

Douglas C. Maynard  
Daniel C. Feldman *Editors*

# Underemployment

Psychological, Economic,  
and Social Challenges

 Springer

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*Editors*

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# Chapter 1

## Introduction

Douglas C. Maynard and Daniel C. Feldman

Underemployment – when workers are employed in jobs which are substandard relative to their goals and expectations – is a problem faced by increasing numbers of individuals in industrialized nations around the world. Individuals can experience underemployment because they cannot work as many hours as they desire, because they can only obtain temporary jobs when they desire permanent employment, or because they cannot get jobs which are commensurate with their education, skill levels, and experience. Although underemployment is certainly more common and harder to escape when the job market is weak, some level of underemployment persists even in good economic times.

Undoubtedly, in comparison with unemployment, the problem of inadequate employment has received much less attention from both scholars and policy makers. For example, a recent search of relevant databases (i.e., Business Source Complete, EconLit, PsycINFO, and SocINDEX) revealed 785 peer-reviewed works in the last 50 years with underemployment in the abstract, as compared to 31,839 for unemployment. And, while more and more countries are beginning to collect comprehensive data on various types of underemployment, the unemployment rate remains the standard index by which the utilization of a nation's labor force is measured.

Still, the study of *underemployment* is not new; the term appeared almost a century ago (Evans, 1915), referring specifically to part-time work. Indeed, as the number of articles published on underemployment cited above suggests, researchers across several academic disciplines have been investigating the causes and implications of underemployment for decades. It is surprising, then, that no edited book has been published to summarize what we currently know about underemployment and to direct future research. The goal of this volume is to fill that gap. We aim to synthesize our current understanding of this phenomenon by drawing on the collective expertise of two dozen scholars from management, organizational behavior,

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economics, psychology, and sociology. It is our hope that this volume informs and guides the next generation of underemployment research, grounded in theory and helpful in informing practical solutions.

## **Themes in Underemployment Research**

Before outlining the particular goals and findings of the research papers included in this book, we wish to highlight the important, recurring themes that echo across the numerous academic fields of study, the various populations of affected workers, and the different types of underemployment.

### ***Underemployment Hurts***

By most accounts, underemployment is a pervasive problem. Regardless of how you measure it, at any given time, there are likely to be more people who are underemployed than there are people without any kind of work at all. Unfortunately, the findings presented in this volume underscore the consistently negative effects of holding a job that pays too little, provides too few hours, or underutilizes one's skills. The risks and penalties associated with underemployment are serious and have significant implications for the financial, emotional, and social well-being of the individual.

Perhaps the most consistent finding in the underemployment literature is that those in inadequate jobs hold more negative job and work attitudes, especially job satisfaction. The underemployed also exhibit greater intentions to leave their jobs (research on actual turnover is more sparse and findings less clear), and they experience poorer psychological and physical health. In addition, there is a wage penalty associated with most forms of underemployment, and economic research suggests that this penalty can continue to depress an individual's earnings for years afterward. Finally, the strain of underemployment appears to hurt family and friendship networks, with relationships between spouses and partners, between parents and children, and between underemployed workers and their friends all suffering to some extent.

### ***Some Groups Are at Particular Risk for Underemployment***

Underemployment exists in every strata of society, affecting individuals with widely different educational and work backgrounds, and individuals in widely different industries. However, it is well established that underemployment does play favorites, and belonging to some groups based upon demographics, age, or work experience raises the odds of experiencing underemployment. Discrimination (whether

overt or subtle), established social norms (e.g., gender roles), and various types of disadvantage (e.g., disability, limited education, or lack of proficiency in the native language) are all, in part, responsible.

The chapters in Section II focus on five of the groups most susceptible to underemployment: youth workers ([Chapter 4](#)), older workers ([Chapter 5](#)), women ([Chapter 6](#)), ethnic minorities and immigrants ([Chapter 7](#)), and contingent workers ([Chapter 8](#)). While all of these groups are notably vulnerable to underemployment, the nature of that underemployment, how it tends to come about, and how it can be fixed all depend in part on the experiences unique to that population. For example, older workers may be more likely to experience overqualification than younger workers, and females are especially likely to be employed in part-time jobs even if they would prefer to be employed full-time. Likewise, the psychological impact of underemployment may be lessened in different ways for different groups – youth can build social capital in their first jobs, women may appreciate jobs with flexible hours that allows them to apply their talents while being able to devote time and attention to family, and employees transitioning to retirement can work in bridge jobs which fulfill their desire to mentor the next generation of workers.

### ***We Continue to Grapple with What Underemployment Is and How to Measure it***

As detailed in the two chapters of Section I, there are myriad ways of conceptualizing and measuring underemployment. Most scholars agree that involuntary part-time work and involuntary temporary work (which together comprise time-related underemployment), underpayment, and overqualification (also called skills-related underemployment) form the core dimensions of underemployment (see, [Feldman, 1996](#)). However, several other dimensions of underemployment have also been proposed and studied, including unemployment (e.g., [Clogg & Sullivan, 1983](#)) and insufficient social status (e.g., [Friedland & Price, 2003](#)).

Measurement of underemployment ranges from the utilization of existing questions built into national surveys to the crafting of individual measures for single-shot studies, but in all cases, how the questions are asked makes a huge difference in the inferences that can be drawn from the data. Most everyone agrees that identifying underemployment requires a comparison of one's employment situation to some standard, but which standard should one use? The most important distinction drawn in the literature is between objective and subjective underemployment. The former relies upon relatively verifiable markers (e.g., hours actually worked vs. conventionally defined full-time hours, employee education level vs. established educational requirements for that job), whereas the latter taps into employees' perceptions of their situations, which may or may not line up with more objective indicators.

## ***Employees' Desires and Perceptions Influence How They Respond to Underemployment***

Objective and subjective approaches to measuring underemployment each provide some unique insights into our understanding of underemployment, but in the social sciences, researchers have most often taken the subjective approach and have examined employee perceptions in great detail. Most of the theoretical approaches utilized in recent underemployment research are based on the common supposition that negative outcomes occur when an employee's desires, expectations, or needs (e.g., for hours, skill utilization, or equity) go unmet. And, there is some evidence that attitudinal, emotional, and behavioral consequences of underemployment are best predicted by subjective experiences rather than objective measures. On the other hand, the links between the objective and the subjective, or between the perceptions of the employees themselves and others (e.g., their supervisor or peers), are as yet poorly understood.

## ***There Is Much We Don't Know***

The social sciences literature on underemployment is not new, but neither is it fully mature. One does not need to look hard to identify discussions regarding construct definition and measurement. While many basic relationships have been established, phrases such as "no data yet exist" are all too common. For example, we still can't say with confidence whether or how underemployment relates to important outcomes such as voluntary turnover and many aspects of performance (e.g., citizenship behavior and team performance). And, although there is growing awareness of the important role played by the employee's interpretation of his or her situation (see the point above), we still do not understand the psychological mechanisms by which an employee judges his or her work situation as "underemployment," nor have we identified the key factors which influence how much he or she will chafe at the situation. Because of the literature's continual state of development, each of the chapters in this book distinguishes what we currently understand from what we do not (relative to the specific topic of that chapter) and points to the research areas of greatest need.

## ***Successful Remedies Are Elusive***

Given that underemployment is a reality for a sizable proportion of the workforce at any given time, and that there are negative consequences for these workers, it is natural to consider what may be done to address this serious social problem. Responses can range from attempts to reduce underemployment itself to mitigating the negative effects for those who cannot escape underemployment. Unfortunately, at this point, we have little concrete evidence to conclude about the efficacy of various

interventions. Perhaps we are not yet able to specify interventions that are likely to be effective because, as already mentioned, we are still learning what underemployment is and how and when it relates to many important outcomes. The major difficulties of designing, implementing, and evaluating institutional interventions have also likely prompted researchers to focus instead on theoretical relationships. Regardless of the reason, we believe that more effort from all sides (scholars, organizations, and policy makers) is required to better combat the problems that underemployment generates.

## **Organization of the Book**

The book is organized into four sections, each reflecting a distinctive focus or perspective on the topic of underemployment. Below, we provide a brief introduction to each of the chapters in the book.

### ***Section I: Theoretical Approaches to Studying Underemployment***

There are two basic theoretical perspectives which have been taken to understanding underemployment. In [Chapter 2](#), Roger Wilkins and Mark Wooden address economic approaches to studying underemployment. They describe how economists conceptualize and measure various forms of underemployment, including time-related underemployment (insufficient work hours), skills-related underemployment, and income-related underemployment. They also highlight the conceptual and measurement differences among underemployed workers, unemployed workers, and “discouraged” workers (those able to work but no longer seeking employment) and provide data on current levels of underemployment around the world. The chapter is written in a readily accessible style so that relative newcomers to economics will greatly benefit and learn from it. One particularly interesting aspect of this chapter is that it draws clear links between business cycle conditions (e.g., recessions) and individuals’ susceptibility and reactions to underemployment.

Aleksandra Luksyte and Christiane Spitzmueller then address behavioral approaches to underemployment in [Chapter 3](#). They focus on four social psychological approaches which they find especially informative in understanding how individuals experience underemployment: person–job fit theory, relative deprivation theory, the labor utilization framework, and human capital theory. The authors then examine five dimensions of underemployment in particular: overeducation, job placement outside of one’s field of study, overqualification for the current job, involuntary part-time work, and wages significantly lower than those paid in the previous job. Parallel to the preceding chapter, [Chapter 3](#) also grapples with the measurement of underemployment, but in this case from a behavioral perspective. Among

the issues the authors explore in this regard are self-ratings versus others' ratings of underemployment, the referents and standards chosen in assessing underemployment, and the trade-offs between facet-specific and global measures of subjective underemployment.

## ***Section II: The Emergence of Underemployment in Work Populations***

The experiences of different working populations who face underemployment are as varied as the theoretical approaches used to study them. The authors in Section II examine the susceptibility of different demographic groups to underemployment and the challenges each faces in exiting from it.

In [Chapter 4](#), JoAnn Prause and David Dooley address the topic of youth underemployment. As the authors note, younger workers may have greater exposure to underemployment (ranging from inadequate employment of various types to unemployment) because they have lower levels of education and work experience. Moreover, these workers may be less savvy and have fewer job-hunting skills to help them obtain better positions. Unfortunately, underemployment during late adolescence and early adulthood seems to have persistent negative effects upon future employment prospects while also increasing the likelihood of problematic behaviors and psychological states such as tobacco use, alcohol and drug abuse, depression, and criminal behavior.

Meghna Virick approaches underemployment from the other end of the age continuum by exploring the experiences of older workers. In [Chapter 5](#), she examines numerous forces which contribute to higher rates of underemployment among older workers, including age-based stereotypes and discrimination, declines in some kinds of cognitive processing capabilities, reduced access to technology training, and greater vulnerability to layoffs. Further, once older workers become underemployed, they face greater challenges finding satisfactory re-employment for many of the same reasons. Virick discusses bridge employment (positions that represent a transition toward retirement) in the context of underemployment and examines the factors that moderate the subjective experience of underemployment among older workers in particular.

It is well established that female workers are at greater risk of underemployment than male workers. In [Chapter 6](#), Johanna Weststar provides the first targeted examination of the myriad forces that produce gender differences in the rates of pay-based, time-based, and skill-based dimensions of underemployment. She finds that it is the interplay of societal forces which have changed substantially (greater educational attainment and labor force participation rates of women) and historical forces hindering women's employment status (occupational segregation and gender-based family roles) which have led to more frequent mismatches between women's jobs and their talents in recent years. She also draws attention to the important fact that improvements in women's entry into traditionally male careers mask the various barriers women continue to face in rising to the highest levels in those fields.

In [Chapter 7](#), Tim Slack and Leif Jensen look at underemployment among racial minorities, ethnic minorities, and immigrants in the USA. The authors begin with an overview of the research on the stratification of minorities in the labor market, their trajectories of assimilation, and social justice in the US labor market. They then provide compelling new data on where various racial minorities, ethnic minorities, and immigrants stand in terms of underemployment within the US labor market. Their data suggest that, among these working populations, the major underemployment problem is wage discrimination rather than lack of job-searching behavior or an unwillingness to work longer hours. The authors underscore that while the employment-related disadvantages of immigrants become noticeably less severe starting with the second generation, the barriers faced by racial and ethnic minorities tend to be more persistent. This chapter is especially timely given the current debates about immigration and race discrimination in the workforce.

Next, Catherine E. Connelly, Christa L. Wilkin, and Daniel G. Gallagher examine underemployment among contingent workers (e.g., part-time, temporary, and contract workers). In [Chapter 8](#), they begin by examining how labor market structures for contingent workers increase their likelihood of becoming underemployed. Here the authors illustrate why the boundaries between contingent labor markets and full-time labor markets are often impermeable and why contingent workers tend to get segregated into lower-quality jobs. Interestingly, while contingent workers may be more vulnerable to becoming underemployed, there is some systematic evidence that they may also respond less negatively to it. For example, contingent workers may identify more closely with nonwork roles (such as parent or student), may have lower expectations of their employers, or compare themselves to other contingent workers rather than to their full-time colleagues.

### *Section III: The Effects of Underemployment*

Another major theme which runs throughout the volume is that underemployment has wide-ranging consequences for both the individual and for others in their environment, including colleagues, families, and communities. The authors in Section III address the spectrum of effects which underemployment can create for the psychological and physiological well-being of workers, the level of positive affect in relationships with spouses, partners, and friends, and the level of social cohesion within communities.

In [Chapter 9](#), Sarah Anderson and Anthony H. Winefield examine the impact of underemployment on the psychological health, physical health, and job attitudes of underemployed workers themselves. Underemployment can lead to negative outcomes for individuals because of poor person–job fit, breaches of psychological contracts, lack of need fulfillment, and loss of attachment to meaningful work and relationships. Underemployment, especially when involuntary, seems to be consistently associated with negative job attitudes, though the strength of these relationships and the consistency of findings vary across the dimensions



of underemployment and the array of various attitudes. The authors note that underemployment is also commonly associated with depression, loss of self-esteem, anger, suicidal ideation, and stress-related illnesses, but is less consistently associated with major diseases and other physical health problems.

The focus of [Chapter 10](#) is on the effects of underemployment on how individuals perform in the workplace. Michael R. Bashshur, Ana Hernández, and José María Peiró examine the span of behaviors typically included under the umbrella of job performance, including core task performance, team performance, citizenship behavior, and counterproductive work behavior. The authors argue that, since underemployed workers have more than enough knowledge, skill, and/or experience to effectively complete their jobs, their *ability* to perform their core task assignments is not an issue. However, because underemployed workers derive insufficient financial rewards and/or intrinsic satisfaction from performing their jobs, their *motivation* to do so conscientiously can suffer. Furthermore, underemployed workers are less likely to go above and beyond the call of duty at work, because doing so would only further increase their sense of inequity. In addition, while underemployment may be associated with lower citizenship behavior and greater withdrawal behaviors (e.g., absence), there is little evidence that it is associated with more destructive forms of counterproductive behavior.

In [Chapter 11](#), Berrin Erdogan and Talya N. Bauer examine the impact of being underemployed on workers' turnover and career advancement. Where the previous two chapters focused on how being underemployed affects attitudes and behavior on the current job, Erdogan and Bauer explore how an experience with underemployment affects subsequent career trajectories. Their review of the literature suggests that, as expected, underemployment is related to higher turnover within the following year. Erdogan and Bauer then outline several propositions regarding potential moderators of the underemployment–turnover relationship (e.g., organizational reward systems and perceived future job prospects). In terms of future career trajectories, because underemployed workers are often overqualified for their jobs, they are often able to advance more quickly *internally* within their current organizations. However, because they have not been accumulating higher-level skills, underemployed workers may have more trouble competing *externally* in the open labor market for new positions.

The last chapter in this section addresses the impact of individuals' being underemployed on their families and communities. In [Chapter 12](#), David S. Pedulla and Katherine S. Newman explore how the effects of an individual's underemployment spiral out to affect others in their environment. For the family, these negative consequences include a lower standard of living, lower social status, greater marital discord, greater strain in relationships with children, decreased interaction with extended family members, and isolation in friendship networks. At the aggregate level within communities, higher levels of underemployment are associated with higher levels of property crime, lower participation in voting, loss of corporate philanthropic support, and loss of social services. As can be seen, an important and unique contribution of this chapter is its exploration of the long-term effects of underemployment not only on the workers themselves but on others in their social networks as well.

## ***Section IV: Directions for Future Research and Management Practice***

In the last section of the book, we synthesize the findings of the preceding chapters and provide directions for future research and management practice. In [Chapter 13](#), Douglas C. Maynard examines the scope of the underemployment problem, and then outlines several strategies for the future study of underemployment. For example, he calls for more research on underemployment in developing nations, the application of more varied methodologies (especially qualitative analysis), and consideration of situations where nonlinear relationships with underemployment might be expected. Maynard also suggests that researchers should begin examining potential dispositional moderators such as work values and core self-evaluations. Finally, he concludes by discussing how institutions (e.g., municipalities and corporations) might tackle underemployment. Here he examines and contrasts responses which attempt to reduce the prevalence of objective underemployment, responses which attempt to reduce perceptions of the severity of underemployment, and responses which might reduce the negative consequences of underemployment when it occurs.

In the last chapter of the volume ([Chapter 14](#)), Daniel C. Feldman directs our attention to three important topics for future theoretical research in the area of underemployment: (1) when and why objective underemployment becomes internalized, perceived, and felt as underemployment; (2) how individuals develop coping strategies for dealing with underemployment; and (3) when and why intervention strategies aimed at underemployment succeed or fail. Feldman suggests that researchers should expand their theoretical perspectives on underemployment beyond person–environment fit theory and relative deprivation theory and incorporate some new theoretical approaches as well, including attribution theory, embeddedness theory, personality theory, and conservation of resources theory. Further, he demonstrates how these new theoretical applications show great potential for integrating both the economic and behavioral perspectives for understanding the underemployment phenomenon.

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**Part I**  
**Theoretical Approaches to Studying**  
**Underemployment**

# Chapter 2

## Economic Approaches to Studying Underemployment

Roger Wilkins and Mark Wooden

**Keywords** Labor underutilization · Economic analysis · Time-related underemployment · Skills-related underemployment · Labor hoarding · Overqualification

Labor economists have long been interested in why it is that markets for labor do not behave like markets for many other goods and services. In particular, many labor markets are characterized by imbalance between demand and supply, meaning that the available labor resources are not fully utilized, and these imbalances are often persistent. For economists, such outcomes are inefficient; labor services cannot be stored and hence if at any time they are not being used, the output that could have resulted is lost forever. The underutilization of labor also imposes significant costs on affected individuals and their families, and not just in terms of foregone income.

The indicator that is most commonly used to measure this disparity is the unemployment rate – the number of persons without paid work who are actively seeking work (and are available to start work) as a percentage of the labor force. Nevertheless, it is also widely recognized that the unemployment rate is only a proxy measure for labor market tightness, and seriously understates the true level of idle labor capacity. Most obviously, the unemployment rate is unaffected by variations in the extent to which both the time and skills of employed labor are used, or what is generally referred to as underemployment. In the USA, for example, data from the Current Population Survey show that the number of employed persons working part-time hours for economic reasons – usually because their hours had been cut due to unfavorable business conditions, or because they could not find full-time work – averaged 8.9 million in 2009, or 6.4% of all employed persons. All of these people are employed and hence do not figure in the unemployment rate, but nevertheless are like the unemployed in that they are unable to work the hours they would prefer.

Underemployment, however, describes other forms of labor underutilization as well, and summarizing the breadth of situations that are covered by underemployment is one of the aims of this chapter. More specifically, we begin by introducing

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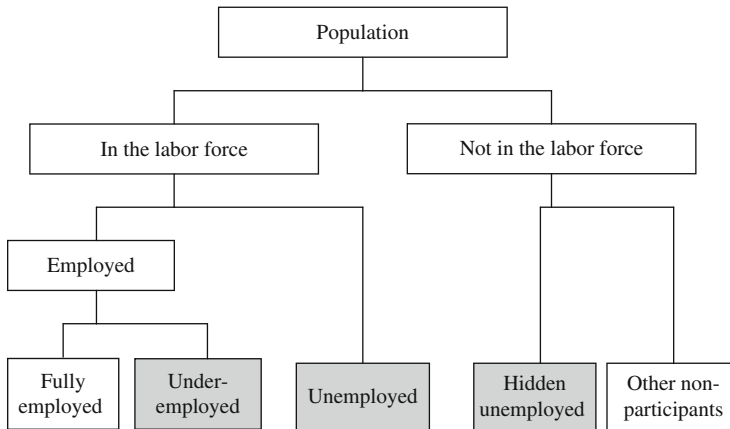
the concept of underemployment and how it is understood by economists in particular. We then consider in more detail three specific types of underemployment: time-related underemployment, skills-related underemployment, and labor hoarding. We discuss the problems associated with identifying underemployed workers, summarize existing evidence on its extent, and review the empirical economic research on its incidence, characteristics, and consequences.

## Conceptual Issues

More than researchers from other disciplines, economists rely heavily on data provided by nationally representative data sources, and especially those provided by national statistical agencies. These agencies rely on the measurement conventions adopted by the International Labour Organization (ILO), which, in the area of employment and unemployment statistics, are based on the labor force framework. In this framework, the population is divided into those who are economically active (the labor force) and those who are not, with the former being further divided into the employed (E) and the unemployed (U). From this simple typology can be derived the unemployment rate ( $U/[E+U]$ ), which, as already noted, is widely used as an indicator of labor market activity, and indeed the overall health of economies.

The ILO has long been aware that as an indicator of the extent to which labor is fully utilized, the unemployment rate is far from ideal, with ILO resolutions providing guidelines for the measurement of underemployment and underutilization of labor dating back to 1966. As is now widely recognized, there are two main flaws in the simple typology that only distinguishes between employed persons, unemployed persons, and the economically inactive. First, it fails to recognize that at any point in time there are likely to be many persons defined as economically inactive but who would be in employment or looking for work if economic circumstances were more favorable. These persons comprise what is often referred to as either discouraged workers (e.g., Bosworth & Westaway, 1987; Bowen & Finegan, 1969; Mincer, 1966) or the hidden unemployed (e.g., Stricker & Sheehan, 1981; Taylor, 1970). Second, the extent to which employed labor is fully utilized will vary both across individuals and over time. When the labor of employed workers could be more effectively used, those workers can be described as underemployed.

Figure 2.1 summarizes the expanded conceptual framework for labor underutilization that results from incorporating these additional forms of labor underutilization (represented by shaded boxes). The hidden unemployed are distinguished from the underemployed and the unemployed by the fact that they are outside the labor force but nevertheless would prefer to be in employment. The underemployed are distinguished from the unemployed and the hidden unemployed by the fact that at least some hours are being worked (and paid for).



**Fig. 2.1** An expanded labor force underutilization framework

The current ILO guidelines, adopted at the 16th International Conference of Labour Statisticians in 1998, identify two broad types of underemployment: (1) time-related underemployment and (2) inadequate employment situations. Time-related underemployment is the employed-persons counterpart to unemployment and hidden unemployment, and refers to a situation of insufficiency in the volume of work. Inadequate employment situations, by contrast, refer to a variety of other limitations in the labor market that, in some way, prevent a worker's full productive potential from being realized.

