

## UK

### Update on Under-Employment

- In their focus on labour market slack, the BoE includes under-employment – i.e. people who are in work but would like to (and can) work more hours -- as well as the more traditional unemployment rate. There is no single agreed measure of under-employment. The ONS publish monthly data on the number of people working part-time who would like a full-time job. But this does not cover people who are working part-time but would like to work more hours (but not to work full-time), or people who are in a full-time job but would like to work even more hours (or take an extra job as well). Nor do the monthly data measure over-employment – that is, people who are in work but would like to work fewer hours for less pay.
- However, the ONS has now updated its previous figures for under-employment and over-employment, measured in terms of the numbers of *people* who would like to work more/less hours, and the number of extra/fewer *hours* that these people would like to work. The combination of these produces a figure for total under- and over-employment, expressed in terms of available hours. The data are not seasonally adjusted but seasonal variation typically is quite small. In Q2, a total of 3.5 million people (12% of those in work) said they would like to work extra hours and, with an average of 12.1 hours per person per week, this implies under-employment of 43.0 million hours per week (equal to 4.4% of total hours worked). Conversely, 2.8 million people would like to work fewer hours, with average of 11.2 hours per person to week, implying over-employment of 31.4 million hours (equal to 3.2% of hours worked). So net slack on this measure equals 11.6 million hours (1.2% of total hours worked) down from the peak of 17.0 million hours (1.8% of hours worked) in Q1-13 (see chart over page). Note that the pre-crisis period saw net over-employment – ie more people wanted to work fewer rather than longer hours (and over that period the average work-week did trend down).
- Overall, on this measure – as with other labour market guides -- slack is not exhausted but is falling quite fast. Indeed, with total hours worked up 3.4% YoY in Q2, a pool of 1.2% of available extra hours from under-employment is quite modest, in our view. This is especially so if, as seems to have been the case recently, the economy's expansion is oriented towards sectors with relatively low levels of pay and productivity, hence using up labour market slack quite rapidly. Our net under-employment measure has a wider coverage than the monthly measure of part-time workers seeking to work full time, but trends in the two series are fairly similar. Our net under-employment measure is much less volatile than the BoE series for the hours gap (which also aims to measure the gap between actual hours worked and people's desired hours). One key difference is that our wider net under-employment measure – unlike both these other two series -- indicates that the labour market was highly stretched in the pre-crisis period: there were still some people wanting to work more hours, but even more wanted to work fewer hours.

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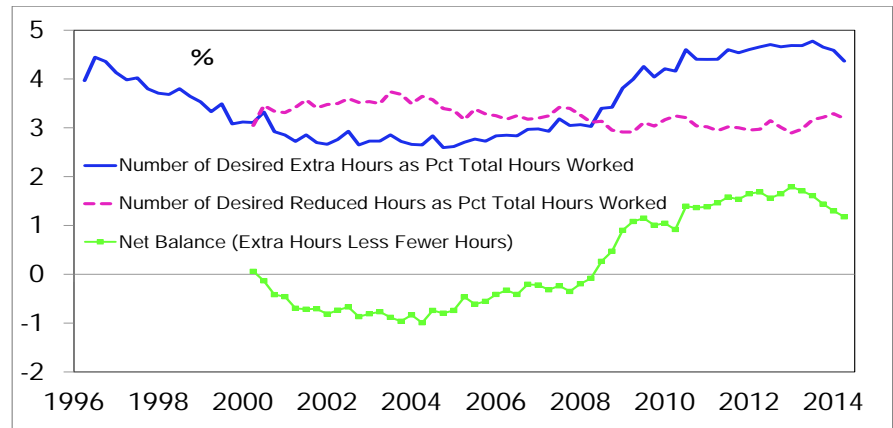
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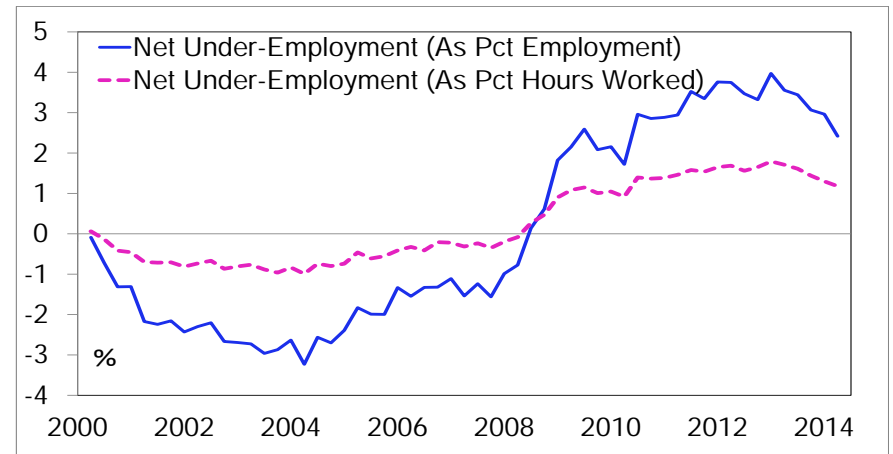
## Update on Under-Employment

Figure 1. UK – Number of Desired Extra Work Hours and Desired Reduced Work Hours, as Pct Total Hours Worked, 1996-2014



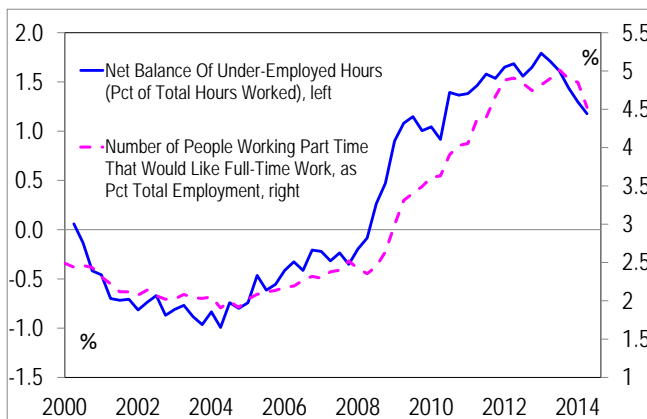
Sources: ONS and Citi Research

Figure 2. UK – Net Under-Employment As Pct Total, 2000-14



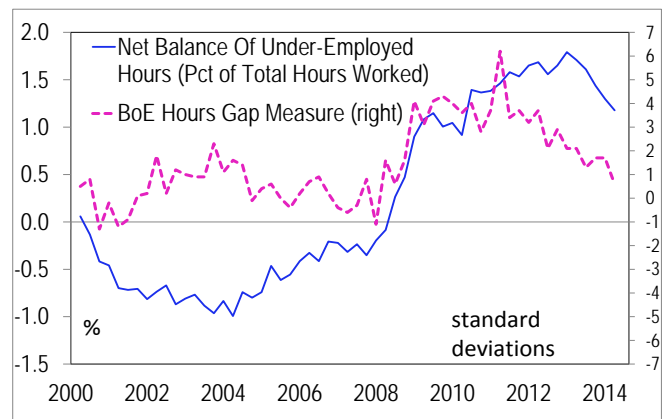
Sources: ONS and Citi Research

Figure 3. UK – Net Balance of Under-Employed Hours and Number of People In Part-Time Work Seeking Full-Time Work, 2000-14



Sources: ONS and Citi Research

Figure 4. UK – Measures of Under-Employment, 2000-14



Sources: BoE, ONS and Citi Research

## Appendix A-1

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