



Labour Supply: Employment, unemployment and underemployment

Nur Layali Mohd Ali Khan
Department of Statistics, Malaysia

Dubai, United Arab Emirates







Employment

Definition of employment

- All persons above the age specified for measuring the economically active population, who during the reference period performed some work for wage or salary, or profit or family gain, in cash or in kind.
- The international definition of employment formulated in terms of the labour force framework with respect to a short reference period distinguishes between:

paid
employment

self-
employment

The category “employed” in the following subcategory

Paid employment

at work: persons who, during the reference period, performed some work for wage or salary, in cash or in kind.

with a job but not at work: persons who, having already worked in their present job, were temporarily not at work during the reference period and had a formal attachment to their job.

Self-employment

at work: persons who, during the reference period, performed some work for profit or family gain, in cash or in kind.

with an enterprise but not at work: persons with an enterprise (which may be a business enterprise, a farm or a service undertaking) who were temporarily not at work during the reference period for any specific reason.

Some work may be interpreted as work for at least one hour

Temporary absence from work

- The notion of temporary absence from work refers to situations in which a period of work is interrupted by a period of absence.
- Persons should only be considered as temporarily absent from work **(and thus as employed) if they have already worked** at their present activity and are expected to return to their work after the period of absence.

Temporary absence from paid employment

- In the case of paid employment, the criteria are based on the notion of “**formal job attachment**”, to be determined in the light of national circumstances according to one or more of the following criteria:
 1. the continued receipt of wage or salary;
 2. an assurance of return to work following the end of the contingency, or an agreement as to the date of return, *and*
 3. the elapsed duration of absence from the job, which may be that duration for which workers can receive compensation benefits without obligations to accept other jobs.

This third criterion implies that the absence should be of a fairly short duration to be considered temporary.

Treatment of temporary absence from work

1. Employees on maternity leave

- (plus: in receipt of part or all wage or salary, from employer or equivalent from another source, during a 1-6 months compulsory maternity period)

2. Persons on parental leave

- (plus: leave should be short, 1-3 months, preceded by a period of employment or maternity leave)

3. Employees on self-initiated, unpaid leave

- (plus: an assurance of work with the same employer, during not more than 3 months)

4. Employees on paid leave initiated by the employer or the administration

- (plus: an assurance of work with the same employer, in receipt of significant part or all wage or salary)

Treatment of temporary absence from work (cont'd)

5. Persons on unpaid leave initiated by the employer or the administration

- (plus: agreed date of return to work, during not more than 3 months);

6. Persons on educational or training leave

- (plus: in receipt of significant part or all wage or salary or if not, if during not more than 1-3 months);

7. Seasonal workers not at work during the off-season

- (plus: an assurance of work with the same employer, in receipt of significant part or all wage or salary during the off-season).

Borderline situations concerning temporary absence from paid employment

1. Persons temporarily laid off (i.e. persons whose contract of employment or whose activity has been suspended by the employer for a specified or unspecified period).	Should be considered as temporarily absent from work and classified as employed only if they maintain a formal job attachment .
2. Persons laid off without formal job attachment.	Should be classified as unemployed or not economically active, depending on their job search activity and current availability for work .
3. Non-regular employees, such as casual workers working on a daily or weekly basis for an employer, without a formal job attachment and, when not at work during the reference day or week.	Should not be classified as employed.
4. Other non-regular employees, such as seasonal workers.	Should be classified as employed when not at work, if they have a formal job attachment during the reference period.

Temporary absence from self-employment

- The decision as to whether or not a self-employed person is to be considered absent from work (and thus as employed) should be based on the continued existence of the enterprise during the absence of its operator.
- The decision as to whether or not the absence is to be considered temporary can be based on its duration, to be determined according to national circumstances and in light of international guidelines.

Indicators of employment

Employment rate

- the ratio between the employed and the currently active population

Employment to population ratio

- share of the employed population to the working age population



Unemployment

International standard definition of unemployment

- Based on three criteria that have to be met simultaneously.
- The “unemployed” comprise all persons above the age specified for measuring the economically active population, who during the reference period were:

1. without work

- were not in paid employment or self-employment

Did not work at all (not even for an hour) nor were temporarily absent from work

2. currently available for work

- were available for paid employment or self-employment

Availability means that given work opportunity, should be able and ready to work.