The ILO defines persons as being in *time-related underemployment* situations if, during some short reference period (such as 1 week), they: (1) were willing to work additional hours; (2) were available to work those additional hours; and (3) had worked fewer hours than a predetermined threshold relating to working time (see ILO, 1998). The willingness and availability criteria are analogous to those used in identifying the unemployed, though in contrast to the unemployment definition, which requires individuals to be engaged in active job search, satisfaction of the underemployment definition does not require individuals to actively be seeking more hours of work.

The ILO definition of this form of underemployment also requires that there be some upper ceiling on the actual hours worked, which necessarily does not apply to the unemployed. Official statistical agencies have typically interpreted this threshold as full-time employment (though note that definitions of full-time employment vary across countries). The effect of this criterion is to exclude persons working quite long hours (but who nevertheless report a desire to work even more hours) from being defined as underemployed. The reasons for imposing this limit have not been articulated, but seem to be based on the view that community norms over what constitutes full utilization of labor should take precedence over individual working-time preferences in such situations.

The ILO defines *inadequate employment* as any situation where workers desire “to change their current work situation for reasons that limit their capabilities and well-being and were available to do so” (ILO, 1998). This definition relies on two main elements: a willingness to change work situations, and the presence of reasons why a person is unable to maximize either his or her use of capabilities or his or her well-being. The willingness to change criterion is relatively straightforward, and analogous to the willingness to work additional hours criterion used to define time-related underemployment. The second element, however, while consistent with theoretical notions of labor underutilization, is so broad that it is difficult to imagine how it could be effectively implemented.

The ILO itself appears to recognize that this definition is incapable of being implemented, and instead recommends that indicators be developed to measure three specific types of inadequate employment situations: (1) skills-related underemployment; (2) income-related underemployment; and (3) excessive working hours.

The significance of *skills-related underemployment* has long been recognized, though typically national statistical agencies do not report measures of its extent. Indeed, previously the ILO referred to this type of underemployment as invisible underemployment precisely because it was difficult to identify and hence hard to measure. Despite this, and as we shall show below, there is a now sizeable literature within labor economics and education economics concerned with measuring and understanding the consequences of skills-related underemployment (though typically under the guise of overeducation). Skills-related underemployment is conceptually similar to the overqualification construct studied in other disciplines, such as industrial and organizational (I-O) psychology and organizational behavior.

*Income-related underemployment*, on the other hand, has received little or no attention from economics researchers. While there is a very large research literature focused on the adequacy of earned income, this is usually couched within a broader discussion of poverty and economic deprivation. In contrast, in the ILO definition, income-related underemployment only exists when a worker’s income is lower than it would otherwise be because of some feature of the employer or workplace, like inadequate equipment, insufficient training, or poorly organized working arrangements. Attempts at any sort of accurate measurement of this for even a single worker would seem hopeful, let alone for a large nationally representative sample.

While *excessive hours* have been the subject of numerous empirical studies, the notion that persons reporting excessive working hours are underemployed is contradictory. Indeed, excessive hours – that is, working more than desired – is the flip side of time-related underemployment. Both are forms of mismatch between hours preferred and hours worked, and both can have similar sorts of adverse consequences (e.g., Wooden, Warren, & Drago, 2009), but the notion that overemployment is a form of underemployment is nonsensical and hence not pursued any further here.

Finally, there is one type of underemployment that economists have long been interested in – labor hoarding – which is not covered by the ILO guidelines. *Labor*

*hoarding* occurs when a firm does not utilize all of the labor that it pays for, and has long been thought to help explain the tendency for the productivity of working hours to vary with the business cycle (e.g., Okun, 1963; Solow, 1968). That is, when a firm experiences a decline in demand for its output, it does not always reduce labor input in line with the reduced production requirement. In many cases, the employers will reduce the hours its employees work, thus leading to time-related underemployment, but in other cases working hours remain unaffected; it is just the productivity of those hours that declines. In these situations, employers are said to be hoarding labor. In some cases this arises because there are legal impediments to reducing labor requirements, in other cases because of technological impediments which make it difficult to curtail employment in proportion to output, but more often because employers are reluctant to release trained and experienced workers who they might need in the future when demand for output picks up again.

Labor hoarding is also quite distinctive from other forms of underemployment. First, and in contrast to time-related underemployment, while ‘hoarded workers’ are underemployed in the sense that their labor is not fully utilized, they are typically fully employed in the sense that they are working the hours they prefer. Second, unlike other forms of underemployment, it is the employer that bears the cost rather than the employee. However, in many situations labor hoarding will be associated with a decline in skills utilization (as a result of an insufficiency in the quantity of challenging and interesting work) and in these instances there may be considerable overlap between measures of skills-related underemployment and labor hoarding. Finally, labor hoarding is distinctive in that it is not necessarily inefficient. Given the presence of fixed and quasi-fixed labor costs, such as those associated with hiring and training, it may be efficient in the long run for firms to hoard workers during periods when demand is temporarily at low levels.

## **Time-Related Underemployment**

Given its focus on insufficiency in the volume of employment, time-related underemployment is the natural counterpart to unemployment and has, therefore, been the primary focus of national statistics agencies looking to produce extended measures of labor underutilization. Time-related underemployment is also of considerable interest to labor economists as a form of inefficiency and a source of social welfare loss, and also because of its implications for understanding (effective) labor supply. Labor supply modeling, which seeks to identify the responsiveness of supply to wage rates (and other factors), is a major area of labor economics research, and increasingly these models are being adapted to take into account the presence of underemployment in order to improve predictive power (e.g., Bryan, 2007; Dickens & Lundberg, 1993; Ham, 1982; Kahn & Lang, 1991; Stewart & Swaffield, 1997).



## ***Measurement Issues***

Time-related underemployment is analogous to unemployment and therefore lends itself to similar approaches to measurement. Thus, collection of survey data from employed persons on both their willingness to work more hours (preferences) and their availability to work those additional hours may be obtained in much the same manner as is done for unemployment.

Similar to unemployment, eliciting working time preferences for employed persons involves implicit assumptions about the work being sought, most importantly in respect of wages. Conventional economic theory posits that an individual's labor supply depends on the wage rate being offered. ILO guidelines make no reference to wages in determining unemployment status, but it is implicit that the unemployed person is searching for work at the "market wage rate" for that person, an admittedly indeterminate and unverifiable quantity. Underemployment status is likewise typically ascertained without reference to wages, but as with unemployment the implicit premise is that expressed desire and availability for more hours of work is at the worker's market wage rate. This need not be the worker's current wage rate, but in practice it seems likely that respondents will assume additional hours of work will be paid for at their current wage.

In theory, availability for additional hours should be a key requirement for time-related underemployment. Reasons for not working desired hours can be because of demand constraints or supply constraints, and it is only the former which qualifies as underemployment. Supply constraints, which include factors such as poor health and unavailability of child care services, prevent a person from working the additional hours he or she claims to want to work. Demand constraints are present when the worker is available to work additional hours, but is unable to either obtain those additional hours from their current employer or find another employer offering the desired number of working hours. Statistical agencies such as the US Bureau of Labor Statistics (BLS), when classifying reasons for part-time employment, refer to demand-related factors as 'economic reasons' and supply-related reasons as 'non-economic reasons.'

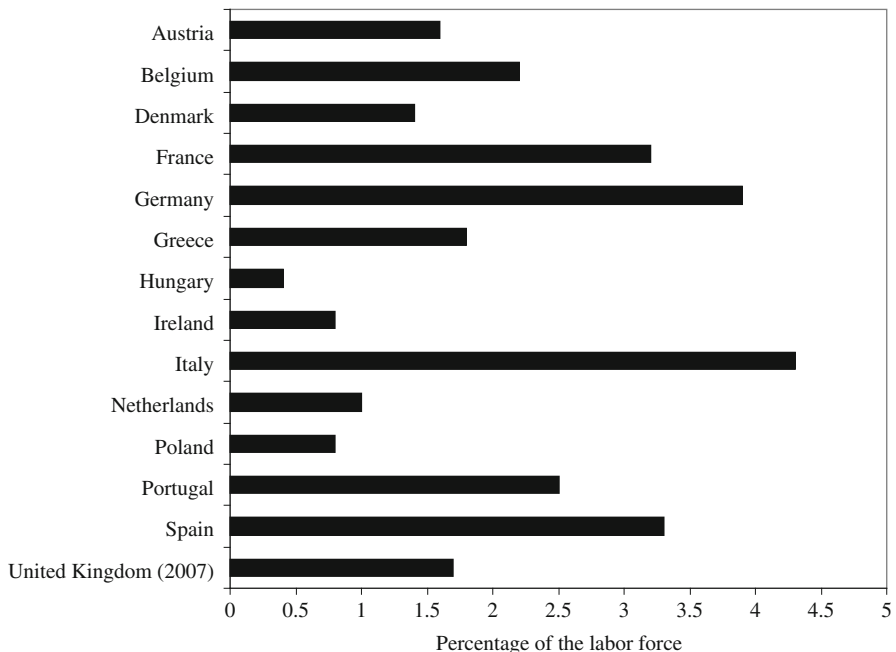
## ***The Extent of Time-Related Underemployment***

Central statistics agencies in most developed countries report one or more measures of some kind of time-related underutilization of employed persons, but approaches and measures vary considerably.

Reflecting the view that time-related underemployment is essentially a problem of part-time employment, one particular type of time-related underemployment for which data are commonly collected is *involuntary part-time employment*. Data on this concept have been compiled by the Organization for Economic Cooperation and Development (OECD) for its member states and are available from its online database ([www.SourceOECD.org](http://www.SourceOECD.org)). Inspection of the limited metadata that accompanies these data reveals that definitions vary widely and so, even for this narrow measure, international comparisons are complicated. For example, in Canada and

Sweden, it comprises “persons who could not find a full-time job, would prefer to work more hours and believe full-time work is not available”; for Australia, New Zealand, and the Czech Republic, it comprises all part-time workers who prefer to work more hours; while in the USA the group of interest is restricted to those who cite the specific reason for working less than 35 h as “could only find part-time work” (even though there is a much larger group who cite the reason as “slack work or business conditions”).

Within the OECD there is one group of countries that appear to use an identical definition. This is the group of European Union countries that participate in the European Labour Force Survey. This survey, which is actually a series of independent surveys run by different national collection agencies, generates a measure of the number of “persons who declared to work part-time because they could not find a full-time job.” Estimates for this group of European countries, for 2008, are presented in Fig. 2.2. As is shown, the proportion of the labor force involuntarily employed part-time in 2008 ranged from just 0.4% in Hungary up to 4.3% in Italy. In all countries, the estimate of involuntary part-time employment represents a smaller share of the labor force than unemployment – on average about one-third the share, but ranging from 5% in the case of Hungary to 63% in the case of Italy. Note, however, that even among the countries presented in Fig. 2.2, there are still likely to be differences in survey methodologies and concepts.



**Fig. 2.2** OECD estimates of involuntary part-time employment derived from the 2008 European Labour Force Survey

Source: OECD Stat Extracts (<http://stats.oecd.org/>)

The ILO also publishes estimates of time-related underemployment for an expanded set of countries that includes some developing countries (see <http://kilm.ilo.org>). Problems of comparability across countries are likewise present for these estimates, and indeed are almost certainly far more serious. This notwithstanding, the ILO data suggest that time-related underemployment tends to be a more severe problem in developing countries than developed countries, with a number having double-digit rates of time-related underemployment as a percentage of the labor force.

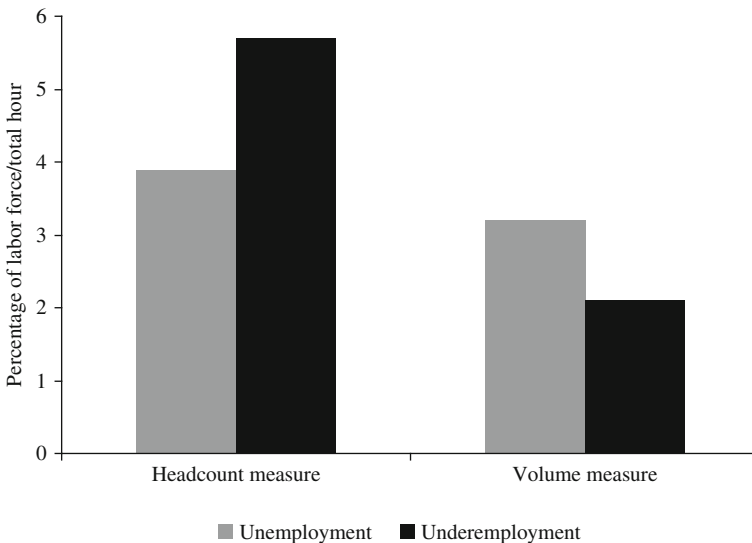
The estimates presented in Fig. 2.2 do not include all underemployed workers under the ILO's definition of time-related underemployment, most notably excluding part-time workers who want more hours but do not want to work full-time. National statistical agencies in some countries, and notably Australia, New Zealand, and the UK, do attempt to regularly collect data on all types of time-related underemployment following the ILO guidelines, though measures nonetheless still differ across these countries. In Australia and New Zealand, a person is classified as underemployed if employed for fewer than 35 h in the survey reference week, preferred more hours of employment, and was available to work those additional hours. In the UK, a similar definition is applied, except that the hours threshold is 40 for persons under 18 years of age and 48 for others, and persons who only express a desire for additional hours of work by getting a different job with more hours (as opposed to increased hours in the current job) are required to be seeking such a job in the survey reference week.

UK estimates of total time-related underemployment provide a useful comparison with the involuntary part-time employment estimate presented in Fig. 2.2. Walling and Clancy (2010) use official UK Labour Force Survey data to derive an estimate for the total underemployment rate, which in 2007 was 6.8%. This compares with the OECD estimate of just 1.7% for the rate of involuntary part-time employment shown in Fig. 2.2. This suggests that the OECD estimate of involuntary part-time employment derived from the European Labour Force Survey is only a relatively small component of total time-related underemployment. Further demonstrating that definitions matter, the Household, Income and Labour Dynamics in Australia Survey (a nationally representative panel study) shows that, in 2008, 1.8% of the Australian labor force reported working part-time because of an inability to find full-time work, compared with the 8.3% of the labor force who were employed part-time and preferred (although were not necessarily available for) more hours of work.

In the USA, the BLS does not produce a measure of time-related underemployment based on the ILO guidelines, but does produce estimates of the numbers of part-time workers working part-time hours (fewer than 35) for "economic reasons." As noted earlier, this averaged 6.4% of the employed workforce in 2009 (or 5.8% of the civilian labor force). This is simply an expanded form of involuntary part-time employment that still excludes underemployed part-time workers who do not want full-time work, but it nonetheless applies to significantly more workers than does the narrow ILO measure.

Underemployment is primarily of interest as an economic concept because of the forgone market output that it represents. The estimates of time-related underemployment presented to this point have been “headcount” measures. These measures indicate the prevalence of time-related underemployment (i.e., the number of people affected), but they do not provide complete information on the total extent of underutilization that results. To measure the true extent of underutilization, the total number of hours sought by underemployed workers needs to be determined. While this issue applies to unemployment also, the issue is more acute for underemployment: For many underemployed workers, the insufficiency in work may be as little as a few hours per week. This suggests the need for “volume-based” measures of underutilization, which tally the total number of additional hours of work sought by the underemployed.

The data necessary to construct such measures are now routinely collected by both the Office of National Statistics in the UK and the Australian Bureau of Statistics (ABS) in Australia. The latter, for example, produces, on an annual basis, volume-based measures of both unemployment (using additional data on the number of hours of work sought by unemployed persons) and underemployment (using additional data on the number of additional hours preferred by part-time underemployed workers; see ABS, 2009). Most importantly, comparison of volume-based estimates and headcount measures reveals that this distinction matters a lot. As Fig. 2.3 shows, the ABS data for Australia indicate that volume-based measures reduce markedly the magnitude of underemployment relative to unemployment.



**Fig. 2.3** Headcount and volume measures of unemployment and underemployment, Australia, August 2008

*Notes:* Headcount measure: Percentage of the labor force underutilized. Volume measure: Percentage of the total potential volume of hours (supplied by the labor force) not utilized.

*Source:* ABS, *Australian Labour Market Statistics*, April 2010 (ABS cat. no. 6105.0)

## *Determinants*

Effective policy responses to time-related underemployment require appreciation of its causes or sources. Consistent with the analogous nature of time-related underemployment to unemployment, the (largely implicit) view taken in economic analyses of underemployment is that both forms of underutilization have essentially the same causes. Economic theories explaining unemployment are thus generally viewed as applicable to time-related underemployment. Such theories emphasize the importance of cyclical fluctuations in aggregate demand conditions as the main source in variation over time in unemployment. Structural change to the economy, by leading to job destruction, may also increase unemployment. Economic theory further identifies important roles for a range of institutional features, including minimum wages, welfare and taxation systems, employment protection legislation, and trade unions, factors which affect both the average level of unemployment and the severity of increases in unemployment in economic downturns. Most, if not all, of these factors have the potential to also impact time-related underemployment.

As this view of underemployment would suggest, empirical investigation of the determinants of time-related underemployment has primarily focused on factors known to affect unemployment. While differences in the extent of time-related underemployment across countries would seem to create the most potential for the identification of the roles these factors play, the lack of comparable data has inhibited cross-country studies. More common have been studies investigating the determinants of the level of underemployment using time-series approaches within a single country (Haugen, 2009; Larson & Ong, 1994; Leppel & Clain, 1988; Ratti, 1990; Tilly, 1991).

The consistent finding from time-series studies is that, first and foremost, business cycle conditions determine the level of underemployment. Changes in time-related underemployment closely track changes in the unemployment rate, as is suggested by Fig. 2.4, which plots the US involuntary part-time employment rate alongside the unemployment rate over the period 1955–2010. This has served to reinforce the view that underemployment is, more generally, determined by the same forces as unemployment.

One implication of the finding that business cycle conditions are the key determinant of underemployment is that, while the unemployment rate understates the total stock of time-related underutilization of labor at any given point in time, from the point of view of understanding changes over time in underutilization, the unemployment rate may be a sufficient statistic (Haugen, 2009). However, empirical research has found evidence that there are influences on the level of underemployment other than business cycle conditions. Many developed countries have experienced increases in involuntary part-time employment since the early 1970s that cannot be explained by higher average levels of unemployment, and several studies have found evidence of secular changes to the economy acting to increase the prevalence of time-related underemployment. For example, in the USA, Leppel and Clain (1988), Tilly (1991), and Larson and Ong (1994) all show that changes to the structure of the economy, most notably growth in the service sector, were an



**Fig. 2.4** Unemployment and involuntary part-time employment, USA, 1955–2010

*Note:* Involuntary part-time employed comprise those employed part-time for “economic” reasons.  
*Source:* Annual averages of monthly data from the Current Population Survey, obtained from BLS online databases (<http://www.bls.gov/data/>)

important contributor to the rise in involuntary part-time employment in the 1970s and 1980s. Relatedly, Leppel and Clain (1988) and Tilly (1991) also found that changes in the skills composition of the workforce contributed to the rise.

Time-series approaches do, however, have important limitations. They require variation over time within a country in the factors that determine the level of underemployment, and many potential factors do not vary, or at least do not (independently) vary sufficiently. Most notably, the roles of labor market institutions, welfare systems, and other institutions are generally impossible to ascertain from time-series approaches. Although problems of data comparability have been a significant constraint, cross-country comparisons have the potential to shed light on the impacts of these (and other) factors on time-related underemployment, and indeed some studies have attempted this. Sousa-Poza and Henneberger (2002) and Otterbach (2010) compare 21 countries and, in common with the time-series studies, find that the unemployment rate is an important determinant of underemployment. They further find, after controlling for the effects of the unemployment rate, that higher-income countries tend to have less underemployment, most likely because of increasing marginal utility of leisure; that is, individuals prefer to work less (consume more leisure) as their wealth increases.

### *Characteristics and Consequences*

A key question for applied researchers has been the extent to which underemployment has predictors and consequences in common with unemployment. Concerns

over underemployment are greater the more it is associated with the adverse outcomes that are in evidence for the unemployed. On the other hand, policy targeting labor underutilization may need to be modified if the personal characteristics associated with underemployment differ from those associated with unemployment.

In general, many of the personal characteristics associated with unemployment, such as low education levels, being young, and membership of an ethnic minority, are found to be associated with underemployment (De Jong & Madamba, 2001; Doiron, 2003; Leppel & Clain, 1993; Stratton, 1996; Wilkins, 2006; Wooden, 1993). Job characteristics also seem to matter. Indeed, Barrett and Doiron (2001), in their study of a sample of Canadian workers, conclude that job characteristics, such as industry and occupation, matter far more than personal or human capital characteristics. Some of these so-called job characteristics, and especially occupation, however, are a reflection of human capital endowments, with workers in occupations where skill requirements are relatively low being much more exposed to the risk of underemployment. Again, the same sort of relationship is found in studies analyzing the risk of unemployment.

A particularly important covariate is industry, with the risk of underemployment generally found to be higher in service-sector industries. This is usually thought to be a function of the nature of demand for the services produced in these industries, and in particular the concentration of sales at particular times of the day or week, and hence employer requirements for part-time workers is relatively high.

Another issue on which there is strong consensus is the relationship with self-employment. Self-employment is invariably found to be associated with a high probability of underemployment (e.g., De Jong & Madamba, 2001; Farber, 1999; Wilkins, 2006), consistent with the idea that self-employment is used by some people as a job of last resort in the face of a scarcity of other employment opportunities (see, for example, Earle & Zakova, 2000; Moore & Mueller, 2002).

There is also a small but emerging literature examining labor force transitions and the role played by underemployment in that process. Vera-Toscano, Phimister, and Weersink (2004), for example, examine rural–urban differences in underemployment in Canada, finding rural workers are more likely to both enter and exit underemployment. Very differently, Farber (1999) shows, using US data, that job loss is a strong predictor of subsequent involuntary part-time employment and, as might be expected, that the likelihood of involuntary part-time employment falls with time since job loss. Indeed, Farber (1999) concludes that involuntary part-time employment is “often part of a transitional process. . . leading to regular full-time permanent employment” (p. S167).

This latter finding is broadly consistent with more recent research using panel data for the Netherlands (Bijwaard, van Dijk, & de Koning, 2008) and for Australia (Wooden & Drago, 2009). Wooden and Drago (2009), for example, report that the mismatch between preferred hours and actual hours worked of many underemployed workers is often resolved quite quickly (within a year). That said, for a sizeable minority, underemployment seems to be a persistent state (27% of underemployed workers still expressed a desired for more work hours 4 years later). Further, other research using these same data suggests that working time mismatches

are more often resolved through changes in preferences rather than through changes in hours worked, suggesting that underemployed workers often eventually settle for the hours they can get (Reynolds & Aletraris, 2006). In contrast, the Dutch findings of Bijwaard et al. (2008) appear to suggest that the majority of underemployed workers who change jobs do indeed transit into jobs providing more hours.

Turning briefly to the consequences of time-related underemployment, research usually finds underemployment to be associated with adverse effects on economic outcomes and on measures of subjective well-being (e.g., life satisfaction), though these effects are typically not as severe as found for unemployment (Brown, Sessions, & Watson, 2007; Wilkins, 2007; Wooden et al., 2009). Similarly, research has also found evidence of negative effects on wages (Bender & Skatun, 2009; Wilkins, 2007) and on job satisfaction (Wilkins, 2007; Wooden et al., 2009; see Chapter 9, this volume).

