible-work-arrangements-lead-loss-hours-and-pay>

<sup>8</sup> Harding S., Fitzpatrick, C., & Chapman, A. (2023) 'Women's Experiences of the Cost-of-Living Crisis in Northern Ireland. Accessed via: <https://www.womensregionalconsortiumni.org.uk/wp-content/uploads/2023/06/Womens-Experiences-of-the-Cost-of-Living-Crisis-in-NI-2.pdf>



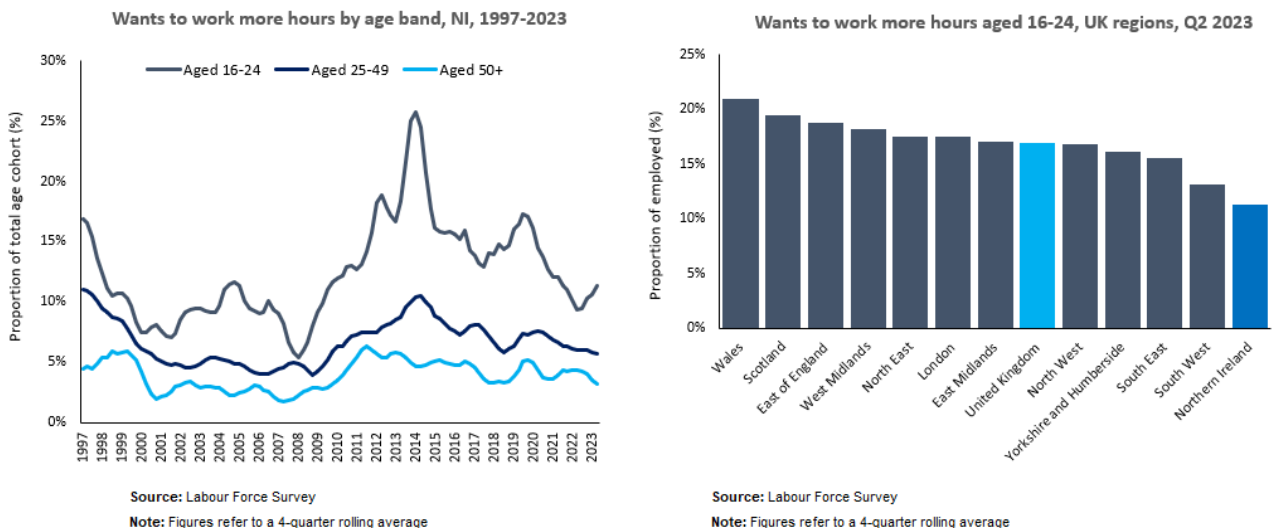
The declining male underemployment is partly explained by the fall in the incidence of male involuntary part-time workers, from 25% in Q4 2019 to 17% in Q2 2023. Although this rate is above the female involuntary underemployment (8%), **the higher volume of female part-time workers contributes to more underemployed females (26k) compared to males (21k).**

### Underemployment: Age

**Young people have the highest probability of being underemployed, with over one in ten (11%) of the under 25s reporting they would like to work more hours**, the highest rate across all age cohorts. Although this is significantly below its peak of over one in four (26%) in the first quarter of 2014.