3. seeking work

- had taken specific steps in a specified period to seek paid employment or self-employment.

Future starts

- An exception to general rule that all three criteria have to be satisfied simultaneously to be considered unemployed.
- Persons without work, who have made arrangements to take up paid employment or undertake self-employment activity at a date subsequent to the reference period.
 - If **currently available for work**, are to be considered **unemployed** whether or not they continue to seek work.

Seeking work

- Active search for work
- A person must have taken specific steps in a specified reference period to obtain work for being considered as seeking work.
- Examples of active steps to seek work:

Formal method

- registration at a public or private employment exchange
- application to prospective employers
- checking at work sites, farms, factory gates, market or other assembly places
- placing or answering advertisements in newspapers
- looking for land, building, machinery or equipment to establish own enterprise;
- arranging for financial resources
- applying for permits and licenses

Informal methods

- seeking assistance of friends or relatives

Seeking self-employment (unemployed) and self-employment activity (employed)

when the enterprise starts to exist formally, e.g. when the enterprise is registered. In situations

where formal registration is not necessarily required to operate, the dividing line was suggested at

- the point when the enterprise is ready to receive the first order,
- when financial resources have become available,
- or when the necessary infrastructure is in place.

Relaxation of seeking work criterion is confined to situations where

the conventional means of seeking work are of limited relevance,

the labour market is largely unorganised or of limited scope,

labour absorption is at the time inadequate, or

the labour force is largely self-employed.

Circumstances to exercise partial relaxation:

1. Persons temporarily laid off by their employer without a formal job attachment.
2. Seasonal workers awaiting the busy season
3. Discouraged workers

Persons temporarily laid off

Classification into labour force categories

Persons temporarily laid off

With formal job attachment

Employed

Without formal job attachment

Available for work

Not available for work

Outside labour force

Seeking work

Unemployed
(standard
definition)

Not seeking work

Unemployed
(relaxed
definition)

Outside labour
force

Indicators of unemployment

Unemployment rate

- the ratio between the unemployed and the economically active population

Ratio of unemployment to population

- share of the unemployed population to the working age population



Underemployment

The needs for statistics on underemployment

- Stemmed from the shortcomings of unemployment measures to reflect labour market situations.
- Although unemployment are low, this does not mean that the labour market is very effective.

Lack of unemployment relief programmes

Persons in self-employment jobs will engage in alternative self-employment activities

Traditional work arrangements

Reduction in labour demand

Structural economic adjustment

Issues of developing countries

Issues of developed countries

Purpose of underemployment statistics

Statistics are needed on persons who work fewer hours, earn less income or do not use their skills as fully as they are willing and able to for the following purposes:

Supplement statistics on employment and unemployment.

Improve the description of employment problems.

Assess the extent to which the available human resources are being utilised in the production process of the economy to promote full employment.

Give insights for the design and evaluation of employment, income and social programmes.

Underemployment

Employed persons whose employment level, in relation to the duration or productivity of work, are below their capacities and preferences.

Such workers have **not attained their “full employment” level in relation to** the duration or productivity of their work.

Full employment

1. Work for all who are available for and seeking work.
2. Work which is as productive as possible.
3. Work freely chosen by workers, who should have the fullest possibility to qualify and use their skills and endowments in a job for which they are well suited.

Underemployment statistics

- complement statistics of employment and unemployment.
- **part of and consistent with the conceptual framework for measuring the labour force** and are defined using criteria which are analogous to those used to define employment and unemployment.
- only **relates to persons in employment**
- measured **using labour supply approach**, which is based on workers' current capacities and desires, as expressed by the workers themselves.
 - Workers themselves compare their current work situation with an alternative work situation in which they are willing and able to place themselves (which would represent an estimate of their full-employment level)

Underemployment statistics (cont'd)

Workers will be classified as underemployed if they are **willing and able** to change their work situation in order to, for example, work additional hours, or use their skills better, or increase their income per hour, or work in an establishment with higher productivity, etc., regardless of the duration or productivity of their current employment situation.