## Skills-Related Underemployment

### *Measurement Issues*

Skills-related underemployment exists when a worker's skill set exceeds that required by the job. Measurement is thus complicated by the difficulties associated with both identifying the skills requirements of different jobs and measuring skill levels. As a result, measures of skills-related underemployment are not provided by national statistical agencies as part of their regular data collections. Nevertheless, many attempts have been made by academic researchers to measure this concept, though most are not based on a measure of mismatch in skills. Instead, researchers have usually constructed a measure of mismatch between qualifications obtained and the qualifications assumed to be required for employment. Indeed, most research on this issue has not stemmed from an interest in how underemployment varies with the business cycle, but from the blossoming interest in overeducation, which in turn has been fuelled by the expansion in rates of education participation in most Western nations in recent decades.

In his survey of this literature, McGuinness (2006) identifies four approaches to the measurement of overeducation.

- (i) Calculating the magnitude of the difference between an individual's level of education and the mean education level for all workers in the same occupation group, with overeducated workers being those who are at some predetermined distance above the mean. Sullivan and Hauser (1977), for example, defined a worker as underutilized if his or her number of completed years of schooling was one standard deviation above the occupational group mean. This one standard deviation difference is now commonly used, though it has been argued that a measure based on the occupation mode, rather than the mean, is preferred (e.g., Mendes de Oliveira, Santos, & Kiker, 2000).



- (ii) Comparing the educational requirement of an occupation as determined by professional job analysts (as is provided in the US Dictionary of Occupational Titles and its successor, the Occupational Network or O\*NET) with an individual's acquired level of education.
- (iii) Comparing a worker's subjective assessment of the minimum education requirements of his or her current job with his or her acquired education level.
- (iv) Asking workers directly whether or not they believe they are overeducated.

From a measurement perspective all four approaches are problematic. In the first measure the one-standard deviation cut-off point is entirely arbitrary, the estimated incidence of overeducation will actually be a negative function of the general level of education within the occupation, and the implied symmetry in the distribution of over- and undereducation seems highly unrealistic.

Very differently, the occupation dictionary approach assumes that all jobs within the same occupation code have the same educational requirements. Again, this seems very unrealistic; heterogeneity within occupations, even at highly disaggregated levels, is substantial. Additionally, these dictionaries are only infrequently updated, meaning that researchers are forced to assume that the job requirements of occupations do not change over time. Again this is an unrealistic assumption. The subjective measures are arguably even more problematic. Most obviously, quality responses are dependent on workers having a good understanding of what the minimum requirements for their job are.

And of course all of these measures concern educational mismatches, rather than skills mismatches, and as argued by McGuinness and Wooden (2009), there are good reasons to believe that the two concepts are not highly correlated. First, measures of overeducation ignore skills accumulated through training and on-the-job experience. Second, these overeducation measures are only about levels of education, and thus make no accounting for the degree of fit between the *type* of qualification obtained and what is required. Third, employers often use educational qualifications as a mechanism for screening potential workers, meaning formal job entry requirements may greatly exceed that required to perform the work successfully. Further, empirically the choice between measures based on whether it is skills or qualifications that are used has been shown to matter, with recent research providing evidence that subjective measures of overskilling are only weakly correlated with measures of overeducation (Allen & van der Velden, 2001; Green & McIntosh, 2007; Mavromaras, McGuinness, O'Leary, Sloane, & Fok, 2010a).

Another weakness in this literature is that, like most measures of time-related underemployment, all measures of skills-related underemployment are essentially a count of heads. Rarely has any attempt been made to directly quantify the extent to which an individual's skills are not used, and those attempts that have been made only employ very crude categorical distinctions. That said, it is not obvious how more precise measures of the extent of overskilling could be constructed and implemented.

## *The Incidence of Overeducation and Overskilling*

Given both the variety of measures used in the literature, and the wide variety of data sources that underlie these measures, it would be surprising if there were any consensus around the levels of estimated overeducation. The review of the overeducation literature by McGuinness (2006) appears to confirm this, with estimates of incidence varying from a low of just 7% of employed persons to a high of 57%. A major cause of this variation is the measure used, with studies that employ multiple measures (e.g., Battu, Bellfield, & Sloane, 2000; Chevalier, 2003; McGoldrick & Robst, 1996) typically finding that objective measures based on variation in the years of education within occupational groups produce the lowest estimates and subjective measures produce the highest estimates. In contrast, Groot and van den Brink (2000), in an earlier meta-analysis of 25 studies, report that it is only the standard deviation measure that produces distinctly different estimates. Further, they go on to report an average rate of overeducation across those studies using the other three approaches of 26%. They also point to higher average estimates in the USA than in European countries, which possibly is a reflection of the historically higher rates of participation in university education in the USA.

Research on overskilling is, at least among economists, far less common. Further, the estimates generated by these studies are far more difficult to interpret given they are generated by responses to subjective questions that vary widely across surveys and that are all scored on ordinal scales. Green and McIntosh (2007), for example, report that 35% of respondents to a 2001 survey of UK workers were overskilled. This turns out to be very similar to the proportion measured as overqualified in that survey (37%), but as previously noted, the overlap between the two groups is low. Very differently, Mavromaras et al. (2010a) use survey data collected from samples of workers in two countries – Australia and the UK – to identify what they describe as severely and moderately overskilled workers. The respective proportions were 14 and 30% in Australia, and 21 and 33% in the UK.

## *Consequences*

Economics researchers have been very interested in the wage effects of overeducation (and overskilling), consistently finding overeducation to be associated with a sizeable wage penalty. That is, overeducated workers are invariably found to earn less than workers with equivalent levels of education but who are working in jobs where their qualifications are well matched to their jobs. (Overeducated workers, however, are still generally found to earn more than their “appropriately educated” coworkers.) McGuinness (2006), for example, reports that the estimated penalty varies from 8 to 27% across 21 studies, with a mean penalty of 15%. This result has also been found to carry over to studies of overskilling, though there is more disagreement about the size of the effect. Allen and van der Velden (2001) find it is much smaller than for overeducation; Green and McIntosh (2007) report that the effects are about of equal magnitude; and Mavromaras et al. (2010a) report that it

depends on the extent of overskilling, with the penalty negligible for the moderately overskilled but quite large for the severely overskilled.

But whether or not overeducation (or overskilling) imposes large costs on individuals depends not just on the size of the wage penalty, but how long that penalty persists. Matching theories of job search, for example, predict that mismatches would be corrected over time and hence only be temporary. Rather differently, theories of career mobility predict that workers may deliberately enter their preferred profession at a level lower than would seem commensurate with their qualifications in order to acquire the necessary skills (through on-the-job training and learning) that will enable them to achieve more rapid career progression in the future.

A sizeable empirical literature has thus emerged to test these theories. Initially, most research tended to report results that were consistent with the notion that overeducation is only temporary; overeducated workers were reported to exhibit high rates of job mobility (e.g., Alba-Ramirez & Blázquez, 2003; Alba-Ramirez, 1993; Sicherman, 1991; Sloan Battu and Seaman, 1999), upward occupational mobility (Sicherman, 1991), relatively high rates of within-firm promotion (Alba-Ramirez & Blázquez, 2003; Dekker, de Grip, & Heijke, 2002; Groeneveld & Hartog, 2004; Hersch, 1995), or greater levels of quit intentions (Hersch, 1995; Robst, 1995). But over time other contradictory evidence has emerged, with more recent studies using arguably superior methods and data finding little evidence that overeducated workers experience any catch-up over time in their wages relative to better matched workers (Büchel & Mertens, 2004; Korpi & Tåhlin, 2009). Further contradictory evidence comes from studies of graduate labor markets. Dolton and Vignoles (2000), for example, reported that 38% of a large sample of UK graduates in 1980 was overqualified in their first job, and 6 years later this proportion still stood at 30%. Similarly, high rates of persistence have been reported in other studies of graduates by McGuinness (2003) and Frenette (2004). There are thus good reasons to believe that overeducated workers never fully recover from the inferior rates of return to education they experience upon entry into the labor market.

Similar conclusions are also arrived at by McGuinness and Wooden (2009) in the only study to investigate the link between overskilling and mobility. Using panel data from an Australian sample they find that while overskilled workers do exhibit greater mobility than other workers, the majority of moves do not actually result in improved matches.

Finally, economists working in this field have also examined relationships with measures of job satisfaction, and typically report evidence of significant negative relationships (e.g., Battu et al., 2000; Tsang, Rumberger, & Levin, 1991). Both Allen and van der Velden (2001) and Mavromaras, McGuinness, O'Leary, Sloane, and Fok (2010b), however, find that it is skills mismatch rather than education mismatch that best predicts job dissatisfaction. For economists such evidence is usually assumed to be indicative of adverse consequences for worker productivity, though only Tsang (1987) has ever attempted to directly quantify the consequences for firm-level output.

## Labor Hoarding

In contrast to other types of underemployment, measures of labor hoarding are almost always compiled at an aggregate level from economy-wide or industry-level statistics or derived from macroeconomic models of firm and worker behavior. Indeed, the main reason academic economists have been interested in labor hoarding is because of its presumed role in explaining how productivity varies over the business cycle, while for policy-makers the interest stems mainly from the desire to better understand the state of the labor market and the wage pressures it generates (Felices, 2003). Implications for individual workers are rarely, if ever, considered, reflecting the assumption that it is employers that bear the cost of labor hoarding.

One approach to its measurement involves comparing actual labor productivity (output per unit of labor, usually hours worked) with some estimate of its “peak” value – that is the value labor productivity would be if all labor inputs were fully utilized. The main issue is how to determine the peak value of productivity. Taylor (1970) recommended plotting the labor productivity data and fitting a frontier which connects the observed peaks in the data, and this approach has been used in the work of, among others, Fair (1985), Fay and Medoff (1985), and Darby, Hart, and Vecchi (2001). Darby et al. (2001), for example, produce time-series estimates of hoarded labor for three countries (Japan, the UK, and the USA) covering the period 1960–1997, and compare those estimates with recorded unemployment rates. Their estimates show the following: (1) labor hoarding is far more cyclical than unemployment; (2) for some periods hoarded labor is quantitatively more important than unemployment; and (3) there are notable differences across countries, with hoarded labor representing a much larger share of total underutilized labor in Japan than in the other two countries.

This simple trend-through-peaks approach, however, has many weaknesses. First, it assumes that all peaks in the data are consistent with fully utilized labor, which seems unlikely. Second, it is difficult to derive estimates for recent periods given the next peak in the data is not yet known. Third, there is no allowance for the possibility of overutilization of labor (which might, for example, lead to high rates of worker illness and injury). Fourth, the trend line used to identify productivity is only a descriptive statistic; it is not based on a structural model of productivity.

Bosworth and Westaway (1987) respond to these problems by basing their estimated peak output levels on a simple production function that is then shifted outward to pass through the largest positive residual. They apply this approach to data for four countries – Australia, Japan, the UK, and USA – and find, with the exception of the USA, patterns over time that are quite similar to those subsequently reported by Darby et al. (2001).

Most recent contributions to the labor hoarding literature have used model-based approaches. These studies are mainly interested in the role that utilization of labor and capital plays in explaining variations over time in productivity but, as a by-product, construct time-varying measures of labor utilization that are intended to be independent of average hours worked. That is, they are assumed to measure

worker effort, with relatively low levels of effort assumed to be indicative of hoarding behavior. Examples of this sort of approach include Burnside and Eichenbaum (1996), Sbordone (1996), Imbs (1999), and Larsen, Neiss, and Shortall (2007). None of these studies, however, actually use any direct measures of worker effort; the estimates are all driven by the assumptions of their respective models.

In conclusion, it is not obvious that economic research has made great progress in understanding the dynamics of labor hoarding since the concept was first introduced in the 1960s. What we do know can probably be reduced to three simple findings. First, most research, but not all, reaches conclusions that are consistent with the notion that labor hoarding remains part of the explanation for the procyclical movements observed in aggregate productivity. Second, the timing of the cycle in hoarded labor is different from that for other labor underutilization measures, peaking much earlier than unemployment and falling quite quickly once unemployment starts rising. Third, there is a suggestion that in at least the UK and the USA the volatility of labor hoarding may be declining over time, which it has been argued (Felices, 2003) could reflect either more flexible labor markets or macroeconomic policies that have been conducive to more stable inflation and output settings. Of course, the recent global economic turmoil will put this hypothesis to the test. But what is still unclear is how significant labor hoarding is. The variation in aggregate labor productivity, which drives the results obtained by Bosworth and Westaway (1987), Darby et al. (2001), and others suggest it is considerable, and at its height may be more significant than other forms of underemployment, but the measurement difficulties are so severe that it is difficult to place much faith in any specific estimate. We also know relatively little about what drives variation in hoarding behavior over time (i.e., beyond the short-run) and across countries. Finally, we know nothing about the types of workers affected and whether low levels of effort, even if only temporary, are associated with any other consequences.

## Conclusion

Economic approaches for the most part conceive of underemployment as an economic inefficiency stemming from the failure to fully utilize the labor of employed persons. In principle, and as indicated by the ILO (1998) guidelines, underemployment can take a number of different forms, although economists have tended to focus on the three broad types discussed in this chapter: time-related underemployment, skills-related underemployment, and labor hoarding. The studies on these forms of underemployment comprise three distinct and largely nonintersecting research strands, but in all three strands much of the focus has been on the measurement or quantification of labor underutilization.

Time-related underemployment is probably the most reliably measured form of underemployment, but even so there is considerable uncertainty over its magnitude in most countries, mainly for reasons of data availability. Comparisons across countries are even more problematic given the marked differences in measures and methods of data collection. This seems very unfortunate given that it has been

clearly demonstrated that it is straightforward to implement the measurement guidelines recommended by the ILO. In contrast, for skills-related underemployment and labor hoarding, uncertainty over their magnitudes stems from their inherent unobservability. Indeed, it can be expected that future research in respect of these two types of underemployment will continue to focus on developing ways to indirectly measure or identify them from available, or potentially available, data.

Measurement problems notwithstanding, the available empirical evidence, while mixed, suggests that all three types of underemployment are significant features of the labor market in most developed countries. Studies of time- and skills-related underemployment also find evidence of significant adverse economic outcomes for the affected workers, further reinforcing the view that underemployment is an important and costly phenomenon.

While there seems little doubt that underemployment is pervasive and carries detrimental consequences, it should be noted that the headcount measures of time- and skills-related underemployment that predominate in the existing statistics and studies do tend to overstate the importance of underemployment as a source of labor underutilization. Volume-based measures that take into account the forgone output of each worker affected by underemployment – such as have been employed in analyses of time-related underemployment – significantly decrease the relative quantitative importance of underemployment compared with unemployment. Moreover, both labor hoarding and time-related underemployment are strongly associated with business cycle conditions, suggesting that, from a macroeconomic policy perspective, there may be limited added value in measuring these forms of underutilization as distinct from unemployment, since policies that moderate the business cycle and lower unemployment are also expected to lower underemployment.

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# Chapter 3

## Behavioral Science Approaches to Studying Underemployment

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**Keywords** Underemployment · Overqualification · Overeducation · Construct validity

As with economic approaches (see [Wilkins & Wooden](#), this volume), there is a lack of agreement as to what constitutes underemployment (i.e., a broad term referring to inadequate employment relative to some standard; [Feldman, 1996](#)) among behavioral scientists. In this chapter, we attempt to shed some light into this issue. In structuring our chapter, we use [Feldman's \(1996\) \*Journal of Management\*](#) review of underemployment as a springboard to examine how measurement of underemployment has progressed since its publication. Specifically, [Feldman](#) detailed the conceptual and methodological state of the underemployment construct and outlined specific recommendations to improve its measurement. [Feldman](#) sketched several methodological avenues for future scholars striving to better understand the underemployment phenomenon.

First, a fuller theoretical rationale for underemployment is worthy of increased attention because this research has mainly been atheoretical. A theoretical justification is prerequisite for specifying “the boundaries and structure of the construct to be assessed” ([Messick, 1995](#), p. 745); thus, lack of consensus around the construct of underemployment may compromise its validity. Second, the dimensionality of underemployment needs further clarification. Is underemployment uni- or multidimensional? Does skill underutilization and lack of professional growth represent underemployment? Answers to these questions will help minimize possible threats to its construct validity (i.e., under-representation and irrelevant variance; [Messick, 1995](#); [Shadish, Cook, & Campbell, 2002](#)).

Hence, in responding to [Feldman's](#) calls, in this chapter we pursue the following goals: (1) summarize conceptual and methodological developments in the measurement of underemployment since [Feldman's \(1996\)](#) review and (2) integrate theories and measurement approaches in behavioral science as a basis for future research for conceptualizing and measuring underemployment. We will start with describing theories used to define underemployment. We then review various approaches that organizational psychologists have utilized to measure underemployment. In

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**Table 3.1** A comparison of theoretical and methodological approaches to study underemployment

Approach	Dimensionality	Risk of percept–percept bias	Referent
(1) Person–job fit	Unidimensional	High	Various, <sup>a</sup> objective
(2) Relative deprivation	Multidimensional	High	Various, subjective
(3) Labor utilization framework	Multidimensional	Low	Various, objective
(4) Human capital	Unidimensional	Medium	Various, objective
(5) Direct self-report	Both	High	Subjective
(6) Indirect self-assessment	Both	Medium	Subjective
(7) Realized matches	Both	Low	Objective
(8) Job analysis	Both	Low	Objective

<sup>a</sup>Various = coworkers, previous job experience, ideal self, etc.

describing theoretical and methodological approaches, we will outline the strengths and weaknesses of each approach (see Table 3.1 for a summary). Finally, after summarizing the issues associated with the measurement of underemployment, we propose a set of recommendations for future researchers.

## Theories

Since Feldman's (1996) influential article on underemployment, in which he criticized prior underemployment research for being atheoretical, much has been done to integrate theories into examining this phenomenon. In particular, the following theories have been applied to study underemployment: (a) person–job fit (Kalleberg, 2008; Luksyte, Spitzmueller, & Maynard, in press; Maynard & Joseph, 2008; Maynard, Joseph, & Maynard, 2006), (b) relative deprivation (Erdogan & Bauer, 2009; Feldman, Leana, & Bolino, 2002; Fine & Nevo, 2008), (c) labor utilization framework (LUF; Dooley, 2003; Friedland & Price, 2003; Jensen & Slack, 2003), and (d) human capital theory (Brynin & Longhi, 2009; Luksyte, Spitzmueller, Maynard, & Lynch (2011, April)). We discuss how these theories have been used to study underemployment and propose an integrative framework unifying a variety of underemployment measures and conceptualizations.

### *Person–Job Fit*

Person–environment (P-E) fit refers to the congruence between people's characteristics and attributes of their work environment (Kristof-Brown, Zimmerman, & Johnson, 2005). One dimension of P-E fit is person–job (P-J) fit, which is comprised of two types: (a) *needs–supplies fit*, which captures how well the environment fulfills

individuals' goals, values, and aspirations, and (b) *demands–abilities fit*, characterized by the compatibility between employees' knowledge, skills, and abilities (KSAs) and formal job requirements (Cable & Edwards, 2004; Edwards, 1991; Edwards, Cable, Williamson, Lambert, & Shipp, 2006). These two types of fit both represent complementary fit, wherein employees and organizations fill a need or a gap that previously existed (Cable & Edwards, 2004; Edwards et al., 2006).

When misfit occurs, people perceive that their psychological needs have been ignored (Cable & Edwards, 2004), resulting in negative consequences for both individuals (e.g., job dissatisfaction) and organizations (e.g., poor job performance; Edwards & Shipp, 2007; Kristof-Brown et al., 2005). Further, Edwards and colleagues (2006) showed that people differ in how they develop P-E fit perceptions, resulting in three approaches: atomistic, molecular, and molar. Specifically, in an atomistic approach people view their own characteristics and those of their environment separately; in the molecular approach they compare these characteristics; in the molar approach people focus on overall perceived similarity or match between themselves and their environments (Edwards et al., 2006). Although these approaches are applicable to forming both demands–abilities and needs–supplies fit perceptions, research on underemployment has mainly utilized a molecular approach in conceptualizing underemployment as poor demands–abilities fit (Edwards et al., 2006).

From a measurement perspective and consistent with a molecular approach, researchers have utilized P-J fit theory to suggest that underemployed employees have more skills, education, and work experience than a job requires (Bolino & Feldman, 2000; Maynard et al., 2006). These surplus competencies represent poor P-J fit. Recently, researchers have examined two types of fit (i.e., demands–abilities and needs–supplies) as mediators in the link between overqualification (i.e., one of the underemployment dimensions referring to surplus competencies for a given job) and counterproductive work behaviors, and demonstrated that only needs–supplies fit mediates this relationship (Luksyte et al., in press). Presumably, the former type of fit may be of a lesser concern for underemployed (or overqualified) incumbents because they have enough or more KSAs than a job requires. Alternatively, needs–supplies fit may be a more applicable framework to measure underemployment, which reflects a discrepancy between what incumbents expect from their jobs and what they get in return.

In comparison with inadequate skill utilization (i.e., poor needs–supplies fit), poor demands–abilities fit may have a somewhat weaker influence on work outcomes. This proposition is consistent with research that failed to detect a significant relationship between demands–abilities fit and job performance (e.g., Cable & DeRue, 2002; Greguras & Diefendorff, 2009). Conversely, needs–supplies misfit indicates a lack of organizational support in satisfying underemployed employees' desires, which is unfortunate because needs–supplies fit is beneficial for individual (e.g., job attitudes; Cable & DeRue, 2002; Hinkle & Choi, 2009) and organizational outcomes (e.g., organizational citizenship behavior; Edwards & Shipp, 2007).

## **Strengths and Weaknesses**

The P-J fit framework represents a parsimonious way to study underemployment because it helps to capture the essence of the construct – poor or inadequate fit between people’s characteristics and their jobs. The theory can also be used to specify a standard comparison against which people perceive underemployment. In particular, person–environment fit encompasses various types of fit (i.e., compatibility with one’s organization, supervisor, work group, peers, vocation, and career; Cha, Kim, & Kim, 2009; Kristof, 1996). Building on this theory, it is possible to untangle referents used to judge underemployment. In particular, employees may feel underemployed in comparison with their coworkers, supervisors, and own professional aspirations. Despite the informative nature of this theory, it does not explain why perceptions of underemployment may persist in work situations that, objectively speaking, correspond to people’s qualifications and represent adequate P-J fit.

## ***Relative Deprivation Theory***

Relative deprivation theory posits that people may feel underemployed even when the objective reality suggests the opposite (Erdogan & Bauer, 2009; Feldman et al., 2002). Based on this framework, people compare their current work situation with their desired or preferred employment based on some standard of comparison (e.g., previous job, present coworkers and their work arrangements, expected job conditions) that differs from person to person. Accordingly, employees perceive underemployment if their current job conditions are incongruent with their expectations, based upon their chosen yardstick. Recognizing the subjective nature of underemployment and building on this theory, researchers could expand underemployment measurement by incorporating one’s subjective referent (e.g., ideal self).