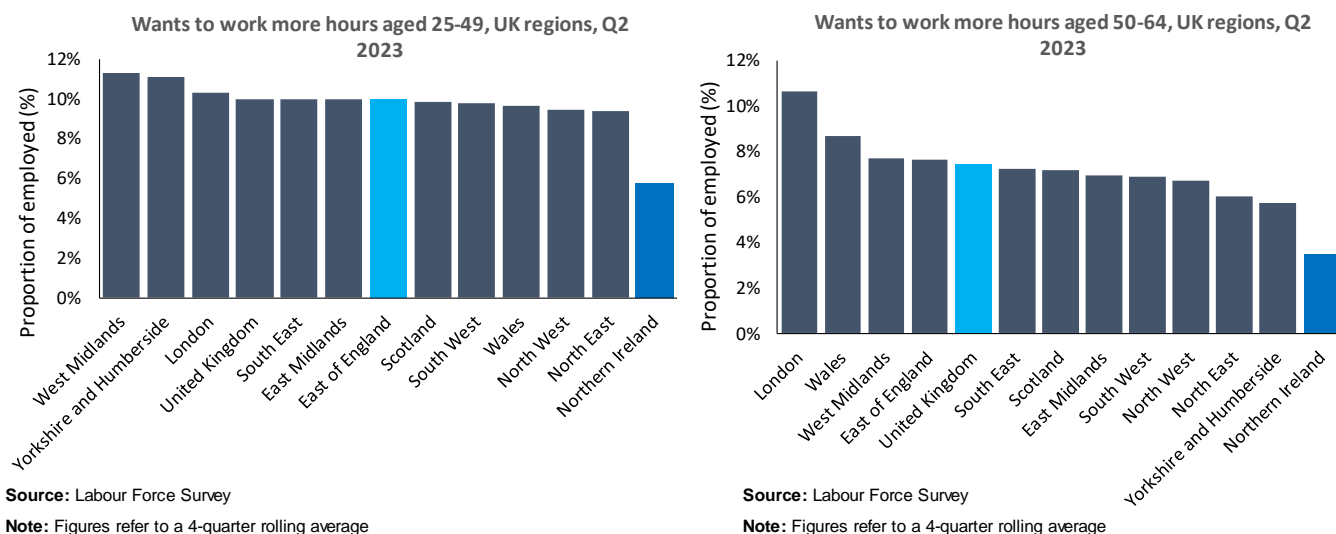
The rate of underemployment among young people in NI is below the UK average (17%) but has increased for the last four consecutive quarters. Further, the incidence of underemployment is disproportionate amongst young people. That is, under 25s account for 13% of total employment in NI but 24% of total underemployment.

**Figure 7: Underemployment (% of employed population) by age, NI, 1997-2023**



Young people are aligned to a number of factors which contribute to a higher level of underemployment. Firstly, under 25s are more likely to be in part-time work (37% of employed) compared to those aged 25-49 (17%) and aged 50-64 (21%). Secondly, young people are often in part-time work due to education commitments (78% report 'student or studying' as the reason for their part-time job). Therefore, underemployment for this group may correspond with lack of flexibility within a job to fit their education commitments.

**Figure 8: Underemployment (% of employed population) by age band, UK regions, 2023**



The underemployment rate of those aged 25-49 is 5.7% (Q2 2023), compared to 10% in the UK. However, the 25-49 age group represent the majority of the NI workforce (59%). Therefore, underemployment among this age cohort accounts for a considerable volume of individuals (27k).

**Underemployment becomes less prevalent among older workers**, and older workers account for a lesser proportion of the workforce. The underemployment rate for the over 50's is 3.2%, equating to 8.4k individuals who would like to work more hours. This lower rate is expected among such individuals as older workers tend to reduce their hours through their 50's and 60's.

### Underemployment: Qualification level

The qualifications profile of a worker plays a significant role in determining the type of job they can access, which has implications on their levels of underemployment. **Workers with at least tertiary level education<sup>9</sup> are less likely to experience underemployment (4.2%) compared to other less qualified workers<sup>10</sup> (7.0%).**

There are a range of reasons for this:

- a person with low level qualifications is more likely to be in low paid employment, which has been consistently linked to higher underemployment levels<sup>11</sup>;
- workers with higher qualifications are more likely to be in employment associated with a more harmonious work-life balance<sup>12</sup>, those with higher level qualifications generally

<sup>9</sup> Foundation degree/HND/HNC/Undergraduate degree/Masters/PhD (or equivalent).

<sup>10</sup> Refers to those with below RQF level 2 qualifications i.e. No qualifications, below RQF level 1 qualifications, 5 GCSEs grades D-G (or equivalent).