Underemployment in the labour force framework

Working

Not Working

Willing & able

Underemployed

Unemployed

Not willing or
not able

Employed

Not in the
labour force

Current international definitions of underemployment

Time-related underemployment

- When hours work are insufficient in relation to alternative employment situation.

Particular types of inadequate employment situations

- When capacities and wellbeing of workers are affected in relation to alternative employment situation.
- Examples: mismatch of occupational skills; inadequate income in current jobs; excessive hours work; precarious job situations

Three criteria in the definition of time-related underemployment

1. Willingness to work additional hours

- Want another job (jobs) in addition to current job (jobs)
- Wants increased hours of work in the same job (jobs)
- Wants increased hours of job to replace current job (jobs)

2. Availability to work additional hours

- Workers need to be **ready**
- Within a **subsequent period**
- Given **opportunity** to work additional hours

3. Having worked less than threshold relating to working time

- Hours actually worked in all jobs are **below threshold** specified by national circumstances, to a norm as set by legislation (absolute) or to median or average rules (relative).

Statistics on time related underemployment

1. Usual and recent time-related underemployment

- persons who usually work part-time as compared to persons who worked less than selected threshold during the reference period.

2. Volume of time-related underemployment

- Additional time that persons are willing to work up to chosen threshold
- To measure the severity of underemployment situation

3. Duration of time-related underemployment

- Days or weeks of employment, unemployment and time related under-employment over longer reference period (a year)
- To calculate the usual underemployment over the year.

4. Reasons for multiple-job holding

- To find if time-related underemployment is the cause of multiple job holding

Indicators of time-related unemployment

Time-related underemployment rate

- the ratio between the time-related underemployed and the employed population

Rate of the volume of time-related underemployment

- share of the volume of time-related underemployment within the **potential time for work** of the employed population.
 - Total hours of work that persons in employment would have worked if they had all been fully employed.

Inadequate employment situations


- include persons who, during a short reference period, were willing to change their current work situation or to make changes to their work activities and/or environment, for any of a set of reasons, chosen according to national circumstances.
1. Replace any of their current paid or self-employment jobs for another one;
 2. Carry out changes in any of their current paid or self-employment jobs (i.e. by reorganising the work; upgrading tools, machinery or equipment; diversifying the type of goods and services produced; innovating marketing strategies; etc.), or
 3. 1 and 2 simultaneously.

For reason (reasons) such as

- mismatch of occupational skills; inadequate income in current jobs; excessive hours work; precarious job situations; insufficient social services; travel to work difficulties; inconvenient work schedules; recurrent work stoppages due to raw materials or energy; prolonged non-payment wages; long overdue payments from customers.

1. **Available** to change their work situation
2. **Actively seek** to change their work situation

Workers are identifies inadequate employment in three stages



willingness to
change their
current work
situation

reasons for
wanting or
preferring this
change

availability for
change and/or
seeking work
activities

Particular types of inadequate employment situation

skill-related inadequate employment:

- which includes persons who are willing or seeking to change their current work situation to use their current occupational skills more fully, and were available to do so;

income-related inadequate employment:

- which includes persons who are willing or seeking to change their current work situation to increase their income by increasing the levels of work organisation or productivity, by improving tools and equipment, training or infrastructure, and were available to do so;

inadequate employment related to excessive hours:

- which includes persons who are willing or seeking to change their current work situation to work less hours with a corresponding reduction of income

References

Castillo, Monica. Power Point presentation, “Methodologies: Sources of information on labour statistics (focus on the economically active population)”, National Labour Market Information Training Programme Port of Spain, Trinidad and Tobago. November 2011

Husmanns, Ralf, Farhad Mehran and Vijay Verma. *Surveys of economically active population, employment, unemployment and underemployment: An ILO manual on concepts and methods*. Geneva: International Labour Office. 1990



End of Session 5