Relative deprivation has been utilized to explain the effects of various dimensions (e.g., perceived overqualification, pay- and hierarchical-level discrepancy, and skill underutilization) of underemployment on individual and organizational outcomes. Consistent with this theory, feelings of discrepancy between the current and desired work conditions exacerbate perceptions of underemployment, resulting in worsened job satisfaction (Erdogan & Bauer, 2009; Fine & Nevo, 2008) and psychological well-being (Feldman et al., 2002) as well as heightened voluntary turnover (Erdogan & Bauer, 2009). Relative deprivation has also been found to mediate the linkage between underemployment and outcome variables (e.g., job satisfaction; Feldman et al., 2002). Accordingly, relative deprivation may prove a useful theoretical framework to examine individually and organizationally valued outcomes of underemployed people as well as a viable explanation of processes underlying these linkages. Notably, the theory has been applied to a variety of measurements of underemployment and its relationships with diverse outcomes.

### Strengths and Weaknesses

Relative deprivation theory recognizes the importance of individual differences in underemployment measurement. It may be particularly useful in unraveling personal fluctuations in the level of underemployment. It also may prove useful in explaining why some people *volitionally* choose to be underemployed (e.g., to have more time for one's family or hobby). Yet, the measurement of underemployment based on this theory may suffer from similar biases to which all self-reported constructs are subjected – common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Because of individual differences, some people may be more sensitive to underemployment than others. For example, people high on neuroticism (anxiety, self-consciousness, impulsiveness; Barrick & Mount, 2005) likely feel more deprivation than their less neurotic coworkers. Further, research on narcissism (i.e., “a grandiose sense of self-importance”; Judge, LePine, & Rich, 2006, p. 762) suggests that personality influences self-assessment of one's competencies, which may differ from actual qualifications. Consequently, self-assessment of underemployment, which is based on various referent comparisons, may not map onto more objective markers of underemployment. From a relative deprivation theory perspective, however, these individual differences are not just statistical artifacts, but represent an important source of variance in underemployment and should be taken into account.

### *Labor Utilization Framework (LUF)*

The LUF has been utilized to conceptualize underemployment (or skill mismatch; e.g., Madamba & De Jong, 1997). Specifically, the theory describes the adequacy of employee–employer exchange, suggesting that incumbents experience underemployment if they are not offered opportunities to use their skills or other relevant credentials (e.g., education, training; Friedland & Price, 2003; Jensen & Slack, 2003). Conceptually, this framework may appear similar to relative deprivation theory, as both posit that underemployed people feel deprived of adequate work arrangements. The key difference is how these theories interpret underemployment. Whereas relative deprivation theory emphasizes the subjective nature of deprivation, the LUF views underemployment as objectively measured inadequate utilization of one's skills, occupation, and education (Jensen & Slack, 2003).

In addition, the LUF views underemployment broadly as a discrepancy between one's desired and attained work hours, income, and skills (Friedland & Price, 2003). This framework interprets underemployment as an economic exchange between workers and their employers, wherein the former anticipates the adequate return on one's labor resources in terms of work hours, income, and opportunities for skill utilization. The latter party is expected to provide an adequate accommodation of all these resources; the lack of such a return on investment results in underemployment. This framework has mainly been applied to study job attitudes and psychological and physical well-being of underemployed incumbents (Friedland & Price, 2003;

Dooley, 2003). Notably, the LUF has also been used to compare various operationalizations of underemployment (i.e., hours-, income-, skills-, and status-based) and their differential relationships with various outcomes (Friedland & Price, 2003; Jensen & Slack, 2003).

### **Strengths and Weaknesses**

As conceptualized from the LUF perspective, measurement of underemployment is less susceptible to common method variance than when it is operationalized from a relative deprivation theory standpoint. Yet, applications of this theory to the measurement of underemployment may threaten its construct validity by introducing irrelevant variance. Specifically, the LUF conceptualizes underemployment as inadequate or low-quality skill utilization and, thus, blurs conceptual boundaries between underemployment and similar constructs such as skill underutilization or skill variety (Oldham & Hackman, 2010).

### ***Human Capital Theory***

Human capital theory asserts that people accrue relevant human capital (e.g., knowledge, skills, and experience) to obtain high salaries and career mobility (Becker, 1964; Ng, Eby, Sorensen, & Feldman, 2005; Ng & Feldman, 2010). Although higher human capital is associated with better earnings and performance, the theory does not specify what happens when employee resources *exceed* job requirements. Alternatively stated, are overqualified people desirable employees because of their exceptional human capital?

On the one hand, excess of human capital should be detrimental for work outcomes (as is evident from the P-E fit theory; Kristof-Brown et al., 2005). Specifically, underemployment represents an erosion or depreciation of human capital because outcomes (e.g., salaries) are not commensurate with the assets employees invest into their employment (Büchel, 2001). Further, underemployed incumbents tend to voluntarily quit their jobs (e.g., Erdogan & Bauer, 2009; Maynard & Simon, 2007). Based on human capital theory, increased voluntary turnover of underemployed people prevents organizations from developing and accumulating firm-specific, valuable, and inimitable human capital – factors necessary for achieving a competitive advantage (Büchel, 2001). Alternatively stated, human capital theory views underemployment from a supply and demand perspective, as workers' qualifications are not commensurate with employers' labor requests.

On the other hand, such surplus human capital may be beneficial for both organizations and employees if it is adequately managed and utilized. Recently, this theory has been applied to examine the multidimensional job performance of overqualified employees (Luksyte et al., 2011, April). In particular, the researchers built on human capital theory to propose that when additional human capital is appropriately used, it should correspond with positive outcomes (e.g., increased performance). Organizations wishing to get return on their investment (i.e., hiring and retaining

overqualified incumbents) need to provide overqualified incumbents with opportunities to utilize their human capital, which can be achieved through increasing job complexity. Indeed, Luksyte and colleagues (2011, April) found that when overqualified employees are offered challenging and intrinsically motivating jobs, they are encouraged to utilize all their human capital to excel in their core duties, promote organizational welfare, help their coworkers, and minimize their counterproductive work behaviors. Thus, human capital theory can prove useful in identifying circumstances under which organizations may take advantage of overqualified employees' extensive talents.

### **Strengths and Weaknesses**

Measurement of underemployment from a human capital theory perspective is less susceptible to the influence of individual differences relative to some other perspectives (i.e., relative deprivation, P-E fit). Yet, similar to the P-E fit framework, the human capital theory does not take into account the subjective indices of underemployment. Specifically, although others (e.g., managers, coworkers) may view the level of focal employees' qualifications as commensurate with their job requirements, focal incumbents may nevertheless perceive a poor return on their investments in comparison with some standard, such as their previous work. Employees may perceive their current work conditions as underemployment even though others (e.g., supervisors) may view their work situation as adequate employment.

### ***Summary of the Theories***

Since Feldman's (1996) review, underemployment researchers have better marshaled relevant theories for examining antecedents, consequences, processes, and boundary conditions of underemployment. Although various theories have been used in the underemployment domain, the P-E fit model appears to be the dominant conceptual framework in the underemployment domain. Specifically, it has been applied to explain both individual (e.g., job satisfaction, organizational commitment; Maynard et al., 2006) and organizational outcomes of overqualified incumbents such as turnover intentions (Maynard et al., 2006) and counterproductive work behaviors (Luksyte et al., in press). The second most frequently utilized theory in the underemployment domain is the relative deprivation framework. A number of researchers have applied it to explain similar outcomes such as job satisfaction (Erdogan & Bauer, 2009; Fine & Nevo, 2008), psychological well-being (Feldman et al., 2002), and turnover (Erdogan & Bauer, 2009). Theoretically, the relationship between underemployment and job performance has been investigated from a variety of conceptual perspectives such as human capital (Luksyte et al., 2011, April), P-E fit (Luksyte et al., 2011, April), and relative deprivation theory (Erdogan & Bauer, 2009).

The various theories described in the earlier sections tend to lead to relatively similar hypotheses regarding job attitudes, psychological well-being, and voluntary



turnover of underemployment. In particular, both P-E fit and relative deprivation theories emphasize that overqualification is a stressful experience, wherein people feel deprived of challenging and intrinsically motivating jobs, which, in turn, lowers their job attitudes and health, and stimulates their volitional quitting. In comparison, theoretical development regarding the job performance of underemployed employees lags behind. Recently, researchers have utilized human capital theory to explain circumstances under which overqualified people are motivated to extend all their outstanding human capital (e.g., skills, education, and work experience) into displaying high levels of various work activities (Luksyte et al., 2011, April). Thus, future research should continue developing theory in the underemployment-job performance domain (see Bashshur, Hernández, & Peiró, this volume).

## **Operationalization and Measurement of Underemployment**

The theories just described all capture the core conceptual meaning of underemployment. Underemployment refers to a situation in which (a) there is a discrepancy between people's characteristics and those of their jobs, and (b) this incongruence stems from some standard of comparison (e.g., the focal person's previous, current, or anticipated work, or quality of work of other people occupying comparable positions; Feldman, 1996). More specifically, Feldman identified five dimensions of underemployment: (a) overeducation (i.e., educational/schooling mismatch; Brynin, 2002; Peiró, Agut, & Grau, 2010), (b) involuntary employment outside of their educational credentials, (c) surplus skills and work experience for a given job (Maynard et al., 2006), (d) involuntary part-time work (i.e., fewer than 35 h) or temporary employment, and (e) low/poverty wage work (Dooley & Prause, 2004). However, Feldman (1996) also noted that future researchers need to explore the extent to which these five dimensions overlap and argued that the development of continuous measures of underemployment likely begets a "more robust understanding of this complex phenomenon" (Feldman, 1996, p. 390).

Underemployment has been measured in a variety of ways, with the primary distinction being between objective measurement based upon external indicators versus subjective measurement based on reported self-perceptions. In addition, underemployment has been measured in both a unidimensional and multidimensional fashion, and as either a categorical (e.g., over-education vs. under-education; Peiró et al., 2010) or continuous variable (Feldman, 1996). We begin this section by describing some of the more recent attempts to measure various aspects of underemployment.

### ***Recent Measures of Underemployment***

Researchers have made great strides in responding to these calls and have developed a variety of measures of underemployment. Specifically, questions about conceptualizing underemployment as a continuous variable have been addressed by multiple scholars. Bolino and Feldman (2000) developed a 13-item scale of

perceived underemployment among expatriates. The instrument evaluates the extent to which expatriates' assignments provide employees with challenge, growth opportunities, and utilization of their human capital (e.g., "This job lets me use skills from my previous experience and training"). The scale has predominantly been applied to the expatriate population (Kraimer, Shaffer, & Bolino, 2009), challenging future scholars to test its psychometric properties in other settings.

Moreover, Johnson and colleagues (2002) created the multidimensional scale of perceived overqualification that captures two aspects of this concept: (1) mismatch (i.e., the degree of compatibility between a person and his or her job; e.g., "My talents are not fully utilized on my job") and (2) no-growth (i.e., whether a job renders learning opportunities; e.g., "The day-to-day content of my job seldom changes"). This scale has been harnessed to examine overqualification in demographically and occupationally diverse populations. For example, Erdogan and Bauer (2009) applied this scale to measure overqualification among relatively young Turkish sales representatives. Further, the instrument was validated in a nationwide study representing a myriad of industries (e.g., banking, construction, education, healthcare, manufacturing, retail, etc.) and occupations (e.g., manager, teacher, sales representative; Luksyte, Sady, & Spitzmueller, 2009). Given differential relationships of the mismatch and no-growth dimensions of perceived overqualification with various outcomes (e.g., Johnson et al., 2002; Luksyte et al., 2009), Johnson and colleagues advocated for more research to clarify the nature of the perceived overqualification construct.

Maynard and colleagues (2006) developed a 9-item Scale of Perceived Overqualification (SPOQ) that assesses the degree to which people think they have more skills, education, and work experience than a job requires (e.g., "Someone with less job experience than myself could do my job just as well"). Contrary to the Johnson et al.'s (2002) conceptualization of this construct, Maynard and colleagues view it as unidimensional, representing a mismatch aspect. The instrument has also been validated in a sample of full-time working adults employed in various industries and occupations (e.g., Luksyte et al., 2011, April). This scale has also been translated into Spanish (Maynard et al., 2006) and Mandarin Chinese; the latter version has been applied to study the effects of overqualification on job performance among service employees in Taiwan (Chen, 2009). Finally, building on existing research on overqualification, Fine and Nevo (2008) developed a 9-item scale of cognitive overqualification measuring surplus of mental resources (e.g., abilities) for a given job (e.g., "I am able to do my job without too much thinking"). Fine and colleagues have validated this scale in a sample of Asian training cadets from a leadership development camp.

### *Dimensionality*

Although it appears that Feldman's identified dimensions of underemployment are interrelated (e.g., Maynard et al., 2006; McKee-Ryan, Virick, Prussia, Harvey, & Lilly, 2009), questions about the dimensionality of this construct and its facets remain. For instance, some researchers argue that perceived overqualification

(which is one of the aspects of underemployment) contains two dimensions: mismatch and no-growth (e.g., Bolino & Feldman, 2000; Johnson & Johnson, 2000; Johnson et al., 2002). Other scholars conceptualize perceived overqualification as a unidimensional construct focusing on misfit between people and their jobs (Erdogan & Bauer, 2009; Fine, 2007; Fine & Nevo, 2008; Maynard et al., 2006). Alternatively stated, it appears that researchers have generally agreed that underemployment reflects a mismatch or poor fit between employees' human capital and job requirements.

What has not been clarified yet and thus needs more research attention is whether provision of learning or growth opportunities should be included into the underemployment construct. Different theoretical frameworks provide discrepant answers. From the P-J fit (Kristof-Brown et al., 2005) and human capital (Becker, 1964; Büchel, 2001) standpoints, underemployment is unidimensional with the mismatch dimension capturing its conceptual meaning. Alternatively, the relative deprivation (Crosby, 1984) and the LUF (Friedland & Price, 2003) perspectives may consider underemployment more broadly, representing people's unrealized desire to utilize skills that can be achieved by either performing adequately matching tasks or having opportunities for self-actualization on the job. Thus, future research should continue scientific inquiries into the dimensionality of the underemployment construct.

Qualitative research (which comprises focus groups, open-ended survey questions, observation-based approaches, and case studies) may prove useful in exploring the construct of underemployment (Bachiochi & Weiner, 2002; Maynard, this volume). For example, scholars can conduct focus groups in which subject matter experts (e.g., hiring managers) may have a facilitated discussion on the criteria of underemployment as well as its antecedents, consequences, and boundary conditions. What criteria do hiring managers use to classify an applicant as underemployed for a particular position? What employment decisions (e.g., extend or decline an offer) do they make if an applicant is underemployed for an advertised job? What is the rationale for their employment decisions of underemployed applicants?

In addition to having focus groups with hiring managers, researchers may select other subject matter experts who likely have a valued perspective on what constitutes underemployment. Employees at various levels (e.g., low-level clerks, CEOs) likely provide unique perspectives upon underemployment based in part on job complexity and organizational viewpoint. Further, using open-ended questions in employee surveys often provides unanticipated answers helpful in relatively new areas of inquiry, and the dimensionality of underemployment represents such a situation. Specifically, in answer to the open-ended question: "What factors have made you feel underemployed for your job?" respondents have an opportunity to share their unique work experiences and perspectives that likely enrich the underemployment construct space.

In addition to qualitative research, scholars may advance our knowledge on the dimensionality of underemployment through brainstorming-like approaches such as playing with ideas, considering contexts, probing and tinkering with assumptions,

and clarifying a conceptual framework. Interdisciplinary research – or at least awareness of conceptualization in other areas – is another fruitful avenue for exploring the dimensionality of underemployment. For example, sociologists view underemployment as a discrepancy between a desired and obtained status (e.g., Friedland & Price, 2003); this conceptualization has largely been ignored by other behavioral scientists (Pedulla & Newman, this volume).

### ***Subjective and Objective Approaches to Underemployment Measurement***

Underemployment can be measured both objectively (e.g., by utilizing personnel records; Brynin & Longhi, 2009) and subjectively (e.g., as employee perceptions of their qualifications; Erdogan & Bauer, 2009). Feldman (1996) proposed that measures of underemployment should include both components to better understand the nature and dynamics of this construct. Such an approach has been more common in the overeducation domain, whereas researchers examining overqualification have predominantly used self-reports. For example, Verhaest and Omey (2006) conceptualized overeducation or educational mismatch in four different ways:

1. Direct self-report (i.e., asking people whether they are over-, under-, or adequately educated for a job at hand)
2. Indirect self-assessment (i.e., inquiring employees about the required education for their jobs and comparing their responses with the actual education)
3. Realized matches (e.g., how much education a focal person has in comparison with other people within his or her occupation)
4. Job analysis (i.e., a purposeful and systematic process for collecting information on the important work-related aspects of a job; Gatewood & Feild, 2000)

Conversely, most researchers have measured overqualification only via self-reports (e.g., Erdogan & Bauer, 2009; Luksyte et al., 2009, in press, 2011, April; Maynard et al., 2006), largely ignoring other methods. We elaborate on each method and its applications to various underemployment facets in the following sections. We also specify potential caveats of each measurement technique.

#### **Direct Self-Report**

The majority of researchers examining underemployment have predominantly measured this construct by asking for respondents' perceptions about their employment situation. Specifically, this method has been applied to measuring overqualification (e.g., Erdogan & Bauer, 2009; Luksyte et al., 2009, in press; Maynard et al., 2006; Wald, 2005), overeducation (Nabi, 2003; Peiró et al., 2010), underemployment (Bolino & Feldman, 2000; Feldman et al., 2002; Lee, 2005), and underpayment (Maynard & Joseph, 2008).

As is true with any self-reported measures, perceptual error could inflate people's estimation of their qualifications, resulting in either under- or over-reported levels of their underemployment. Accordingly, there may be spurious correlations between perceived underemployment and perceptual outcomes such as job attitudes. For example, examining the overeducation–job satisfaction link, Verhaest and Omey (2009) argued that the high correlation between these constructs may reflect “match satisfaction” (p. 473), rather than true variance of underemployment in job satisfaction. Consequently, self-reported measures of overqualification may be more applicable to study objectively measured criterion variables (e.g., job performance, voluntary turnover).

Some scholars have claimed that common method variance is not necessarily a bias, as perceptual measures align with outcomes more closely because they reflect the individual's reality (Spector, 2006). Yet the majority of top journal editorial board members have agreed that common method variance affects some variables more than others (Pace, 2010). Specifically, the attitude–attitude relationship is particularly susceptible to common method variance (Podsakoff et al., 2003) and thus these constructs should be measured by different sources to increase the validity of the research conclusions. Hence, for perceptual outcomes (e.g., job satisfaction), objectively measured underemployment may provide more accurate estimates than self-reported measures of underemployment; future research should test this proposition.

### **Indirect Self-Assessment**

This method is similar to the direct self-reports in that employees indicate how much human capital (e.g., qualifications, education) is required to perform their jobs. Then, individual responses are compared to people's competencies, with discrepancies being classified as underemployment (Verhaest & Omey, 2006). This method has predominantly been applied to measurement of overeducation (Verhaest & Omey, 2006) and overqualification (Brynin & Longhi, 2009).

Although this measurement may provide a somewhat more objective account of underemployment than direct assessment, it likely suffers from similar limitations. Specifically, the respondents may over- or under-report the required levels of competencies for a given job. Additionally, this method may lose some variance because the existing research tends to dichotomize (i.e., under-, over-, and adequately qualified) a continuous variable. In the subsequent sections, we will elaborate on methodological drawbacks of dichotomizing a continuous variable in the context of underemployment.

### **Realized Matches**

This computational method is based on analysis of people's qualifications within the same occupation (e.g., accountant, sales clerk). An employee is considered to be a mismatch if his or her educational attainment is at least one standard

deviation higher than the mean educational requirement within his or her occupation (Madamba & De Jong, 1997). This method provides a less subjective measure of underemployment because the standard comparison is based on people's qualifications from the same occupation. However, the heterogeneity of jobs within occupations likely makes such a comparison questionable (Verhaest & Omev, 2006). In addition, this method is hard to apply to other aspects of overqualification because qualifications (e.g., skills, education, and work experience) may vary substantially within an occupation. Finally, the choice of one standard deviation as an indication of underemployment is arbitrary (Verhaest & Omev, 2006).

### **Job Analysis**

Job analysis may offer an objective account of underemployment because it is based on the systematic and purposeful study of KSAs required for a job and corresponding employee competencies (Gatewood & Feild, 2000). The existing scholarship has utilized this methodology to study overeducation (Verhaest & Omev, 2009). Specifically, these authors used a Dutch database of occupational classifications (which is similar to the Occupational Information Network or O\*NET; Peterson et al., 2001; US Department of Labor, 2006) to derive the levels of educational prerequisites for a given job. Employees' education is then compared against this benchmark to determine under-, over-, or matched education.

Although job analysis has not been extended to other facets of underemployment (e.g., overqualification), it likely addresses limitations of other methods (e.g., percept–percept bias of self-reported measures; Crampton & Wagner, 1994), subsequently providing a more robust picture of underemployment. Despite its obvious strengths, job analysis is not flawless because the data collected may suffer from social (e.g., motivation loss) and cognitive (e.g., information overload) biases (Morgeson & Campion, 1997). In addition, if occupational data are used for this approach, they are likely to be somewhat “off” for any given organization because jobs with the same title can vary considerably in their requirements from one organization to the other.

### **Construct Validity Issues**

Since the publication of Feldman's (1996) review, research on underemployment has grown and continues to apply diverse theories and measurement approaches. Despite the informative nature of these theoretical and methodological developments, such diversity poses challenges to the scholars examining underemployment with regard to construct validity. Specifically, given that subjective and objective measures of underemployment are differentially related to job outcomes, it is possible that they represent two distinct constructs, but research which simultaneously utilizes both types of measures is still lacking (e.g., McKee-Ryan et al., 2009;

Verhaest & Omev, 2006). Additionally, it is not clear what referent employees use for comparison purposes (e.g., past work experience, coworkers with comparable qualifications) when assessing their own level of underemployment. Thus, future researchers should focus on advancing our knowledge in this area by specifying the referent that participants use when they evaluate the compatibility of their qualifications with the job requirements.

Construct validity (encompassing content and criterion) can be compromised by under-representation and irrelevant variance (Messick, 1995). The former threat to validity refers to the situation in which the construct is defined too narrowly, and important domain dimensions are omitted, whereas the latter occurs when the construct is defined too broadly. The construct validity of underemployment is likely to be threatened by under-representation when it is conceptualized as only one of its dimensions (e.g., overeducation, overqualification). The potential omission of important dimensions may limit the criterion-related validity of underemployment. For example, if employees voluntarily choose underemployment to have more time on family or leisure activities, then underemployment should be positively associated with family-related criteria (e.g., work–family balance). This issue is particularly prevalent with dichotomous measures of underemployment, which represent a statistical variance issue. By splitting the continuous concept into distinct groups (e.g., under-, over-, and adequate qualification or education), the researchers essentially lower the richness of their data which may result in less statistical power to detect effects.

Alternatively, the construct validity of underemployment may suffer from extraneous variance if it is defined too broadly. For example, the lack of growth (e.g., Johnson et al., 2002) and skill underutilization aspects of perceived overqualification may or may not actually represent forms of underemployment. Integration of the relevant theories can shed light into the construct validity of the underemployment. In particular, based on P-E fit theory (Kristof-Brown et al., 2005), underemployment represents a poor fit between employee characteristics and job attributes (Edwards et al., 2006). Theoretically, the underemployment construct domain should cover situations in which people's characteristics are incongruent with the work environment. In addition to the predictor-relevant theories, Edwards and Shipp (2007) emphasized that the effects of P-E fit on the outcomes "should be drawn from theories of outcome" (p. 3). Accordingly, both theories of underemployment (e.g., P-E fit) and theories of relevant outcomes (e.g., the stressor–emotion model of counterproductive work behaviors; Spector & Fox, 2005) should be incorporated into clarifying the structure and limits of the underemployment construct.