<sup>11</sup> Murphy, L. (2022) Resolution Foundation 'Constrained Choices' Access Via: <https://www.resolutionfoundation.org/app/uploads/2022/11/Constrained-choices.pdf>

<sup>12</sup> Timewise & Joseph Rowntree Foundation (2022) 'Can a more flexible jobs market raise the status and pay of part-time workers?' Access via: <https://timewise.co.uk/wp-content/uploads/2022/10/Can-flexible-jobs-market-raise-status-pay-part-time-workers.pdf>

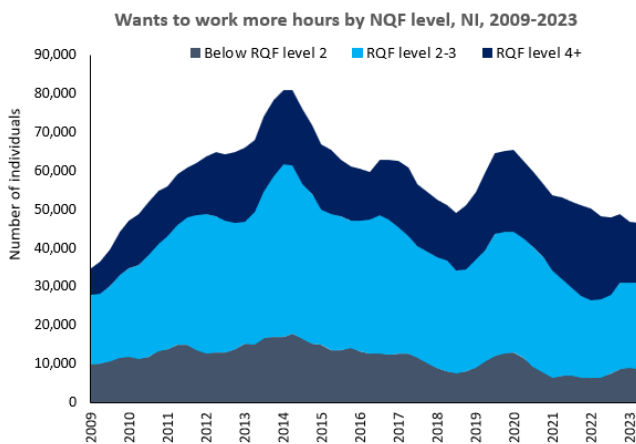
have greater employability prospects, giving them more choice in accessing jobs which meet their desired working hours; and

- higher qualified individuals are less likely to be in part-time employment<sup>13</sup> and are also less likely to be working part-time involuntarily<sup>14</sup>.

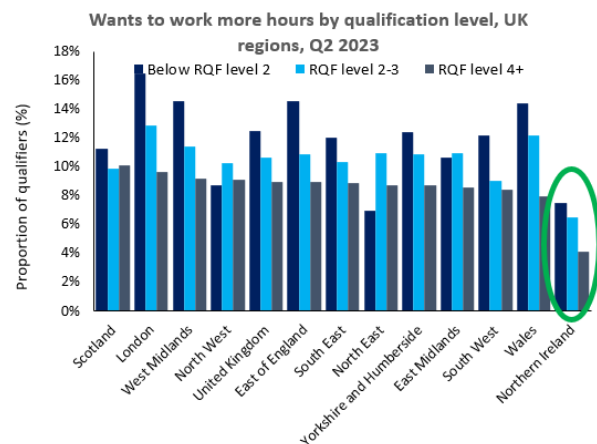
Although there is little difference in underemployment rates between the lowest qualified<sup>15</sup> (7.0%) and the low-mid level qualified<sup>16</sup> (6.6%) the volume of workers in each qualification level grouping result in large differences in the number of underemployed. That is, **there are almost three times as many underemployed with low-mid level qualifications (23k) as there are underemployed persons with the lowest level qualifications (8k).**

**Those with tertiary level qualifications (RQF level 4+) tend to work in jobs where they are less likely to suffer from underemployment.** This qualification group represent 45% of total employment but just over one third (34%) of underemployment.

**Figure 9: Underemployment level and underemployment rates, by qualification level, NI and UK regions, 2009-2023**



Source: Labour Force Survey  
Note: Figures refer to a 4-quarter rolling average



Source: Labour Force Survey  
Note: Figures refer to a 4-quarter rolling average

## Underemployment: Contract status

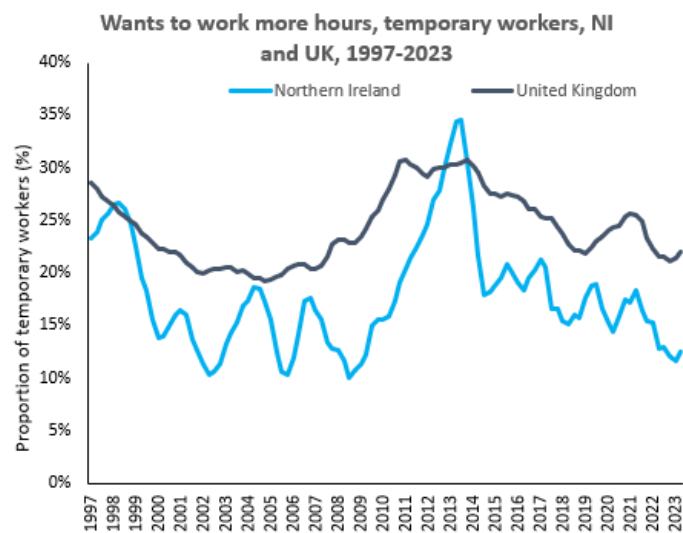
There are two main types of contract status' within the labour market. Namely, permanent contracts and temporary contracts. A worker is more likely to report underemployment if they are on temporary contract. It is well established temporary and zero-hours contracts are often associated with imposing undesired constraints on hours, and higher levels of insecurity within such job types are found to result in a desire for more working hours<sup>17</sup>.