To make the conceptual waters of underemployment even muddier, some researchers have used skill utilization, overeducation, overqualification, and underemployment interchangeably (e.g., Frenette, 2004; Madamba & De Jong, 1997). For example, scholars have used overeducation as a proxy for skill mismatch (or overqualification), arguing that people's education levels reflect skills they acquire through schooling (Büchel & Battu, 2003). However, not all skills are acquired through formal schooling; some skills may be obtained on-the-job or through formal training.

## **Future Agenda for Measurement of Underemployment**

The preceding sections indicate that scholars have made some progress in clarifying the conceptual and methodological meaning of underemployment since the publication of Feldman's (1996) review. The field is now characterized by more theoretically based hypotheses, and several recently developed scales of underemployment (Bolino & Feldman, 2000; Johnson et al., 2002; Maynard et al., 2006) provide behavioral scientists with reliable measurement options in this area. Although many questions raised by Feldman (1996) have been addressed, a fair number of scientific queries remain understudied. Accordingly, we suggest several avenues for future research.

### ***Incorporating Observer Ratings of Underemployment***

First, behavioral scientists would likely advance our knowledge in this area by conducting more research comparing subjective and objective measures of underemployment and their relative influence on organizationally relevant outcomes. Building on Feldman's (1996) recommendation to incorporate both subjective and objective perspectives in measuring underemployment, we suggest that the results of job analysis can be utilized to determine KSAs, work experience, and education that are required to adequately perform a job at hand. This knowledge can then help organizations to objectively define levels of KSAs, work experience, and education at which employees are likely to be over-, under-, or adequately qualified. We also propose to supplement these objective data with incumbents' and others' (e.g., coworkers', supervisors', and customers') perceptions of the level of qualifications of the focal employee.

In a similar vein, observer ratings of personality (i.e., conscientiousness and extraversion) have predicted job performance and accounted for more variance in the outcome than the self-ratings (Mount, Barrick, & Strauss, 1994). These results support the validity of observer ratings of personality and suggest that self-assessments of personality alone may underestimate the true validity of personality constructs (Mount et al., 1994). Likewise, in the underemployment domain, supervisor, coworker, and customer ratings can provide incremental validity to the underemployment construct and its relationships with organizationally valued outcomes (e.g., job performance, voluntary turnover). Moreover, research is needed to identify how much self- and observer-based ratings of underemployment converge with actual or objectively defined (e.g., via job analysis) underemployment. Practically, by combining both objective and subjective measures of underemployment, managers will have a fuller and more fine-grained picture of the level of underemployment in their organizations.

### ***Comparing Levels of Qualifications***

Second, although overqualification is a prevalent organizational phenomenon in the modern marketplace (Reingold, 2009), many industries (e.g., oil and gas) suffer



from under-qualification or a shortage of skilled employees (Orr & McVerry, 2007). In this light, research on underemployment would benefit from comparing employees with different levels of fit (i.e., over-, under-, and adequately employed) and their potentially differential functioning in the organization. Similarly, more research is needed that examines changes in levels of over- or underemployment over time. Although there have been longitudinal studies examining underemployment (e.g., Johnson & Johnson, 2000; Prause, 2001), this research has mainly focused on between-person comparisons, largely ignoring potential within-person fluctuations.

For example, various career development models (e.g., career stage theory; Cron, 1984) may be applied to examine the trajectory of underemployment in the same person. The career stage theory describes people's professional development as a series of milestones. People start off their careers by exploring their potential, followed by establishing and leveraging their strengths and maintaining the established professional status quo (Miao, Lund, & Evans, 2009; Smart, 1998). Consistent with this model, it is possible that incumbents start their jobs adequately qualified and even underqualified. With increasing tenure, people may grow underemployed, particularly if the job does not change. However, underemployment may be lessened if people are offered challenging jobs (Luksyte et al., 2011, April). The cycle can be repeated throughout people's career or employment history with underemployment levels slowly increasing when jobs remain static, or staying relatively low when job complexity is introduced or maintained. To our knowledge, no studies have examined the development of underemployment over time within-person, and, thus we challenge future researchers to examine the potentially dynamic nature of this construct.

### *Specifying the Standard of Comparison*

Third, when assessing employees' perceptions of their qualifications, future scholars may need to obtain more precise measures by specifying the standard comparison. This recommendation is based on relative deprivation theory (Crosby, 1984), suggesting that people use different referents when they view and evaluate their work situation. How should researchers decide what referent to choose? In particular, the attitude-behavior compatibility principle suggests that the more conceptually similar these entities are, the stronger is the link (Ajzen & Fishbein, 1977). Applying this principle to the measurement of underemployment, we argue that the choice of a referent comparison for underemployment assessment depends on the outcomes that researchers and practitioners are investigating and the context in which underemployment operates.

For example, organizational structural changes (e.g., mergers, acquisitions, downsizing, and layoffs) may differentially influence employees. Some of them may be promoted, resulting in increased responsibilities and heightened job challenge. Others are likely to feel underemployed in comparison to their previous work experience *and* coworkers with comparable duties and job titles from a merging company. In both cases, dramatic organizational changes are likely to make one's previous

work situation the most salient standard of comparison. Alternatively, in tight-knit teams, employees likely evaluate their situation in comparison to other team members' situations, and may feel underemployed if they receive fewer opportunities to utilize their competencies relative to these peers.

### *Examining Underemployment Effects at Multiple Levels*

Fourth, the extant scholarship on underemployment has mainly limited its measurement to a single level (i.e., individual), and the effects of underemployment upon the work team, organization, or society are poorly understood at best. However, based on the social comparison theories, emphasizing people's pervasive tendencies to compare themselves to others (Festinger, 1957; Suls, Martin, & Wheeler, 2000), we argue that perceptions of underemployment may spill over from one employee to another, resulting in a shared perception of underemployment among groups of employees. Entire organizations may be underemployed if a company's services have been outsourced overseas. Further, in times of economic hardship such as the economic recession of 2009 (Reingold, 2009), it may be fruitful to control for a countrywide underemployment level when examining this construct in organizations. This idea is not new, with researchers having incorporated unemployment rates into inquiries of organizational phenomena such as voluntary turnover (Johns, 2001). Nevertheless, we are unaware of similar practices in the underemployment measurement arena.

### *Global Underemployment*

Fifth, more work needs to be done to demonstrate external construct validity of the existing measures of underemployment (e.g., Bolino & Feldman, 2000; Fine & Nevo, 2008; Maynard et al., 2006). Follow-up psychometric work on existing measures of underemployment is rare and their convergence with diverse samples (e.g., recent graduates, baby boomers delaying their retirement, women, immigrants, and minorities) is relatively unknown. Utilizing the same measures across contexts and samples would not only provide supplemental psychometric evidence but also enhance the comparability of results, both in terms of the prevalence and outcomes of underemployment.

Relatedly, underemployment scholars may combine their research efforts in identifying aspects of underemployment that are universal across the globe versus those that are culturally specific. This approach has been successfully taken in other areas of organizational research. For example, researchers have investigated leadership and its applicability across multiple countries in a GLOBE project (Global Leadership and Organizational Behavior Effectiveness; House, Javidan, Hanges, & Dorfman, 2002). Such global-scale studies would likely add to the measurement equivalence (i.e., the extent to which the construct and its operationalizations

represent the realities of a particular culture; Gelfand, Raver, & Ehrhart, 2002) of the underemployment construct.

## Conclusion

We can draw several important conclusions from the current analysis of underemployment research practices. First, since the publication of Feldman's (1996) review of underemployment, researchers have developed and validated various measures of underemployment, including uni- and multidimensional scales of overqualification (Johnson et al., 2002; Maynard et al., 2006), perceived underemployment (Bolino & Feldman, 2000), and cognitive overqualification (Fine & Nevo, 2008). These developments have spurred multiple studies examining the conceptual meaning of underemployment and its impact on important individual and organizational outcomes such as job attitudes (e.g., Feldman et al., 2002), job performance (e.g., Erdogan & Bauer, 2009; Luksyte et al., 2011, April), and voluntary turnover (Maynard & Simon, 2007; Luksyte et al., 2009). Researchers have also made good initial progress in applying relevant theories to studying underemployment relationships, though more work is still needed (see Feldman, this volume).

Second, self-report measures have dominated the study of underemployment among behavioral scientists. Supplementing this approach with observers' ratings (e.g., supervisor, coworker, and customer) and more objective indicators would shed further light on the construct validity of the underemployment.

Lastly, underemployment is a complex, multifaceted, and dynamic construct that likely benefits from more research at various levels of scientific inquiries (i.e., individual, team, organizational, and country) as well as cross-level studies. For example, if an entire work team feels overqualified for its given tasks, how are individual- and group-level performance affected? Similarly, during times of economic hardships with high national underemployment rates, does voluntary employee turnover increase because of widespread underutilization, or minimize because of poor opportunities to work elsewhere?

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**Part II**  
**The Emergence of Underemployment  
in Work Populations**



# Chapter 4

## Youth Underemployment

JoAnn Prause and David Dooley

**Keywords** Underemployment · Unemployment · Inadequate employment · Poverty wage employment · Involuntary part-time employment · Youth

This chapter examines how underemployment affects the psychological health and well-being of youth workers (i.e., workers in the age range of 16–24). First, we discuss the definition of underemployment and describe the rates of the various forms of underemployment among youth workers. We then review the literature concerning selection into underemployment, the relationship between the economic climate and youth underemployment, and the effects of youth underemployment on a variety of outcomes including psychological health, alcohol abuse, and criminal behavior. Lastly, we highlight how findings from the literature on economic hardship in the early career can be integrated to help form suggestions for future research in this area.

### Definitions

Historically, much of the literature has focused on contrasting the unemployed to the employed, but attention has been increasingly directed toward the study of *underemployment*, which more broadly measures the effects of economic hardship by characterizing the adequacy of employment with unemployment marking the negative end of the continuum (Dooley & Prause, 2004; Dooley, 2003). One of the original conceptualizations of underemployment and one that has continued as a focus of research in labor sociology is the Labor Utilization Framework (LUF), which defines underemployment as including sub-unemployment, unemployment, and economically inadequate employment (Clogg, 1979; Hauser, 1974; Sullivan, 1978).

According to the LUF, economically inadequate employment includes low-wage employment and low-hour employment. Low-wage employment is defined as working a full year yet making less than 1.25 times the official poverty level for an individual; low-hour employment occurs when a worker desires to work full-time

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but is working less than 35 h per week for economic reasons (i.e., cannot find a job that provides more working hours). The latter definition is consistent with the US Bureau of Labor Statistics (BLS) definition of “involuntarily part-time” employment whereas “low wage” is conceptualized somewhat differently by the BLS as the “working poor” (U.S. Department of Labor & Bureau of Labor Statistics, 2010): “individuals who spent at least 27 weeks in the labor force (working or looking for work), but whose incomes still fell below the official poverty level.” Other researchers have developed more specific conceptualizations of low-wage employment that include stipulating that workers must have worked at least 45–50 weeks during the past year and have made less than 1.25 times the official poverty level for an individual (Dooley & Prause, 2004).

The LUF improves, in our view, on the official BLS employment categories in other ways. Unlike the BLS approach that considers discouraged workers as out of the labor force, the LUF includes this group as “sub-unemployment.” This better reflects the actual distress associated with being out of work, wanting a job, but despairing of finding one. The LUF also includes more numerous subcategories of inadequate employment than the BLS. One such example is intermittent unemployment, defined as current adequate employment but with a recent history of unemployment, which might reflect an unstable labor market attachment or possible job insecurity. Another is mismatch, as when the worker is overqualified by education and training for the job held. Although not all of these categories are regularly included in studies of underemployment, the LUF offers the most comprehensive current approach for capturing the many gradients of underemployment in the employment continuum (Grzywacz & Dooley, 2003).

For the purposes of this chapter, underemployment is conceptualized using the LUF framework, which defines economic underemployment as unemployment, discouragement, involuntary part-time employment, and poverty wage employment. Theoretically, this definition of underemployment is consistent with that used in the fields of sociology, demography, and psychology (Clogg, 1979; Clogg, Eliason, & Leicht, 2001; Dooley & Prause, 2004; Jensen & Slack, 2003). This conceptualization recognizes that employment statuses fall on a continuum both in terms of their definition and in their effects, ranging from the absence of work as represented by unemployment to adequate employment as symbolized by work that is full-time, full year, and of adequate pay (Dooley, 2003). Methodologically, this approach is preferable because it allows comparisons of different employment statuses to each other. For example, the effect of underemployment is best understood when contrasted to adequate employment rather than to all employment, which includes involuntary part-time employment and poverty wage employment as well.

For the purposes of this chapter, “youth” refers to individuals between 16 (when mandatory schooling ends) and 24 years old. This definition of youth is consistent with those used by the US Department of Labor and similar agencies in other countries (Martin, 2009). In the next section, we discuss the scope of the youth underemployment problem.

## Scope of the Problem

### *Youth Labor Force Participation*

The labor force participation rate for US youth has been steadily falling since 1980, with a decline of teenage youth (aged 16–19 years) present in the labor force from 56.7 to 41.3% in 2007 (Martin, 2009). The decline in the rate for young adults (aged 20–24 years) has not been as steep as that of teenage members, with 77.2% of young adults in the labor force in 1980 and 74.4% in 2007. During this same time period, the adult labor force participation rate in the USA rose from 62.5 to 67.3% (Martin, 2009). For all youth, a similar pattern of findings was apparent globally: Youth labor force participation rates fell from 10.5% in 1980 to 14.6% in 2007 in the Republic of Korea, France, Italy, Sweden, and the UK (Martin, 2009). In other countries the decline was less, ranging between 1.4 and 8.7% in the USA, Canada, Australia, Germany, Ireland, and Spain during this same time period. In contrast, the labor force participation rate of youth in Japan slightly increased from 43.4% in 1980 to 44.9% in 2007, and in the Netherlands the rate increased from 48.4 to 70.6% during this same time period.

In parallel with falling labor force participation rates among youth, there has been an increase in secondary school enrollment among youth in the USA (Mosisa & Hipple, 2006) and globally (Martin, 2009). Between 2000 and 2005 in the USA, the percentage of youth aged 16–19 years enrolled in school rose 5.6% (from 76.9 to 82.5%), whereas the increase in school enrollment among young adults aged 20–24 years for that same period was 3.6% (from 32.5 to 36.1%; Mosisa & Hipple, 2006). The rise in school enrollment among youth might be a reflection of competition in the labor market where employers select among potential applicants using educational attainment as a condition of employment.

This effect might be particularly strong when the economic climate is unwelcoming (i.e., high local unemployment rates). As jobs for youth become scarce, they tend to enroll in secondary and tertiary education in greater numbers, which in turn lowers their labor force participation rate (Martin, 2009). Assuming that education serves to enhance human capital, rising enrollment rates suggest that a larger proportion of youth should be better prepared to meet the challenges of finding an adequate job during the transition to adulthood. However, as the following sections describe, many of the forms of underemployment disproportionately affect youth workers.

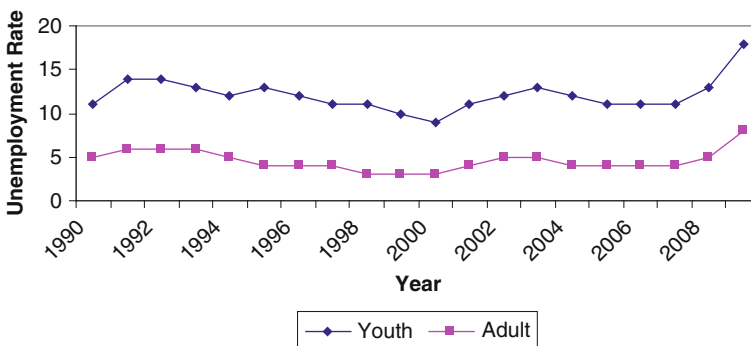
### *Unemployment*

The inability of youth to find work or to find a job that provides adequate hours and wages deprives the individual, society, and the larger economy of valuable human capital. In the first quarter of 2009, youth workers aged 16–24 years comprised 13.6% of the US labor force (U.S. Department of Labor & Bureau of Labor

Statistics, 2009a). In July 2009, the US Bureau of Labor Statistics reported that the unemployment rate among youth workers was 18.5%, the highest unemployment rate in this age group since records were first kept in 1948 (U.S. Department of Labor, 2009a). In comparison, the unemployment rate for adults aged 25–54 years was 8.3%. Although young men were somewhat more likely to be unemployed than young women (19.7 and 17.3%, respectively), there was more variation among White (16.4%), Black (31.2%), Asian (16.4%), and Hispanic (21.7%) youth. Historically, the unemployment rate for youth has been higher than that of adults as shown in Fig. 4.1 for the years 1990 through 2009 (U.S. Department of Labor & Bureau of Labor Statistics, 2009b). As seen in this figure, both youth and adult unemployment rates were lowest at the turn of the century and sharply peaked in 2009. The rapid rise in the unemployment rate during 2008 and 2009 is a reflection of the recession that began in the USA in December 2007 (Bordo, 2008).

Internationally, unemployment rates for youth were consistently higher than those of adults among 13 OECD countries in 2007. The youth unemployment to adult unemployment ratio ranged from a low of 1.4 in Germany to a high of 4.4 in Sweden in 2007 (Martin, 2009). In addition to Sweden, the ratio was 4.0 or greater in Italy (4.1) and the UK (4.0) whereas it was about 3 in the USA (2.9), Australia (3.1), Japan (2.9), and France (2.8) in 2007. The ratio of the youth unemployment rate to the adult unemployment rate was between 2.2 and 2.6 for the five other OECD countries (Martin, 2009).

Dividing the larger youth group into teenage (16–19 years old) and older youth (20–24 years old) workers allows a more refined understanding of variation in unemployment within the youth segment of the labor force. Teenage youth differ from older youth in that they are finishing mandatory education in most countries so it is important to consider the unemployment experience of this group separately from that of the older group. In 2009, the US unemployment rate was higher for teenage members of the labor force (24.3%) than for older youth (14.7%) and this same pattern of findings persisted for both men and women and for White, Black, Hispanic, and Asian youth (U.S. Department of Labor & Bureau of Labor Statistics, 2009b).



**Fig. 4.1** Youth and adult unemployment rates, 1990–2009

Source: U.S. Department of Labor and Bureau of Labor Statistics (2009b).

In 2007, a similar pattern was evident for 12 of the 13 OECD countries where the ratio of teenage unemployment to young adult unemployment ranged from 1.1 in Germany to 2.4 in the Netherlands (Martin, 2009).

Although the youngest members of the US labor force have higher unemployment than youth aged 20–24 years, they have a lower duration of unemployment as measured by the median weeks of unemployment. During recent years (i.e., 2003–2007), the duration of unemployment remained fairly constant at 5–6 weeks for the youngest members of the US labor force and 7–8 weeks for the 20–24-year-olds. In 2008, the duration of unemployment rose in conjunction with the unemployment rate among all youth workers. By 2009, the median weeks of unemployment for teenage members of the labor force was 9.6 weeks and had risen to 13.1 weeks in the group aged 20–24 years. Generally, the duration of unemployment increased with age and reached a peak of 19.6 weeks for members of the US labor force aged 55–64 years in 2009 (U.S. Department of Labor & Bureau of Labor Statistics, 2009c).

### *Discouragement*

The labor force is traditionally defined as the sum of the number of people who are employed and unemployed. However, another important segment of the population consists of those individuals who are not in the labor force but are marginally attached to it. These individuals have not looked for a job in the last 4 weeks but have looked in the past year and were available to take a job during the reference week of the Current Population Survey (U.S. Dept of Labor, 2009d). A subset of these marginally attached workers has given up looking for work because they believe that there is no work available for them. This group is referred to as “discouraged” and there are five specific reasons for discouragement (U.S. Dept of Labor, 2009d): (1) thinks no work is available, (2) could not find work, (3) lacks schooling or training, (4) employer thinks too young or old, and (5) other types of discrimination.

Youth workers made up 13.6% of the US labor force yet they comprised a disproportionate percentage of discouraged workers (24.4%) in the first quarter of 2009, making discouragement a particularly salient problem among youth (U.S. Dept of Labor, 2009d). In contrast, adults aged 25–54 years comprised 67.7% of the US labor force and accounted for 54.8% of all discouraged workers in the first quarter of 2009, while workers aged 55 and older made up 18.7% of the US labor force and comprised 20.8% of all discouraged workers.

### *Poverty Wage and Involuntary Part-Time Employment*

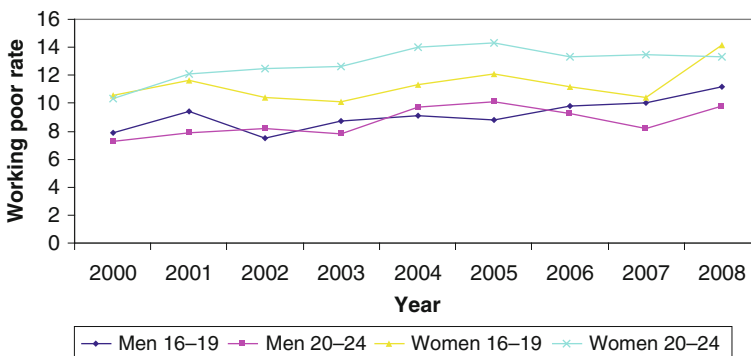
While the unemployment rate and related statistics offer insight into labor-market hardship by counting the number of unemployed, these statistics do not reveal the proportion of workers employed in economically inadequate jobs. One form of economically inadequate employment is low-wage employment – a construct that the

US BLS refers to as the “working poor,” as noted above. The following describes the scope of the working poor problem among youth workers in the USA.

Among youth workers aged 16–19 years old in 2008, 12.7% were classified as working poor while the working-poor rate among workers aged 20–24 was 11.5%. These rates are about double that of workers aged 35–44 years old and over three times the rate of workers aged 55–64 years old. Trends in the rates of the working poor are shown in Fig. 4.2 and suggest that female youth have uniformly higher working-poor rates than do male youth (U.S. Department of Labor & Bureau of Labor Statistics, 2010). The highest working-poor rate is for female youth aged 20–24 years followed by teenage females.

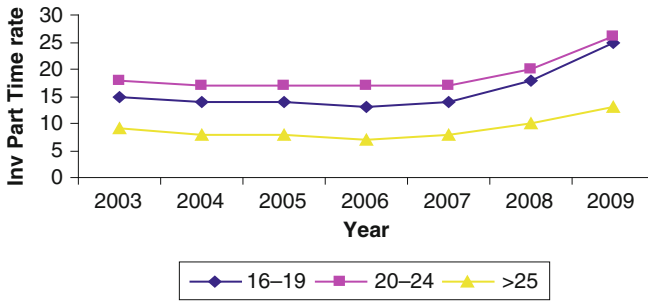
Another form of inadequate employment is low hours or involuntary part-time employment. Here, workers desire to work full-time but can only find part-time employment (less than 35 h a week) because of economic reasons such as slack work and the inability to find a full-time job (U.S. Department of Labor & Bureau of Labor Statistics, 2008). Figure 4.3 shows that the proportion of US part-time workers who were working part-time for economic reasons from 2003 to 2009 was consistently highest for youth aged 20–24 years old in comparison to teenage workers and adult workers (aged 25 years or older).