**In Q2 2023, over one in ten (12.5%) temporary workers reported they would like to work more hours, compared to around one in twenty (5.2%) permanent workers.** That is,

<sup>13</sup> In NI 16% of tertiary level or above qualifiers are in a part-time job, compared to 22% of those qualified to below RQF level 2.  
<sup>14</sup> In NI 8% of tertiary level or above qualifiers are involuntary part-time, compared to 15% of those qualified to below RQF level 2.  
<sup>15</sup> i.e. below RQF level 2 i.e. No qualifications, below RQF level 1 qualifications, 5 GCSEs grades D-G (or equivalent).  
<sup>16</sup> i.e. RQF level 2-3 i.e. an A\*-C grade at GCSE and/or A-level.  
<sup>17</sup> Fraser of Allander Institute (2021) 'Implications of hours worked for inequality and poverty' Access via: <https://fraserofallander.org/wp-content/uploads/2021/06/Hours-and-inequality-final-report-June-2021.pdf>

temporary workers are almost two and a half times more likely to experience underemployment relative to a permanent worker.

**Figure 10: Underemployed temporary workers (% of total workers), NI and UK, 1997-2023**



Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average

Temporary workers are associated with higher levels of underemployment for a number of reasons. On average, temporary workers work less hours per week (24) relative to permanent workers (32). Around three in ten (29%) temporary workers are involuntary as they could not find a permanent job, suggesting they would like to work more hours. Further, temporary workers are more likely to be in part-time work. Almost half (49%) are part-time, compared to just over one-fifth (22%) of permanent workers.

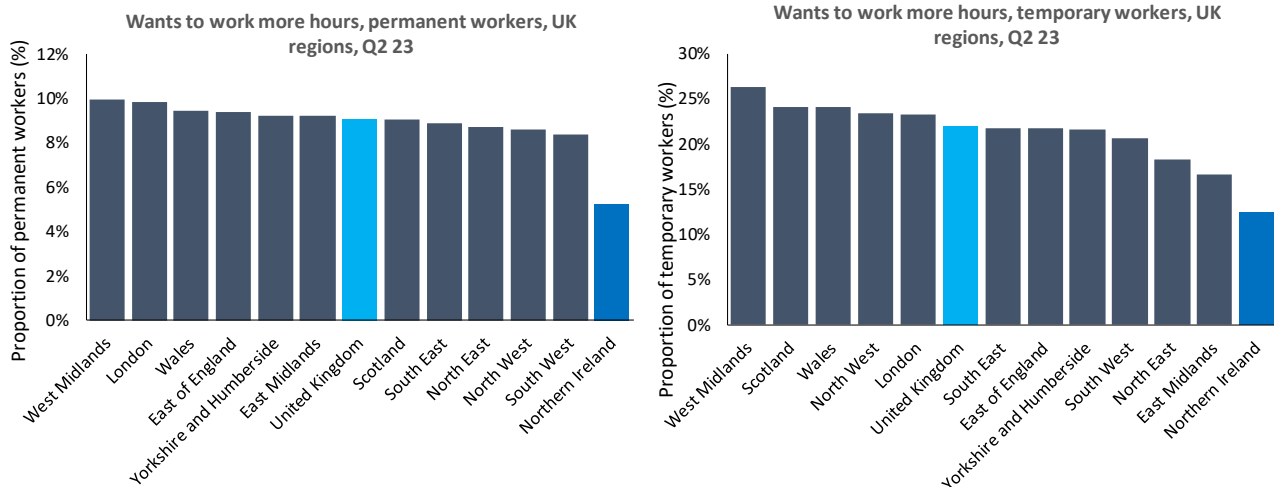
The Fraser of Allander Institute<sup>18</sup> (2021) found that even after accounting for a wide range of individual characteristics (i.e., age, sex, qualification level, region, family type, occupation) that those on temporary contracts in the UK are associated with lower pay, fewer hours and higher underemployment.

However, it is important to note that **temporary workers only account for 5% of the workforce**. Therefore, despite underemployment being a much more prevalent issue among workers on temporary contracts, **there are more underemployed permanent workers (42k) than underemployed temporary workers (5k)**.

At a regional level, underemployment among temporary workers in NI (12.5%) is significantly below the UK average (22%) and the lowest across all UK regions. Similarly, NI's permanent workers reported the lowest levels of underemployment (5.2%) across UK regions, significantly below the UK average (9.1%).

<sup>18</sup> Fraser of Allander Institute (2021) 'Implications of hours worked for inequality and poverty' Access via: <https://fraserofallander.org/wp-content/uploads/2021/06/Hours-and-inequality-final-report-June-2021.pdf>

**Figure 11: Underemployment (% of employed population) by contract status, UK regions, Q2 2023**



Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average

Source: Labour Force Survey

Note: Figures refer to a 4-quarter rolling average

### Underemployment: Job type

The level of underemployment varies by job type (i.e., full-time, part-time, self-employed). **Amongst full-time workers in NI, 3.2% report they would like to work more hours.** As full-time employees work on average 36 hours per week, workers are not expected to report significant underemployment. However, as full-time workers account for a majority of the workforce the volume of underemployment is still significant at 18k individuals.

On the other hand, **15% of part-time workers in NI report that they would like to work more hours**, equating to 26k workers. This is a significant proportion of workers indicating spare capacity amongst the part-time workforce. Part-time work has long been an option for ‘second’ earners in families to top up household income, for individuals to remain in/enter the labour market that could not commit to full-time hours (e.g., those with disabilities, older workers), or for those with family responsibilities (e.g., mothers, carers).

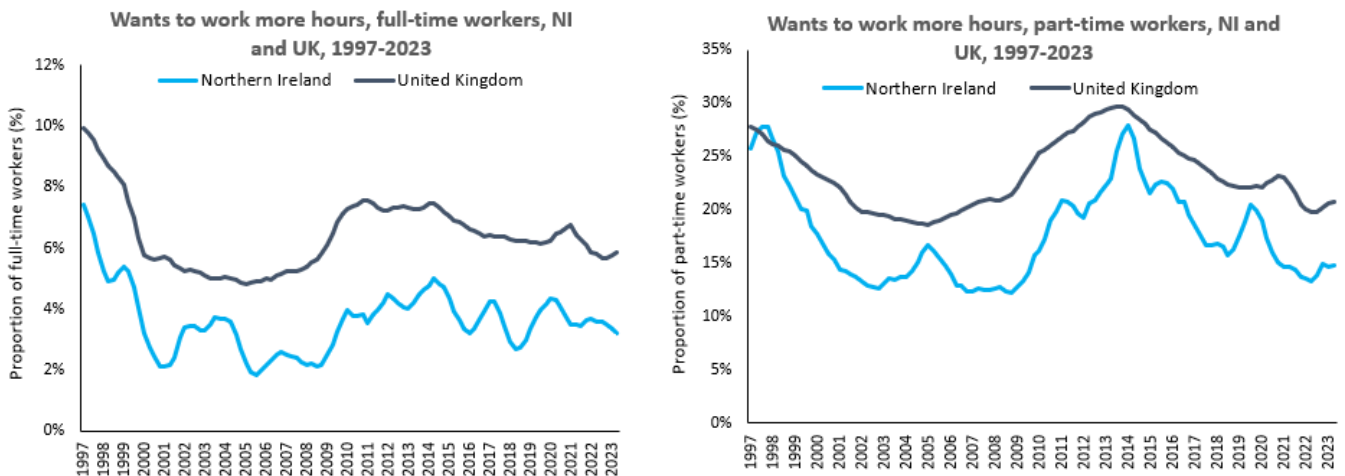
Research consistently finds part-time work is concentrated among low-paid jobs/sectors, reducing sectoral choice for those who want to work part-time, causing workers to report higher underemployment and often taking positions below their skills profile<sup>19</sup>. In addition, part-time work is less likely to be flexible regarding working arrangements. Therefore, additional hours may be more difficult to achieve along with other lifestyle commitments.