In summary, the ratio of youth unemployment to adult unemployment in the USA has ranged from 2 to 3 since 1990. Not counted among these statistics are youths who have given up looking for work because they believe there is no work available (i.e., discouraged workers). Inadequate employment in the forms of low-wage and involuntary part-time employment also disproportionately impact youth workers. In terms of working poor, females aged 20–24 years have the highest rates of all youth, followed by females aged 16–19 years. Working-poor rates among males are similar for these age groups but consistently lower than the rates for females. In terms of involuntary part-time employment, workers aged 20–24 years and aged 16–19 years have rates that are almost twice that of rates for adults over 25 years old. In the



**Fig. 4.2** Working poor rate by sex and age, 2000–2008

Source: U.S. Department of Labor and Bureau of Labor Statistics (2010).



**Fig. 4.3** Involuntary part-time rate by age, 2003–2009

Source: U.S. Department of Labor and Bureau of Labor Statistics (2008).

following sections we review recent studies examining the effects of various types of underemployment upon youth.

## Youth Underemployment and Well-Being

The transition to adulthood symbolizes a time of change and adaptation for youth. One important indicator of a successful transition involves finding an adequate job as this helps set the stage for self-sufficiency and future economic stability (Danziger & Ratner, 2010). Work is an essential element in the daily lives of most people in that it provides a structure for time, connections to social norms and networks, and financial returns. Indeed, empirical studies have suggested that the inability of youth to find an adequate job imposes personal and societal costs that include low self-esteem (Prause & Dooley, 1997), increased psychological distress (Cassidy & Wright, 2008; Hammarström & Janlert, 2002; Mossakowski, 2009; Winefield, 1997), increased substance use (Dooley & Prause, 1998; Janlert & Hammarström, 1992; Johnson, 2004; Mossakowski, 2008), and increases in criminal behavior (Krivo & Peterson, 2004; Raphael & Winter-Ebmer, 2001; Wadsworth, 2006).

Researchers have empirically examined the relationship between underemployment and mental health by proposing different mechanisms to help explain the association (see Fryer, 1997 for a review). The first explanation, referred to as the drift or selection hypothesis, predicts that poor psychological health is a predisposing factor for underemployment. The second, referred to as the social causation or exposure hypothesis, proposes that the stress created by underemployment leads to poor psychological health. Because most employment research is conducted using correlational designs, it is not possible to causally link underemployment and poor psychological health. Nonetheless, most studies also control for plausible confounding variables to help strengthen the validity of the findings. Specifically, researchers who study the social causation mechanism often strengthen their conclusions by

controlling for initial level of psychological health to help counter the rival explanation of selection. Longitudinal, panel-type data that determine temporality are required to adequately test either of these two hypotheses and to guard against the rival explanation of reverse causation between underemployment and poor psychological health.

Studies that have examined these rival hypotheses among youth are quite varied in that they use different conceptualizations of underemployment and often take place on different continents, at different times, under different economic circumstances, and in different types of samples (e.g., school-leavers, college graduates, only men). Some researchers have even proposed that both the selection and social causation mechanisms may act together to explain the association between unemployment and poor mental health among youth (Hammarström & Janlet, 1997; Patterson, 1997).

### *Selection into Underemployment*

Research into the selection hypothesis for unemployment is more common than the study of selection effects for other forms of underemployment (Dooley & Prause, 2004). Among youth aged 16–23 years, having fewer personal resources (e.g., low education, less aptitude as measured by tests of individual ability and behavioral test scores), coming from a disadvantaged background, and entering the labor market during times of high unemployment were all found to increase the risk of unemployment (Gregg, 2001). From a health behavior perspective, there is evidence of selection into unemployment for daily smoking and high alcohol consumption at age 16; selection effects were less strong for psychological and somatic symptoms (Hammarström & Janlert, 2002). Although these health behaviors are often associated with personal characteristics that are also associated with underemployment (i.e., low education), other studies have provided empirical support for the association between early smoking and unemployment after controlling for these characteristics (Waldron & Lye, 1979).

There is support for the selection hypothesis for self-esteem, as low self-esteem appears to increase the risk of future unemployment (Patterson, 1997; Prause & Dooley, 1997). Gender may play a role in moderating the impact of self-esteem on future inadequate employment in that higher self-esteem seems to reduce the risk of low-wage or involuntary part-time work for males but not for females (Prause & Dooley, 1997). Another risk factor for underemployment in young adults is alcohol abuse – elevated symptoms of alcohol abuse are associated with a higher likelihood of transition from adequate employment into future unemployment as well as low-wage and involuntary part-time work (Dooley & Prause, 1998). Because of the dearth of published studies that focus on selection into underemployment among youth, this chapter primarily focuses on the social causation hypothesis by examining the effects of underemployment on various youth outcomes (e.g., psychological health, alcohol abuse, and criminal behavior). First, though, we discuss how the economic climate might potentially affect youth underemployment.



### *Economic Climate*

In addition to individual-level characteristics that might affect the likelihood of finding adequate employment during the transition to adulthood, youth often face contextual or ecological challenges in the form of unwelcoming economies (i.e., environments with high unemployment or few skilled employment opportunities). Youth may indeed be more vulnerable to underemployment during recessionary times, as employers are more likely to lay off or reduce the hours of workers with less experience or for whom they have the least invested. Whereas researchers have studied the role that contextual factors that reflect the general economic climate (e.g., unemployment rate) play in the relationship between individual-level job loss and mental health in broad, diverse samples (Brenner & Mooney, 1983; Turner, 1995), few have specifically examined this issue in youth samples.

Results from a Danish study of three cohorts just entering the labor market (i.e., engineers, teachers, and unskilled workers) found that initial unemployment was higher among cohorts entering the labor market in geographical areas with higher unemployment rates than in areas with lower unemployment rates, but that the initial unemployment differential became smaller as the cohorts aged (Holm, Groes, & Olsen, 2001). Variation in the unemployment rate upon labor market entry also affected the type of job youth eventually found. Teachers and unskilled workers were less likely to find work in more desirable sectors (e.g., the public sector) in areas where the unemployment rate was high (Holm et al., 2001), although this effect also diminished as the cohorts aged. Taken together, these findings suggest that, in times of recession, youth just entering the labor market are likely to experience more unemployment and to find less opportunity for employment in desirable jobs than youth entering the labor market under better economic circumstances. Importantly, although entering the workforce during an unwelcoming economy had immediate effects, it did not appear to have enduring effects on unemployment or job opportunities of the cohorts as they aged.

A study conducted in Sweden compared the impact of different economic climates on the relationship between unemployment and health by studying the association in two different groups of youth (Novo, Hammarstrom, & Janlert, 2000). One group left school during a time of an economic boom (i.e., 1986) and another during an economic recession (i.e., 1994). Among individuals who were long-term unemployed (i.e., for 26 or more weeks), somatic and psychological symptoms were elevated during both the boom and recessionary periods. These findings support the view that unemployment has adverse effects on health whether youth enter the labor market in times of economic boom or recession.

There is also evidence to suggest that local area unemployment rates might play a role in youths' decision to attend college or to enter the workforce after graduation from high school in the USA. In areas with high unemployment rates, youth were more likely to attend college rather than enter the workforce, relative to areas with low unemployment rates (Bojick, 2009). This relationship was stronger for disadvantaged youth where the impact of fewer job opportunities might have greater implications for this decision than for more advantaged youth. In this view, the

local economic climate plays a more central role in making the important decision to attend college or to enter the workforce after leaving high school for low-income youth in the USA. (Bojick, 2009).

### ***Economic Hardship, Distress, and Age***

Age may affect the impact of underemployment on distress in two main ways. First, young workers may have greater exposure to underemployment as demonstrated in our prior discussion of underemployment rates. Second, young workers may be more vulnerable to the harmful effects of underemployment and its ensuing economic stress due to their developmental stage. There is empirical evidence to suggest that the cross-sectional association between economic hardship and psychological distress may depend on age, in that the amount of depression associated with current economic hardship decreases with age (Mirowsky & Ross, 2001).

Age is also negatively related to depression and stressful life events. Younger adults appear to have more symptoms of depression and are more likely to experience stressful life events than are older adults, even when not exposed to the economic and psychological stress of underemployment (Turner & Lloyd, 1999). Taken together, these findings underscore the view that youth may be particularly vulnerable to economic stress as they lack experience in dealing with financial setbacks, have less financial security, and have fewer psychological resources available to support them in uncertain times. There is also evidence to suggest that economic deprivation caused by job loss negatively impacts the quality and quantity of time youth spend in leisure including fitness, social activities, and entertainment (Lobo, 1999). In the next sections we examine results from recent studies exploring the effects of underemployment on psychological health, alcohol abuse, and criminal behavior.

### ***Psychological Health***

Results from studies of the social causation hypothesis suggest that underemployed school-leavers (as measured by unemployment, involuntary part-time employment, intermittent unemployment, and poverty income employment) have lower self-esteem than adequately employed youth after controlling for prior self-esteem (Prause & Dooley, 1997). More generally, underemployment has been linked to psychological distress and poor physical health among recent college graduates (Cassidy & Wright, 2008) and to poor health status as measured by self-rated health, symptoms, and illness among young adults (Sadava, O'Connor, & McCreary, 2000). Unemployment in particular has been linked to increases in nervous and depressive symptoms in youth followed for 5 years after leaving school, after controlling for initial psychological health (Hammarström & Janlert, 1997). The seriousness of the public health problem posed by youth underemployment is underscored by empirical evidence suggesting that the adverse impact of inadequate employment

on health status is as large as the effect of unemployment and that these effects are not mediated by health behaviors (e.g., substance use, diet, exercise; Sadava et al., 2000).

In view of the personal and social costs that result from an adverse employment change, other studies have found support for the proposal that a favorable employment change may have restorative or beneficial effect on psychological distress among youth (Bjarnason & Sigurdardottir, 2003; Creed, 1999). In a longitudinal study of psychological distress among the unemployed, youths who found permanent employment were significantly less distressed than youths who remained unemployed, whereas the group who found temporary employment had lower distress than the unemployed group but higher distress than the permanently employed group of youth (Bjarnason & Sigurdardottir, 2003). Another study of unemployed youth also found that psychological distress was lower in the group of unemployed youth who found employment when compared to youth who experienced continuing unemployment, although employment did not significantly increase self-esteem among these youths (Creed, 1999).

### *Alcohol Abuse and Criminal Behavior*

Underemployment has been linked to both increases in substance abuse (e.g., alcohol consumption and symptoms; Dooley & Prause, 1998; Ettner, 1997) and to increases in criminal behaviors among youth (Crutchfield & Pitchford, 1997; Grogger, 1998; Krivo & Peterson, 2004; Wadsworth, 2006). Both economic and sociological pathways have been posited to help explore the link between unemployment and alcohol abuse (Ettner, 1997). The economic pathway predicts that nonemployment might actually lower alcohol consumption by reducing income and resources necessary to purchase alcohol. The sociological pathway suggests that job loss creates stress because of loss of the nonmaterial benefits associated with employment which leads to increased alcohol consumption.

In a test of the economic pathway, nonemployment (including both the voluntarily and involuntarily unemployed) was associated with reduced alcohol consumption and fewer alcohol symptoms, controlling for background variables (Ettner, 1997). In a test of the sociological pathway, individuals who voluntarily chose not to work were excluded in order to test whether the stress resulting from involuntary unemployment was associated with an increase in alcohol consumption. Results suggested that after taking income into account, involuntary unemployment was associated with higher alcohol consumption but was not associated with alcohol symptoms (Ettner, 1997). Although not tested in a youth sample, per se, these results are supportive of a social causation link between unemployment and alcohol consumption.

Other studies, conducted in youth samples, support the social causation explanation for the association between underemployment and alcohol symptoms. In a sample of youth in their early 20s, an adverse employment change (defined as transition from an adequate job to unemployment, poverty wage employment, or

involuntary part-time employment) was associated with an increased likelihood of elevated alcohol symptoms when controlling for prior drinking behavior and other personal characteristics (Dooley & Prause, 1998). In a study of Swedish youth, early career unemployment was associated with excess alcohol consumption after controlling for a variety of background characteristics including prior drinking patterns (Janlert & Hammarström, 1992).

Underemployment has also been linked to criminal behavior although much of this research has been conducted at the aggregate (Krivo & Peterson, 2004; Raphael & Winter-Ebmer, 2001) as opposed to the individual level (Wadsworth, 2006). These studies have variously conceptualized underemployment as unemployment, low wages (Grogger, 1998), job instability (Crutchfield & Pitchford, 1997), and low-quality employment. The last of these has been differentially defined as low-wage and secondary-sector employment (according to occupational code; Krivo & Peterson, 2004) or more subjectively along the dimensions of employment rewards (e.g., promotional opportunities, making significant contributions) and accrued benefits (Wadsworth, 2006).

In a study of youth aged 18–20 years, working in more subjectively rewarding jobs and in jobs offering benefits (i.e., vacation and retirement) were both associated with less criminal behaviors as defined by property crime and nonfinancially motivated types of crime (Wadsworth, 2006). In the presence of controls for prior criminal activity and a host of background variables, quality of employment had a larger impact on criminal behavior than did income, job stability, and educational achievement among youth.

Aggregate-level studies that have used either state or census tract data also support the underemployment–criminal behavior link. Controlling for state-level demographic and economic characteristics, the unemployment rate was positively associated with property crime rates but not violent crime rates (Raphael & Winter-Ebmer, 2001). A study of violent crime arrest rates among teenagers (aged 15–19 years), young adults (aged 20–24 years), and older adults (over age 25 years) based on census tract data found that the association between underemployment and violent crime depended upon the particular age group studied and the type of underemployment (Krivo & Peterson, 2004). Conceptualizing underemployment as both joblessness (defined as unemployment and out of the labor force) and labor market quality (as defined by secondary-sector work and low-wage employment), there was no association between either aspect of underemployment and teenage violent crime arrest rates, whereas among young adults both joblessness and low-wage employment were associated with an increase in arrest rates for violent crimes. Among older adults, only joblessness was associated with increases in the arrest rates for violent crimes.

### ***Persistent Effects of Youth Underemployment***

Underemployment often leads to significantly lower self-esteem as well as increases in psychological distress, physical health symptoms, alcohol symptoms, and criminal behaviors among youth. Measuring these outcomes at the same time or shortly

after youth experience the job loss or inadequate employment helps to clarify the immediate impact but does not address the possible long-term consequences of underemployment experienced in the early career. Although there is a dearth of studies examining the long-term impact of inadequate employment *during* youth, the long-term effect of youth unemployment has been studied using a variety of adult outcomes including future unemployment (Gregg, 2001), wages (Arulampalam, 2001; Mroz & Savage, 2005), symptoms of depression (Mossakowski, 2009), health problems (Hammarström & Janlert, 2002), and heavy drinking (Mossakowski, 2008). Common to all of these studies is the reliance on longitudinal and panel data with many years of follow-up that will help relate the occurrence of underemployment during youth with adult labor market outcomes. As such, much of this research is conducted using longitudinal secondary data sets, which often provide large, representative samples with extensive follow-up data (Andersen, Prause, & Silver, 2011).

### Future Unemployment

There is evidence from a study conducted using data from the UK (the National Child Development Survey) to suggest that the consequences of youth unemployment on later adult unemployment are different for males than for females (Gregg, 2001). There was a positive association between the cumulative months of unemployment between ages 16 and 23 years and the percentage of time spent unemployed 5–10 years later (at age 28–33 years old) for males but not for females. Among females, the association of youth unemployment to adult unemployment was smaller and only present for females with at least 1 year of unemployment before age 23. This suggests that a bout of unemployment experienced by males (and a lengthy spell of unemployment for females) during youth can have effects that last into their early 30s. Implicit in these findings is that males who experience unemployment during youth can be expected to experience unemployment as adults, a finding which suggests a persistent effect of youth unemployment.

Different explanations for the persistence of unemployment in the same individuals during youth and adulthood have been offered, including that these individuals may have less human capital (e.g., low education), that there may be contextual factors that vary across both time and the individual experience of unemployment (e.g., the unemployment rate), and importantly that the experience of unemployment during youth may somehow harm or scar prospects for future employment (Gregg, 2001). This latter explanation is referred to as a *scarring effect* and it is important to distinguish this effect from that of personal resources and contextual variables in order to better understand how youth unemployment might affect adult labor market outcomes. After controlling for personal resources such as education and achievement test scores, as well as the local unemployment rate, empirical evidence suggests that there is still a strong association between youth and adult unemployment among males (Gregg, 2001). This finding implies that unemployment in the early career poses a long-term risk for all male youth regardless of personal characteristics, background, or economic climate.

Unemployment experienced during youth also has some positive, more immediate effects in that youths who experience a bout of unemployment are often motivated to seek job training and to otherwise improve upon their human capital in order to be more competitive in the market place (Mroz & Savage, 2005). In this view, although a bout of youth unemployment has acknowledged persistent effects, it does not permanently relegate individuals to a career of low-wage, intermittent employment.

### **Future Wages**

A study based on a sample of men from the British Household Panel Survey, who were aged 16–58 years when first surveyed and who were followed for 6 years, found that a bout of unemployment was associated with a 5.7% reduction in wages during the first year of re-employment and that the wage reduction rose to 13.5% during the following 3 years before settling to a 11.4% reduction thereafter (Arulampalam, 2001). Although this study did not specifically examine the impact of youth unemployment on adult wages, fully 21% of the sample was between the ages of 16 and 24 years when first surveyed. Moreover, the findings suggested that it was the first bout of unemployment that had the largest scarring effect on future wages and that recurrent bouts of unemployment did not carry the same wage penalty among males (Arulampalam, 2001). Since there was no reported interaction between age and unemployment in this study, a likely inference is that the first bout of unemployment when experienced during youth has more serious consequences for later earnings than do future spells of unemployment. One implication of these findings might be that unemployment when experienced early in the career could set youth on a future path of reduced earnings.

The effect of early career unemployment on later earnings was studied in a subgroup of men aged 14–19 years from a survey conducted in the USA (the National Longitudinal Survey of Youth) who were followed until ages 29–34 years. These results suggested that unemployment experienced during youth continued to adversely affect earnings up until 10 years later among males (Mroz & Savage, 2005).

### **Psychological and Physical Health**

In a study based on the National Longitudinal Survey Youth, the cumulative experience of unemployment over 15 years was examined in a sample of men and women who were 14–22 years old when first interviewed. Controlling for socioeconomic status (SES), demographic characteristics, family background, and prior depressive symptoms, number of years of unemployment was positively associated with depressive symptoms at ages 29–37 years and, notably, the magnitude of the association was the same for both males and females (Mossakowski, 2009). Although this study did not specifically measure when the unemployment occurred, it supports the premise that economic hardship as represented by lengthy durations of

unemployment is harmful for mental health (Mirowsky & Ross, 2001; Turner, 1995; Turner, Wheaton, & Lloyd, 1995).

Early career unemployment has also been linked to adult health behaviors and both psychological and somatic symptoms (Hammarström & Janlert, 2002). In a 14-year study of Swedish school-leavers who were aged 16 years when first interviewed, participants were grouped according to their early career unemployment experience. The “early” unemployment group consisted of individuals who had six or more months of unemployment between the age of 16 and 21 years; the “late” unemployment group had more than 18 months of unemployment between the age of 22 and 30 years and had less than 6 months between the age of 16 and 21 years; the last group was a reference group with less than 6 months of unemployment between the age of 16 and 21 years and less than 18 months of unemployment between the age of 22 and 30 years. For men and women alike, the early unemployed group reported more smoking and more psychological symptoms (a composite of anxiety and depression) at the age of 30 years than the reference group, when controlling for prior health behaviors, symptoms, and working-class background. Additionally, among men, early unemployment was associated with an increase in somatic symptoms at age 30, when compared to the reference group. In general, the findings for the late unemployment group were similar to those of the early group but were smaller in magnitude. There did not appear to be any long-term effects of early unemployment on increased alcohol consumption at age 30 years (Hammarström & Janlert, 2002).

Another study demonstrated a significant positive association between the duration of early career unemployment and alcohol abuse at age 27–35 years. Using the National Longitudinal Survey of Youth, Mossakowski (2008) found that cumulative unemployment experience over a 13-year period (beginning at age 14–22 years) was positively associated with heavy drinking (i.e., drinking more than 5 drinks in a single occasion during the past month) and with more frequent heavy drinking. These effects were present after controlling for SES, gender, age, ethnicity, marital status, and prior heavy drinking. These findings, which are based on a data set from the USA, are in contrast to those of the findings of the study from Sweden (Hammarström & Janlert, 2002). However, there are important measurement differences between the two studies that might help explain the apparent discrepancy in their findings.

Early unemployment was defined by Mossakowski (2008) as the duration over a 13-year period beginning in youth and continuing into adulthood, whereas Hammarström and Janlert (2002) utilized a categorical variable indicating whether unemployment was present for six or more months between the age of 16 and 21 years. Importantly, the former conceptualization makes it difficult to isolate the exact timing of the unemployment, but gives a continuous measure that reflects duration. In contrast, the latter conceptualization provides a more direct focus on youth by restricting the unemployment experience to ages 16–21 years, but doesn’t provide information about the duration of unemployment during this critical period. The conceptualizations of the outcome measure of alcohol abuse also differed. Mossakowski (2008) measured heavy drinking and frequency of heavy

drinking over past 30-day and past 7-day recall periods, whereas Hammarström and Janlert (2002) distinguished between high and low consumers of alcohol consumed (individuals were dichotomously coded as above or below the 75th percentile for their gender, based on annual consumption rates). These findings highlight the importance of considering measurement differences when interpreting relationships between underemployment and its potential outcomes.

## **Future Agenda for Policy and Research**

Underemployment is clearly consequential for youth because of their greater exposure relative to workers at other ages, and because of their developmental stage, which makes them more vulnerable to its adverse effects. Martin (2009) suggests that youth experience higher unemployment than adults for a variety of reasons: Youth are more at risk for job loss in poor economic climates, youth lack experience in looking for work, and they lack financial security and hence are less likely to relocate to find work. Aside from helping to explain the higher rate of unemployment among youth, these issues may also help clarify the higher rates of inadequate employment among youth workers.

During poor economic climates, employers may initially reduce hours or wages in an effort to delay laying off workers. In contrast to adult workers, youth workers are particularly vulnerable to these reductions for several reasons. Unlike adult workers, youth who are in the process of becoming financially independent may rely on family for a portion of their living expenses which can help to offset the economic stress of involuntary part-time or poverty wage employment. In this situation, youth are likely gaining needed work experience and may not be as motivated as adult workers (who might have families and other financial commitments) to seek full-year/full-time employment. It is also possible that youth workers who are not financially independent may not have the resources to relocate for adequate jobs and hence are more likely to “settle” for underemployment due to their economic circumstances. Additionally, unlike adult workers, youth often lack experience in the process of looking for work, which in combination with their relative lack of work experience may put them at a higher risk of underemployment. As a result, older, more experienced workers might have an advantage in the competition for economically adequate work.

## ***Responses to Youth Underemployment***

The effects of youth unemployment can be long-lasting and extend beyond the immediate loss of wages. A bout of unemployment among youth increases the probability of adult unemployment and carries a persistent wage penalty upon re-employment. Several approaches have been suggested to help prevent or alleviate these long-term negative effects. These include the provision of unemployment



benefits, increasing wages, encouraging education completion, fostering self-esteem, and apprenticeship and mentoring systems.

An important safety net for unemployed youth is unemployment insurance. Although unemployment benefits often increase the duration of unemployment among youth, receipt of benefits is associated with longer job tenure upon re-employment (Jacob, 2008). Receiving stable financial support through a period of unemployment allows young people to be more selective about potential jobs, thereby giving them time to find employment that is adequate in terms of hours and wages, and to find work that better aligns with their skills and aspirations. In this view, unemployment benefits help to improve the quality of employment and to prevent future spells of unemployment for youth.

There is also evidence to suggest that unemployment benefits reduce the scarring effects of unemployment by allowing unemployed youth to make a faster economic recovery and find better quality jobs (Gangl, 2004). In a study contrasting the effect of unemployment benefits on re-employment and job tenure in the USA and Germany, the scarring effect of unemployment on future unemployment was smaller in Germany where unemployment benefits are more generous than in the USA (Gangl, 2004).

Other proposals, such as raising the minimum wage, are aimed at increasing wages, which can help to improve employment adequacy by reducing “low wage” employment. However, there is some empirical evidence that the cost of raising the minimum wage may increase unemployment, as employers decide they cannot afford to hire workers at higher salaries (Danziger & Ratner, 2010).

There are also global differences in the structure of youth education that impact the transition of youth from school to work. The apprentice system in Germany tracks some youth into vocational training where the expense of such training is borne by the employer and the government (Martin, 2009; Vazsonyi & Snider, 2008). This system has proved effective at reducing the unemployment rate of youth aged 16–19 years in Germany (Martin, 2009). Although the apprentice system guarantees work for a few years, individuals can end up losing their jobs after the work contract expires and become unemployed during a critical time in the transition to adulthood (Martin, 2009). There is also evidence to suggest that many of these youth end up being unemployed for a long term, which implies that youth who experience job loss in this type of system have a very difficult time finding employment (Martin, 2009).

Some youth are more vulnerable to underemployment because of a lack of personal resources which can help to protect against it. One such resource, educational attainment, is an important predictor of underemployment among youth, and policies aimed at increasing graduation rates and post-secondary education would also be effective in preventing underemployment (Danziger & Ratner, 2010). School enrollments have been rising over the past several decades but more needs to be done to encourage high-risk youth (e.g., those from disadvantaged backgrounds) in particular to complete their education.

There is also empirical evidence to suggest that psychological resources such as self-esteem are linked to underemployment in youth (Dooley & Prause, 2004).

The effect of low self-esteem (measured during the teen years) on unemployment 7 years later was of the same magnitude as low education in the form of not having a high school diploma (Dooley & Prause, 2004). It is unclear whether policies aimed at increasing self-esteem among youth would be effective in reducing underemployment because increases in self-esteem achieved by training programs might not be as effective in preventing underemployment as self-esteem originating from a lifetime of personal experiences (Dooley & Prause, 2004).

Other intervention targets call for policies or training programs aimed at helping youth to find work and to help those with jobs to keep their jobs. One such intervention is mentoring, which has been positively linked to employment (McDonald, Erikson, Johnson, & Elder, 2007) and to psychosocial competencies (i.e., self-esteem, job skills, well-being) and adjustment (i.e., lower rates of drug use, alcohol use, deviant behavior; Vazsonyi & Snider, 2008). In a study of part-time-working high-school students in the USA and Swiss youth working as apprentices, for example, high-quality mentoring was associated with better psychosocial competencies and better adjustment. One such measure of psychosocial competency, self-esteem, has been positively associated with adequate employment 7 years later, which suggests an indirect mechanism by which mentoring might help youth to find and keep adequate employment (Dooley & Prause, 2004).

Mentoring by a nonparental adult during young adulthood also increases the chances that a young adult will find employment (McDonald et al., 2007). Additionally, among employed young adults, mentoring by a work-related mentor increases the chances that youth will remain employed, thereby increasing the labor force attachment of youth. These views suggest that both “causal” and “selection” mechanisms operate to help explain how mentoring influences employment among youth. Mentoring appears to have a somewhat weaker effect for female than for male youth. Nonwork mentors of female youth were somewhat less likely to provide individual guidance than were mentors of male youth, and the type of guidance provided tended to be different. Compared to mentors of male youth, mentors of female youth tended to provide more socio-emotional support, which did not appear to provide the same advantage in finding work. Importantly, youth who were least likely to have mentors were youth who lived in disadvantaged areas.

### ***Future Directions for Youth Underemployment Research***

Although there is a fairly broad literature regarding the immediate and long-term impact of unemployment on youth samples, research examining the other forms of underemployment including discouragement, involuntary part-time employment, and poverty wage employment in youth samples is sparse. In particular, research aimed at exploring the antecedents as well as social costs of these other forms of underemployment in youth samples would greatly inform the extant literature. For example, although researchers have studied the potential scarring effect of youth unemployment, there is no parallel research for the long-term impact of poverty

wage employment or involuntary part-time work as experienced during youth on future work experiences or health and well-being.

Future research also needs to pay greater attention to the context in which underemployment occurs. As an example, recall that female youth (of ages 18–25 years) experience more poverty wage employment than male youth (Cawthorne, 2008). Researchers have posited several explanations for the higher rate of poverty wage employment among female youth when compared to males, including lower levels of education, a concentration of female workers in low-paying occupations and occupations dominated by females, and pregnancy, which affects female occupational and educational opportunities (Cawthorne, 2008; Kim, 2000). It is also possible that female workers in poverty wage jobs are not the sole providers for their families and other sources of income may help to lift them above the poverty threshold. To better understand the consequences of this type of underemployment, it is necessary to consider the larger family context in which female employment takes place.

## Conclusion

Youth face many adjustments during the transition to adulthood, and finding an adequate job plays a key role in successfully navigating the many challenges that occur during this important time. Developmentally, youth may be more vulnerable to the adverse impact of underemployment than adults, and, importantly, youth have higher rates of underemployment than do adults. The combination of these two factors makes the problem of underemployment particularly salient among youth. Only through a clear understanding of the scope and nature of the problem can appropriate policies and interventions be designed to minimize the impact of underemployment and to prevent its occurrence in youth workers.

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# Chapter 5

## Underemployment and Older Workers

Meghna Virick

**Keywords** Underemployment · Aging · Older workers · Unemployment

Overall population shifts in developed countries show that the proportion of aged individuals has been steadily increasing. Accordingly, their participation in the labor force has also been on the rise. This chapter discusses these trends and outlines factors that influence such participation in older individuals. The proposed conceptual framework suggests that underemployment among older workers can arise in three different forms: re-employment after a job loss, re-employment after retirement in a bridge job, and within the course of regular employment. Furthermore, the chapter emphasizes the differences between objective and subjective underemployment, proposing that several factors may moderate the relationship between objective and subjective underemployment among older workers. Future research should examine these factors since the increase in the supply of older workers creates both potential benefits and challenges for organizations.

Several issues arise as the labor force begins to accommodate a larger number of older workers. Underemployment occurs when an employee experiences a reduction in wages, and/or is in some way employed in a lower or inadequate job. For this chapter, the conceptualization of underemployment as explicated by Feldman and colleagues is used. These researchers originally described underemployment as consisting of five dimensions, which was subsequently modified to the following three dimensions: being employed at a lower hierarchical level in the organization than their previous job, having lower pay, and being employed in a job in which one's skills are not utilized (Feldman, 1996; Feldman, Leana, & Bolino, 2002).

Increasingly, underemployment is a concern among academics and practitioners because of the negative outcomes associated with it (see, for example, Chapters 9 and 12, this volume). Researchers note that this trend creates a worker underclass (Kalleberg, Reskin, & Hudson, 2000) that is underpaid, has high job insecurity, and has no career growth (Barker & Christensen, 1998; Kalleberg et al., 1997; Segal & Sullivan, 1997). Specific research focused on the outcomes of underemployment has found underemployment to be associated with lower levels of psychological

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well-being, depression, and poor health (Dooley, Prause, & Ham-Rowbottom, 2000; Friedland & Price, 2003). In the workplace, this is often reflected in lower levels of job satisfaction and commitment, and higher intentions to quit (Feldman & Turnley, 1995; Maynard, Joseph, & Maynard, 2006). The underemployed employee therefore often continues his or her job search in hopes of finding equilibrium. However, barring a few studies, there is a gap in literature on how underemployment affects older workers in particular.

Furthermore, job loss researchers have found that when an individual loses a job, the job loss affects his or her future career prospects negatively, leading to underemployment (Feldman & Leana, 2000). However, research is sparse on underemployment triggered by job loss among older workers. From the job loss literature, we know that older workers tend to be at higher risk of losing their jobs than younger workers (Chan & Stevens, 1999). The underemployment literature helps us know that older workers tend to be at a high risk of being underemployed (Chan & Stevens, 2004; Koeber & Wright, 2001). Thus, the goal of this chapter is to integrate these two streams of research and explore the causes and conditions that trigger underemployment among older workers and to propose future research that will help us understand and address this issue.

The chapter is laid out as follows: First, as labor force participation among older workers is on the rise, the environmental factors that have influenced such participation among older workers are described. Second, by integrating the literatures on job loss and underemployment, a model is proposed that outlines the environmental, organizational, and human factors that are likely to increase risk of underemployment among older workers. Third, with the assumption that employee attitudes are critical for organizations, the chapter examines potential responses of older workers by building on research that makes a distinction between two different conceptualizations of underemployment, namely, objective and subjective underemployment. Finally, a research agenda is proposed that will help organizations build work environments conducive to the productivity and well-being of older workers.

## **Labor Force Participation Among Older Workers**

Although disproportionate rates of underemployment among older workers was becoming evident several decades ago (e.g., Osberg, 1993), it has re-emerged as an important issue because, as the population ages, many older workers will continue to remain in the workforce, thereby raising the labor force participation rates of that group. This change in the demographic composition of the workforce makes it important for us to understand labor force participation among older workers because it provides indicators of how widespread the problem of future underemployment may be. As such, this section elaborates on the definition of who an older worker is, outlines the demographic changes occurring in the U.S., and elaborates on the issues affecting labor force participation among older workers.

The definition of an older worker adopted in this chapter, similar to most other research, is anchored on chronological age. Consistent with others (Ng & Feldman,



2008), I will use the chronological definition of older worker used by the Age Discrimination in Employment Act of 1967 (ADEA), which prohibits discrimination against workers 40 years old and older. Demographic trends have been pointing to projected increases in the proportion of older individuals in the wider population. Projections show that the percentage of the population 65 and over will be 16.1% in 2020, 19.3% in 2030, and 20% in 2040 (Federal Interagency Forum on Aging-Related Statistics, 2010). An examination of labor force participation among older workers indicates the following trends. Among workers in the age group of 45–54 years, labor force participation has been rising for women, whereas the participation rate for men has dropped slightly (Toossi, 2009). However, among workers who are 55 and older, labor participation rates have been consistently rising for both men and women from 1988 to 2008, and they are projected to continue rising until 2018 (Toossi, 2009).

Increases in labor force participation among older workers have several implications for organizations and countries. From an economic perspective, it is beneficial to a nation when individuals work for longer periods because it reduces economic dependency, helps facilitate economic growth, and reduces the strain on our retirement system (Feyrer, 2007; Walker, 2007). From an organizational perspective, increased labor force participation among older workers means that organizations will need to figure out how best to motivate and utilize older workers who may have different needs, skill sets, and values than younger workers.

### ***Factors Influencing Labor Force Participation Among Older Workers***

Increased labor force participation among older workers in the U.S. has been driven by various changes in the employment environment. Factors such as changes in social security legislation and company retirement benefits as well as factors stemming from individual, financial, and social needs may be responsible for this shift. Most of these shifts are also likely to make older workers more vulnerable to underemployment.

#### **Retirement Benefits and Financial Needs**

One set of reasons responsible for enhanced labor force participation among older workers stems from changes in retirement benefits. First, changes to the rules relating to social security since the 1980s have led to increases in labor force participation among older workers (Blau & Goodstein, 2009). The eligibility age for full social security benefits has risen to 67 for the late boomers (i.e., those born in 1960 or later). If these workers choose to retire at age 62, their monthly benefits would be reduced by 30% until they reach their full retirement age, a strong disincentive for early retirement (Adler & Hilber, 2009).

Second, many employers have stopped providing health benefits to early retirees, resulting in individuals working until 65, when they become eligible for Medicare.

Employers have also been freezing their defined benefits (i.e., pension plans) in favor of defined contribution plans. Unlike pensions, which guarantee a fixed income at retirement, defined contribution plans like 401 K vary based on employee (and employer) contributions and the performance of the investment portfolio. These changes put the onus of providing for retirement on the employee and have resulted in delays in retirement age since the 1980s (Friedberg & Webb, 2005). Furthermore, the financial strain experienced by older workers who may not have sufficient funds to retire has also led to increases in part-time employment among these workers (Lu, 2010). This is not surprising, given that personal saving rates have been on the decline in recent years, and were actually negative in 2006 and 2007 (Bureau of Economic Analysis, 2008).

### **Social Needs**

The second set of reasons for older workers continuing to work is social and emotional rather than financial in nature. With life expectancy increasing, many older adults want to feel valued and productive (Noonan, 2005) and would like to continue working unless they have health problems (Barnes-Farrell, 2003; Wang, Zhan, Liu, & Shultz, 2008). Employment has been shown to enhance social status (Dendinger, Adams, & Jacobson, 2005), and many older workers derive satisfaction from working and consider retirement to be an unattractive alternative (AARP, 1998). Employment also provides a structure to their daily routine and a reason to get up in the morning (Loi & Shultz, 2007).

### **Flexibility Needs**

Third, many older workers desire to continue working but not necessarily in traditional or full-time positions (Moen, 2007). Many of the jobs they seek are contingent and/or contract jobs, including jobs traditionally occupied by teenagers, women, and minorities (Shultz, 2001). Contingent workers, defined by the Bureau of Labor Statistics as those “who do not have an implicit or explicit contract for ongoing employment” (Bureau of Labor Statistics, 2005), are being increasingly used by companies since it gives them greater control over labor costs (Brown & Gray, 1991). In the case of older workers who seek these jobs after retirement, these jobs have also been called bridge jobs. *Bridge jobs*, described first by Ruhm (1990), are defined as employment that occurs after retirement but before an individual completely withdraws from the workforce. Usually this type of employment is part-time, temporary, and often flexible in nature (Kim & Feldman, 2000; Sum & Fogg, 1990). A bridge job serves as an important transition between full-time work and retirement for the individual, and may help address labor shortages due to the retirement of the baby boomers (Wang, 2007; Wang et al., 2008).

Although there is now greater participation of older workers in the labor force, whether they are sought after by companies is another matter. In the past, older workers were sought out only during periods of high economic growth. Currently, however, there seems to be a reluctance to hire, train, and utilize older workers

(Tillsely & Taylor, 2001), which may result in higher rates of underemployment among this population.

## Underemployment Among Older Workers

Although there is some evidence that underemployment has been rising for the entire labor force (Rosenwald, 2008), little attempt has been made to understand the implications of this phenomenon on older workers. Other population groups seem to have been given more research attention with respect to underemployment. For example, researchers have studied underemployment among youths and college graduates (see Chapter 4, this volume), and even some specialized groups such as expatriates (Bolino & Feldman, 2000; Feldman & Turnley, 1995; Prause & Dooley, 2001). However, the literature on underemployment has largely ignored issues relating to older workers (Slack & Jensen, 2008). Only a small handful of studies have examined underemployment specifically among mid- to late-career workers.

Initial studies point out that underemployment is a significant and growing problem among older workers (Crown & Leavitt, 1996; Li, Gervais, & Duval, 2006). Jensen and Slack (2003), for example, found a curvilinear relationship between age and underemployment, noting that underemployment was the highest among the young, low during middle age, and rose again as people approached retirement. Their definition of underemployment followed the Labor Utilization Framework (Clogg & Sullivan, 1983; Hauser, 1974) and included four categories of individuals as underemployed: those who were unemployed, discouraged workers, involuntary part-time workers, and the working poor. In a subsequent study, Slack and Jensen (2008), using the March Current Population Surveys (CPS) for the years 2003, 2004, and 2005, confirmed their earlier findings of the relative disadvantage experienced by older workers. In particular, they found that older workers in rural areas and older women were the most disadvantaged with respect to underemployment.

### *Antecedents of Underemployment Among Older Workers*

I propose that there are two main antecedents of underemployment for older workers. *Career interruption triggers* occur when underemployment is associated with some type of temporary exit from the workforce, whereas *career continuance triggers* lead to underemployment without a career interruption. A career interruption is defined as a situation when an individual experiences a break in his or her career and is temporarily unemployed. Two types of career interruptions are proposed: job loss–induced career interruption and retirement-induced career interruption. Job loss–induced career interruption occurs when an individual loses his or her job involuntarily, subsequently gains new employment elsewhere, and experiences underemployment in this new job. Retirement-induced career interruption occurs when an individual retires, takes on a post retirement/interim job, or a

bridge job, and experiences underemployment. In both these situations, career interruptions enhance workers' vulnerability in the job market and the accompanying disadvantage leads to underemployment.

### **Older Workers and Age Discrimination**

Research consistently demonstrates that older workers are discriminated against (Hedge, Borman, & Lammlein, 2006; Posthuma & Campion, 2009). Even though most employers advocate age impartiality, they demonstrate ageism in their hiring practices (Adler & Hilber, 2009; Gringart, Helmes, & Speelman, 2005). Such bias is typically manifested in decisions relating to hiring, promotions, training, terminations, and layoffs (Adler & Hilber, 2009). Many of these ageist practices are a result of both conscious and unconscious stereotypes, and may make employers more vulnerable to legal action as the number of older workers increases (Posthuma & Campion, 2009). Indeed, the number of age discrimination cases has increased from 14,141 to 22,778 between 1999 and 2009 (EEOC, 2010).

With older workers experiencing discrimination, it is not unreasonable to assume that the underemployment they experience is at least partly a result of such age discrimination. Age discrimination is often a result of stereotypes that people hold of older workers (Hassell & Perrewé, 1995). In a review of 117 articles, Posthuma and Campion (2009) found that negative beliefs about work-related personal characteristics (e.g., poor physical and cognitive abilities) comprise the most commonly held stereotypes for older workers. Many of these stereotypes are not exclusive to the workplace, but represent a wider societal stereotype (McCann & Giles, 2002) and can be particularly strong in certain industries such as finance, information technology, computing, and insurance (Perry & Finkelstein, 1999). Bendick, Brown, and Wall (1999) found that despite similar qualifications to younger applicants, older applicants typically received fewer and shorter interviews, as well as fewer job offers.

### **Older Workers and Performance**

One commonly held stereotype of older workers is that their performance is lower due to declines in both physical and cognitive ability. Cattell (1987) argued that there are two broad kinds of intellectual abilities: fluid intellectual abilities (associated with working memory, abstract reasoning, attention, and processing of novel information) and crystallized intellectual abilities (associated with vocabulary, verbal comprehension). Findings using this model indicate that there is a gradual decline in fluid intellectual abilities that contribute to performance decrements associated with age (Kanfer & Ackerman, 2004; Wechsler, 1944). Crystallized intelligence has shown improvement beyond middle age, suggesting that improvements in one type of intelligence may compensate for declines in the other, depending on the job and its associated demands (Kanfer & Ackerman, 2004). Older workers are also viewed as less physically able and more fragile than younger workers (Gibson et al., 2010). Meta-analyses on the relationship between age and core task performance have

found either no effects or weak effects (McEvoy & Cascio, 1989; Ng & Feldman, 2008; Sturman, 2003). In a more recent study, a positive relation emerged between age and organizational citizenship behaviors (Ng & Feldman, 2008). Yet, stereotypes continue to exist. For example, Kite, Stockdale, Whitley, and Johnson (2005) found that even older people hold the same negative stereotype of older workers being less competent.

### **Older Workers and Technology**

Older workers are also seen as being resistant to change in general (Chiu, Chan, Snape, & Redman, 2001; Weiss & Maurer, 2004) and to adopting new technology in particular. The relationship between technology and the older worker is complex. One could argue that technology automates tasks that help minimize the physical demands required of workers, which is especially valuable to older workers as their physical and visual capacities weaken (Charness, 2006). At the same time, increased automation also results in the elimination of old jobs and the creation of new advanced skill positions (Methot & Phillips-Grant, 1998). Older workers may be more vulnerable to skill obsolescence than younger workers, particularly since research indicates that they are less likely to use technology and have increased difficulty learning to use and operate current technologies (Alder & Hilber, 2009; Czaja, Sharit, Ownby, Roth, & Nair, 2001; Czaja et al., 2006). This has been attributed to lower self-efficacy in learning and skill development among older workers (Maurer, 2001) and may well contribute to underemployment.

### **Older Workers and Training**

Companies are reluctant to spend training resources on older workers. Finkelstein, Burke, and Raju (1995) showed that older workers were perceived as having lower potential for development compared to their younger counterparts. Since Generation X workers have, on average, two more years of college than their parents and most are computer literate, they are likely to have a higher ability to transfer old skills to new applications (Cetron & Davies, 2001; Charness, 2006). Organizations are also less willing to train older workers because they are perceived as having difficulty with learning (Rosen & Jerdee, 1989). This may be exacerbated by the fact that older workers have shorter career spans ahead of them, and companies may not consider it worth their while to spend a lot of money on training them (Lee & Clemons, 1985).

### **Older Workers and Compensation**

Companies may also be reluctant to hire older workers because they are expensive. Older workers with years of work experience and seniority may have higher compensation levels and benefit costs related to health insurance and time off due to illness (Lahey, 2007; Munnell, Sass, & Soto, 2006). Age discrimination legislation raises the risks associated with terminating an older worker, and thus employers may be resistant to hire older workers because of fear of being sued (Lahey, 2005). Even though legislation bans discrimination in hiring practices, data suggest

that proving discrimination in hiring practices is more difficult than proving discrimination related to termination, which may also discourage organizations from hiring older workers (Neumark, 2009; Posner, 1999). Therefore, to the extent that older workers experience hiring discrimination, their job opportunities will be lessened and the likelihood that they will need to settle for a job for which they are underemployed will be greater.

### ***Involuntary Job Loss and Underemployment***

Involuntary job loss is a traumatic event that can disrupt an individual's career. Significant research exists on how individuals cope with job loss and on the mental and physical consequences of losing a job. Interest in job loss research started when cost pressures resulting from globalization, increased competition, and greater cross-border flows of human capital affected manufacturing jobs in core industries such as steel and automobile manufacturing. Thousands of workers were laid off in the manufacturing sector in the 1970s and 1980s. However, during those days, unions were stronger, layoffs were based on seniority, and older workers had a much lower probability of being laid off than younger workers (Feldman, 1996; Johnson, 2009). Their firm-specific knowledge made them more valuable when compared to their younger counterparts who may have needed additional training (Munnell et al., 2006; Polsky, 1999; Rodriguez & Zavodny, 2003).