**Over time, NI has consistently remained below the UK’s underemployment rate for both full-time and part-time workers.** NI reports the lowest rate of underemployment amongst UK regions for both full-time and part-time workers.

<sup>19</sup>Murphy, L. (2022) Resolution Foundation ‘Constrained Choices’ Access Via: <https://www.resolutionfoundation.org/app/uploads/2022/11/Constrained-choices.pdf>



**Figure 12: Underemployment (% of employed population) by job type, NI and UK, 1997-2023**

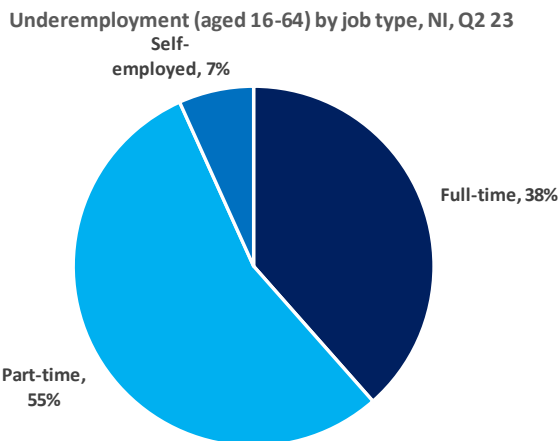


Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average

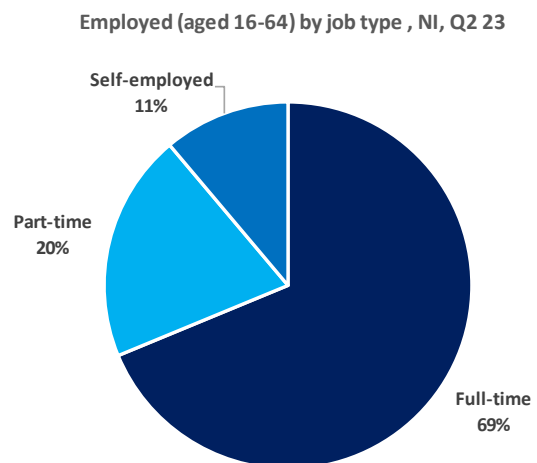
Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average

Overall, **part-time workers are disproportionately represented amongst the underemployed, accounting one in five (20%) workers but over half of the underemployed (55%)**. The opposite is true for full-time workers, who represent 69% of total workers but only 38% of underemployment.

**Figure 13: Underemployment (% of employed population) and employment by job type, NI and UK, Q2 2023**



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average



Source: Labour Force Survey  
 Note: Figures refer to a 4-quarter rolling average

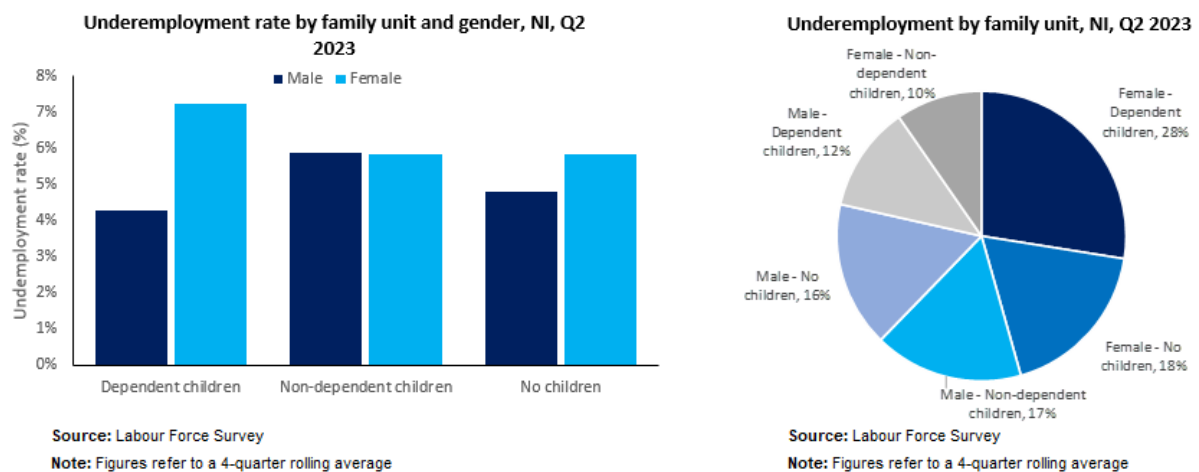
**Approximately 3.1% of self-employed workers would like to work more hours**, which translates to 3.2k individuals. The proportion of self-employed workers reporting they would like more hours is considerably lower than the UK average (11.8%) and other UK regions. This may be linked to the sectoral composition of self-employment in NI. That is, self-employment in NI has a higher concentration of workers in the agriculture and construction sectors, compared to other UK regions, which historically work more hours than the average worker.

## Underemployment: Family unit

Family composition can play an important role in determining desired working hours within a household. For instance, a single parent or family with dependent children<sup>20</sup> will have to consider additional working hours around caring responsibilities and/or childcare costs.

**In NI 5.9% of persons in families with non-dependent children would like to work more hours**, equivalent to 10.1k individuals. This rate has fallen from a peak of over one in ten (11.1%) in Q1 2014 and does not differ significantly between males (5.9%) and females (5.8%). The rate of underemployment for this group is higher in the UK (10.8%).

**Figure 14: Underemployment by family unit, NI, Q2 2023**



For those with dependent children, the rate of underemployment in NI is 5.8%, compared to 10.9% in the UK. Persons with dependent children (20.6k) represent two-fifths (40%) of total underemployed individuals. The incidence differs significantly between males and females. Females with dependent children have a higher rate of underemployment (7.2%) relative to males (4.3%), as they have a higher incidence of part-time workers and are more likely to see hourly wages stagnate after having children<sup>21</sup>. **Women with dependent children comprise half (50%) of all underemployed women, whereas males with dependent children account for over one third (36%) of underemployed males.**

<sup>20</sup> Dependent children refers to individuals who are aged under 16 or aged 16–18 in full-time education and never married.

<sup>21</sup> Andrew, A et al. (2021). The careers and time use of mothers and fathers. London: IFS. Available at: <https://ifs.org.uk/publications/careers-and-time-use-mothers-and-fathers>

## Conclusion

The economy has been recovering from the economic implications of the Covid-19 pandemic and many headline labour market indicators have returned to their 'pre-Covid' levels over the last 18 months. However, beneath the surface there are workers reporting that they would like to work more hours than are currently available to them. This paper has focused on reviewing 'in work' spare capacity (i.e., underemployment) to identify workers that represent additional labour, but are not caught within headline labour market indicators.

A rise in non-standard forms of employment in the post-GFC period was associated with higher levels of underemployment. However, post-pandemic, the number of non-standard workers has been declining as a tighter labour market has encouraged growth in more standard forms of employment. The declining numbers of part-time and temporary workers has contributed to lower levels of involuntary workers within such groups and in turn contributed to lower underemployment levels.

The probability of underemployment varies across sociodemographic groups and employment types. Females experience relatively higher rates of underemployment than males, accounting for a higher proportion of the underemployed population than they do the employed population. Younger workers (i.e., under age 25) have consistently experienced higher rates of underemployment than older workers.

It is important to recognise the scale across different groups. For example, whilst the lowest level qualifiers record the highest rates of underemployment, they represent a low proportion of overall underemployment. Similarly, temporary workers report high rates of underemployment, but represent a relatively small share of overall underemployment.

Socioeconomic and employment characteristics can have a compounding effect to increase the likelihood of underemployment. For example, a young person with low-mid level qualifications; a female in part-time employment; a part-time worker with low-mid level qualifications; a female with a dependent child; or a young person with a temporary contract, all of which are likely to be at higher risk of underemployment.

Although the overall level of in work spare capacity in NI is low relative to other UK regions, it is not insignificant and some sub-groups of the population are more exposed to underemployment than others. The findings highlight how the ILO unemployment rate in isolation does not represent a reliable barometer of labour market slack.

In the final paper in this series we will present an alternative measure of spare capacity in the labour market which reflects both hidden unemployment (those not in the labour market) and underemployment (those in work), and draw upon the evidence presented across the three papers in a policy discussion.