### **Higher Incidence of Job Loss Among Older Workers**

Today, companies are still facing competitive cost pressures and are still being compelled to respond by downsizing and increasing the proportion of their contingent workforce. However, firm-specific knowledge is less valued than the ability to keep up with technological advancements. Older workers are not seen as having the most current skills and knowledge (Boerlijst, Munnichs, & van der Heijden, 1998) and companies that experience downsizing are less likely to support training for older workers (Armstrong-Stassen & Cattaneo, 2010; Arrowsmith & McGoldrick, 1997). This is because of the aforementioned issues of higher compensation and shorter organizational time span (Greller & Simpson, 1999; McGoldrick & Arrowsmith, 2001; Simpson, Greller, & Stroh, 2002). As such, older workers have experienced higher levels of involuntary job losses or displacement relative to younger workers in the last few decades (Koeber & Wright, 2001; Lippmann, 2008; Rodriguez & Zavodny, 2003).

However, not only are older workers more prone to be laid off, research also shows that they may also be less able to psychologically, financially, and socially deal with unemployment than their younger counterparts. Job loss before retirement has more severe consequences for older workers because that is the period in which people accumulate most of their savings (Mermin, 2008). Gallo, Bradley, Siegel, and Kasl (2000) also argue that older individuals are more vulnerable to the physical and mental health consequences of job loss. Some of these factors may be

responsible for underemployment among older workers who experience a job loss and subsequently get re-employed.

### **Becoming Re-employed**

Researchers have found that job loss has long-term effects on the re-employment probabilities of older workers (Chan & Stevens, 2001; Turner & Whitaker, 1973). When older workers lose a job, they have greater difficulty finding re-employment than younger workers (Farber, Hall, & Pencavel, 1993; Koeber & Wright, 2001), and it takes them longer to get a job (Fallick, 1996; Kletzer, 1998; Lippman, 2008). Turner and Whitaker (1973) found that although older laid-off workers were in general better educated and trained, they took nearly twice as long as younger colleagues to secure new employment. More recently, Wanberg and colleagues have found that the amount of job search after job loss helped younger (39 years and younger) individuals obtain re-employment, but did not help older individuals (Wanberg, Kanfer, & Rotundo, 1999; Wanberg, Watt, & Rumsey, 1996). They suggest that this could be due to age discrimination, perceptions that older workers are too expensive, or even lower job search intensity. In addition, Farber (2005) also found that older displaced workers (aged 45–64) tend to take longer to find new employment, and after a few years of not finding a job many older displaced workers opt for retirement. Clearly, labor market conditions also play a role, and as age increases, the success of finding re-employment relies more heavily on labor market conditions (Niessen, Heinrichs, & Dorr, 2009).

As described, there is substantial evidence to indicate that older workers take longer to get re-employed after losing a job. Furthermore, prior research has shown that underemployment also tends to be high among laid-off workers (Feldman, 1996; Leana & Feldman, 1992), indicating that particular job loss-related factors such as long duration of unemployment may be associated with later underemployment. Feldman (1996) proposed that age would be positively related to underemployment due to age bias. We also know that older workers experience greater earning loss upon re-employment (Chan & Stevens, 2004; Couch, 1998; Ong & Mar, 1992). Koeber and Wright (2001) also found that those above the age of 50 experienced greater losses in earning upon re-employment than those who were younger. This was especially true in manufacturing environments, where older workers tended to be more highly paid.

In many cases, older workers with longer tenures in one organization suffer worse underemployment because the firm-specific knowledge they have is not transferable to another employer. Valletta (1991) found that if the individuals with firm-specific knowledge do lose their jobs, they are faced with increased durations of joblessness and a significant decrease in earnings when they do find employment. Carrington (1993) also found that earning losses are larger when employees obtain re-employment in a different industry. Thus, there is evidence that involuntary job losses result in significant drop in earnings upon re-employment among older workers.

## ***Bridge Jobs and Underemployment***

In a review of the retirement literature, Wang and Shultz (2010) argue that retirement can be viewed as a decision choice, an adjustment process, as a career development stage, and as a human resource practice. However, as Beehr (1986) notes, studying retirement is complex because it is a process that occurs over time, and is often accompanied by variations of partial retirement such as bridge jobs (Beehr & Bennett, 2007; Feldman, 1994; Ruhm, 1990). According to continuity theory, individuals may seek bridge employment because the structure provided by employment satisfies their career identity and social needs (Atchley, 1989; Kim & Feldman, 2000). Viewed as retirement adjustment, such bridge employment is likely to have positive outcomes in terms of retirement satisfaction and psychological well-being (Kim & Feldman, 2000; Wang, 2007). However, bridge employment may be a bumpy process for retirees who decide to work for reasons other than as a phased adjustment to retirement (Wang & Shultz, 2010). These reasons could be financial or could stem from a desire to maintain a strong work role identity. In these cases, bridge employment may well lead to underemployment.

More and more employees are seeking bridge employment (Johnson, Kawachi, & Lewis, 2009; Jones & McIntosh, 2010; Wang & Shultz, 2010). Yet, research on bridge employment is in its infancy (Feldman, 2000). Two types of bridge employment have been differentiated in the literature (Gobeski & Beehr, 2009): career bridge employment, in which the person works in the same field as his or her pre-retirement job, and non-career bridge employment, in which the person works in a different field. Jones and McIntosh (2010) noted that we should also differentiate between bridge employment in one's current organization or in another organization. We are therefore beginning to see a more fine-grained delineation of the different types of bridge employment. Although research on antecedents of bridge employment is sparse, there is a growing interest in understanding the psychological process individuals undergo when making a decision whether to retire or whether to take a bridge job. There also seems to be a fair amount of consensus that bridge employment is associated with overall well-being and life satisfaction (Kim & Feldman, 2000; Wang, 2007).

The most prevalent type of bridge employment is non-career bridge employment (Feldman, 1994; Johnson et al., 2009). Most of these non-career bridge jobs are low-wage, low-skill jobs that do not involve high transfer of skills (Peracchi & Welch, 1994). Most career bridge jobs, on the other hand, are jobs where individuals work a reduced number of hours, but are in the same occupation as the career job (Raymo, Liang, Sugisawa, Kobayashi, & Sugihara, 2004; Zhan, Wang, Liu, & Shultz, 2009). Older employees who are very committed to their organization are also much more likely to pursue bridge employment in their organization, because they may benefit from organization-specific factors such as work-role identities, status, and workplace culture norms (Jones & McIntosh, 2010). On the other hand, older workers are more likely to switch their occupation if they feel that the job market is favorable (von Bonsdorff, Shultz, Leskinen, & Tansky, 2009). When that happens, and people take bridge jobs outside their career or industry, they are



typically paid less and are more likely to be underemployed from an economic standpoint.

Judging from the above arguments, it may seem that the problem of underemployment in these bridge jobs (i.e., lower hierarchical level and pay) may be addressed by simply avoiding bridge jobs that are outside one's career and occupation. However, Kim and Feldman (1998) suggest that not all older workers may experience underemployment. In fact, they note that some older workers who may not be high performers in their previous organization may actually view their bridge jobs as an opportunity for a fresh start and as a challenge. Some others may have a different set of needs and may seek out particular bridge jobs. Following this argument, it has been suggested that subjective assessments of underemployment may differ from objective underemployment, particularly for older workers (Feldman, 2000). Therefore, although an older worker may be underemployed from an objective standpoint in terms of being at a lower hierarchical level, being paid less, and not fully utilizing one's skills, it is possible that the subjective experience of underemployment is anchored in one's particular set of needs in accepting the bridge job. This makes it all the more important to understand both the objective and the subjective experience of underemployment.

## **Future Directions and Proposed Framework for Research**

Although there is a lot of evidence that older workers are underemployed with respect to earning losses, we have little information on whether older workers also experience higher levels of underemployment on the other indicators of objective underemployment as compared to younger workers. Therefore, expanding the study of other indicators or facets of objective underemployment (e.g., being employed in a lower hierarchical level, working fewer hours, being overqualified, and not being able to utilize one's skills) is an important next step to understanding objective underemployment among older workers. More empirical research is also needed on the antecedents of underemployment for older workers. For example, are older workers objectively underemployed because their firm-specific human capital is no longer valued, or because they are subject to discrimination and stereotyping? Unemployed workers (young or old), depending on their level of financial stability, will experience varying levels of pressure to take the first new job offer they receive, even if it is not the most suitable or comparable. However, older workers have a higher need for retirement savings as well as a greater urgency for health benefits. As such, older workers, particularly if facing financial hardship, may be less choosy and be more likely to take any job, even if it leads to objective underemployment. They may also be less geographically mobile and less willing to relocate. Thus, older workers face a double disadvantage: the derailment due to uncontrollable job loss and negative perceptions of older workers that exacerbate underemployment.

Figure 5.1 shows a conceptual framework of relationships that can be used to guide future research on underemployment among aging workers. It is proposed that underemployment among older workers can arise in three different forms:

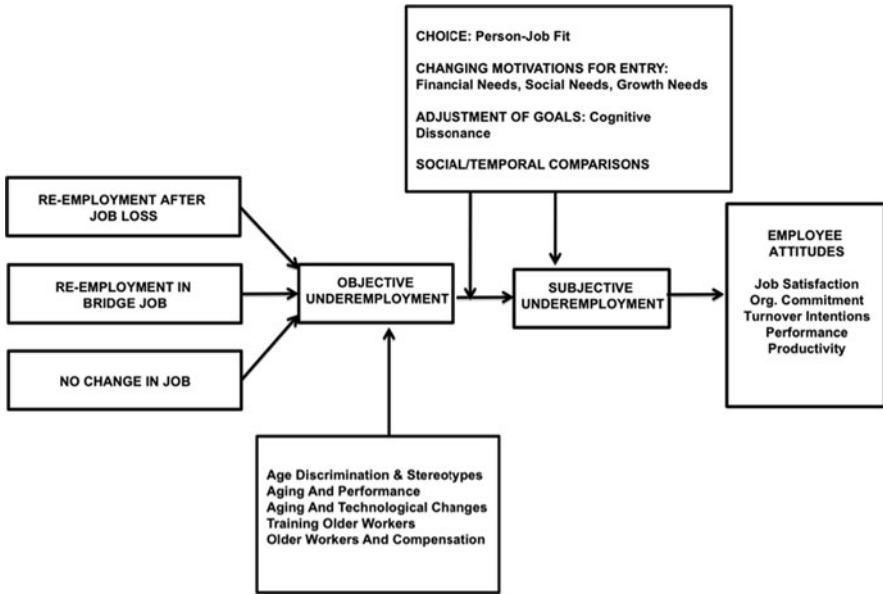


Fig. 5.1 Career interruption model of underemployment among older workers

re-employment after a job loss, re-employment after retirement in a bridge job, and continued employment in their regular career job. As mentioned earlier, underemployment can occur due to stereotypes ranging from those about age and declining performance, age and resistance to adopting new technology, age and training barriers, and the commonly held belief that older workers are more expensive. However, it needs to be emphasized that these factors operate not only under the precipitating events of job loss and bridge employment. They may also occur even when an individual does not have a career interruption, but experiences a career plateau by being employed in the same job for a long period without any lateral or upward movements. Evidence also indicates that older individuals are more likely to experience career plateaus than younger workers (Allen, Poteet, & Russell, 1998; Armstrong-Stassen, 2008). This makes them more vulnerable to underemployment.

Being objectively underemployed clearly will lead to negative attitudes among employees. However, as shown in Fig. 5.1, following previous research, we propose that the relationship between objective underemployment and employee attitudes is mediated by subjective underemployment, implying that the subjective experience of underemployment may have a closer relation to outcomes (Feldman et al., 2002; McKee-Ryan, Virick, Prussia, Harvey, & Lilly, 2009). Subjective underemployment is described in detail in the next section, and it is proposed that for older workers certain factors such as choice, changing motivations for entry, adjustment of goals, and social comparisons will moderate the relation between objective and subjective underemployment.

### ***Subjective Underemployment***

Subjective underemployment is an individual's interpretation of his or her employment situation and is important because subjective interpretations of an employment situation by an individual are much more likely to be aligned with attitudes and behaviors (Khan & Morrow, 1991). Subjective underemployment, often explained using the theory of relative deprivation, or a feeling of doing a job for which one is overqualified, is experienced when an individual feels that he or she should have a better job than the one he or she is currently employed in (Feldman, 1996; Khan & Morrow, 1991). Subjective underemployment therefore captures the subjective discrepancy between one's actual and desired work situation and may result in feelings of being deprived. As such, it is conceptually distinct from objective underemployment.

Relative deprivation has been shown to mediate the relation between underemployment and organizational outcomes among re-employed executives (Feldman et al., 2002), as well as among adjunct faculty (Feldman & Turnley, 2004). In this latter study, Feldman and Turnley (2004) found that younger adjunct faculty experienced higher levels of relative deprivation, suggesting that for contingent jobs, younger employees may have unrealistic expectations and feel more frustrated than older employees who may see this as a desirable option as they phase out of the workforce into retirement.

McKee-Ryan et al. (2009) demonstrated that objective and subjective underemployment were distinct constructs. Although they did not look at the effects of age, they found that objective underemployment was strongly related to subjective underemployment among laid-off workers who were subsequently re-employed. Furthermore, they found subjective underemployment to be a more proximal antecedent of employee attitudes than objective underemployment. Their test of mediation indicated that subjective underemployment fully mediated the relationship between objective underemployment and organizational commitment and intention to quit. Subjective underemployment also partially mediated the relationship between objective underemployment and job satisfaction. There has therefore been a growing interest, particularly among industrial and organizational psychologists, to take a more serious look at subjective underemployment when trying to understand employees' reactions and attitudes to their jobs.

### ***Moderators of the Relation Between Objective and Subjective Underemployment***

Subjective underemployment is largely, but not completely, influenced by objective underemployment. The strength of relationship between objective and subjective underemployment among older workers may be influenced by employee choice, employee motivations for entry, cognitive dissonance, and social comparisons.

## **Employee Choice and Person–Job Fit**

In building a framework that suggests greater attention to subjective underemployment, Maynard et al. (2006) looked to the literature on person–environment fit. The theoretical underpinnings of person–environment fit are based on the assumption that the greater the fit or congruence between the person and his or her environment, the more positive the outcomes (Kristof, 1996).

In the context of underemployment, the relevant domain of fit is person–job fit. Person–job fit assumes that the degree of fit between the person and the job will be positively related to employee attitudes such as job satisfaction and organizational commitment. Using this framework, Maynard et al. (2006) highlight that when it comes to evaluating fit, it is important to consider choice or employee desire. They suggest that a work situation should not be considered underemployment unless the worker prefers a different arrangement, pointing out that underemployment occurs only when there is a mismatch between the needs of the employee and the job. Furthermore, this mismatch can best be evaluated by making a distinction between objective and subjective underemployment. Two studies by Maynard and colleagues demonstrate that workers who voluntarily choose to work part-time have higher levels of satisfaction than those who work part-time despite preferring full-time employment (Maynard & Joseph, 2008; Maynard, Thorsteinson, & Parfyonova, 2006). Thus, it is important to understand how having a choice may weaken relationships between objective and subjective underemployment.

## **Motivations for Entry**

The person–job fit incorporates the needs of the person and provides a strong rationale for taking into consideration whether the employee has a choice. In addition to choice, it is also important to consider the specific motivations of workers, also referred to as motivations for entry (Feldman & Turnley, 2004). The literature on motivations of older workers argues that older workers have different motivations to work, such as financial need or the need for social interaction (Adams & Rau, 2004; Kanfer, Wanberg, & Kantrowitz, 2001; Mor-Barak, 1995).

According to Carstensen's (1998) socio-emotional theory, motive changes across adulthood transpire as a result of the reorganization of goals. Research shows that older adults are less career motivated than younger adults (Ebner, Freund, & Baltes, 2006; Warr, Miles, & Platts, 2001). Dendinger et al. (2005) noted that older workers' motivation to work stems from a desire to have social status, social interaction, and some structure in their lives, and to feel productive. In a theory-based examination of the meaning of work, Mor-Barak (1995) found that four factors explained the meaning of work among older adults: financial, personal, social, and generativity. The generativity factor was unique to older workers, since it refers to viewing work as a way to share skills and teach younger workers. Loi and Shultz (2007) found that financial motivation and desire for full-time jobs was stronger for mid-career and displaced workers and least important to retirees. Capowski (1994) found older workers who continue beyond retirement age do so to nurture their self-esteem, while Valentine, Valentine, and Dick (1998) found that intrinsic motivation factors (such as personal enjoyment, satisfaction, and job challenge) enhanced the attitudes

of older workers more significantly than extrinsic motivation (such as reward and praise).

Thus, it appears that although the number of older workers willing to do part-time work is growing, many desire and derive the greatest satisfaction from doing meaningful work (Eichar, Norland, Brady, & Fortinsky, 1991). Many older workers place a high value on work schedules, and often wish to move from a job with low flexibility to one that has high flexibility (Johnson et al., 2009). In the context of underemployment, Feldman and Turnley (2004) tested specific motivations such as work–family balance and scheduling flexibility as motivations to entry, and found that those who accepted contingent employment with the goal of better work–life balance experienced lower levels of relative deprivation. Therefore, motivations for jobs are an important antecedent to subjective underemployment.

### **Coping Goals and Cognitive Dissonance**

Coping goals have been defined as “an individual’s desired end result that he or she seeks to accomplish in response to a perceived harm/loss or threat” (Latack, Kinicki, & Prussia, 1995, p. 323). In the context of job loss, McKee-Ryan and Kinicki (2002) suggest that those who lose their jobs make choices about their coping goals, and that overall well-being depends on whether or not there is a match between the goal and the outcome. If there is a mismatch between goals and outcomes, it leads to negative outcomes as empirically demonstrated by Hamilton, Hoffman, Broman, and Rauma (1993) in their study of unemployed autoworkers.

Furthermore, it is also important to understand that people may adjust their goals. Unemployed individuals who struggle with trying to get re-employed understand that they may not be able to attain work-related goals. Older unemployed workers, for example, adjusted their goals to reflect lower career growth (Niessen et al., 2009). Goal adjustment may result from cognitive dissonance, such that when an individual has two conflicting cognitions or has a cognition that is inconsistent with a behavior, he or she will experience discomfort and seek to reduce it (Festinger, 1957). Thus, unemployed older workers who are unable to find a job may reduce dissonance by deciding that they really do not desire employment, but rather seek to retire.

This is also true among those who have found re-employment, but are underemployed. After making the choice of accepting the job, they may marshal and alter thoughts, beliefs, and attitudes to make their behavior (which cannot be changed) and their thoughts (which are malleable) congruent (Festinger, 1957). This is consistent with Ng and Feldman’s (2009) argument that older workers may rationalize and view their employment contract as more malleable. All these psychological processes underplay whether or not a match will occur between coping goals and outcomes.

### **Social and Temporal Comparisons**

Festinger (1954) also proposed that in the absence of objective standards, people assess themselves by making comparisons with others. Such self-appraisal incorporates two types of comparisons: social comparisons, which occur when individuals

compare themselves to others (either another person or to a group; Suls, Marco, & Tobin, 1991), and temporal comparisons, which occur when individuals compare outcomes over time. Ferring and Hoffmann (2007) note that these comparisons may be a way for older individuals confronted with irreversible losses due to aging to cognitively adapt to a situation. When making comparisons, individuals may experience a sense of being better (downward comparison), worse off (upward comparison), or the same (lateral comparison).

Depending on the referent used, older individuals may respond differently to objective underemployment. Feldman et al. (2002) have suggested situations where people can use multiple referents and may experience greater or lesser relative deprivation as a result. For example, the question for older laid-off workers is, do they compare their re-employment quality to that of other older laid-off workers or to that of all laid-off workers (both young and old)? When experiencing an uncomfortable or distressing event, people often shift the basis of comparison (Tesser, 1988). It has been suggested that older people adjust their criteria of success and failure as a way of maintaining their overall life satisfaction (Baltes & Baltes, 1990). Research has also shown that when people make downward comparisons (i.e., when they compare themselves to those who are worse off than themselves), they may see their situation in a more positive light (Buunk, Oldersma, & De Dreu, 2001). It has also been suggested that self-enhancing social comparisons such as these become more salient with age (Heckhausen & Krueger, 1993).

Others note that temporal comparisons are particularly salient for older individuals since they are especially likely to experience greater life changes (Suls et al., 1991). This may depend on the relationship between their current and previous jobs. For example, an older worker holding a bridge job within her occupation is expected to have some level of expertise by virtue of her experience. Such experience may be valued by the organization, and the individual may experience some degree of satisfaction in sharing her knowledge while knowing that she is transitioning toward withdrawal from the workforce. However, the bridge employee may not have the same privileges she enjoyed previously. Since the bridge job is fairly similar to her pre-retirement job, the comparison between the previous job and current bridge job may be very salient. This may possibly enhance feelings of underemployment. On the other hand, when a person holds a non-career bridge job (one unrelated to his or her pre-retirement job), the comparison between the bridge job and the past career job becomes less salient.

## Conclusion

Given increasing trends in labor force participation among older workers, understanding the implications of an underemployed older workforce is important for organizations that seek to compete in a global marketplace. When older workers choose a particular type of employment situation, it is not safe to assume that they will be unhappy if they are objectively underemployed. Rather, the nuances of underemployment described in this chapter need to be taken into consideration.

Some factors become more relevant to older workers as they approach retirement, and older workers may have different motivations and may seek different things from a job than a younger person.

When more and more women entered the workforce, organizations sought to enhance their work–life balance policies to make the work environment more family friendly. Along the same lines, as older workers continue to remain in the workforce, organizations should seek to enhance their work culture to make the environment more friendly to them. If organizations wish to retain some of their retiring workers, they have to design bridge jobs that are attractive. This will not only help older individuals transition into retirement but also make them valuable, productive, and satisfied members of the organization. Organizations should also understand their biases when hiring older workers and be watchful of their own tendencies to discriminate against older individuals, particularly in hiring practices.

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# Chapter 6

## A Review of Women's Experiences of Three Dimensions of Underemployment

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**Keywords** Women · Underemployment · Part-time · Gender wage gap · Domestic labor

Concerns about the prevalence of underemployment have grown with rising educational attainments and economic slowdowns in most industrialized countries. However, women have been facing underemployment for some time. Familiar terms abound to describe the experiences unique to women in the paid labor market (e.g., glass ceiling, sticky floor, old boys club, pay equity, occupational ghetto, pink collar, double day, and second shift). These terms suggest the reasons for women being more at risk of underemployment. Systemic discrimination, occupational and job segregation, wage inequality, the sexual division of unpaid labor, and more limited returns on education and experience all challenge a woman's ability to achieve labor market equity with her male counterparts because they prevent the full usage and recognition of her knowledge, skills, and abilities (KSAs).

These issues have received considerable attention in the popular press and the academic literature over the past five decades. However, they have yet to be discussed under the unifying theme of underemployment. This chapter presents a complete picture of the underemployment risk faced by women through an assessment of their experiences in the formal, paid labor market. In particular, based on the conceptualizations of Feldman (1996) and Livingstone (2009), I discuss three dimensions of underemployment: pay-based, time-based, and skill-based.

The chapter begins with an overview of several important trends that act as a backdrop to women's underemployment experiences. Next, the literature on the three dimensions of underemployment is reviewed. Ultimately, I conclude that the impact of domestic and reproductive work constrains women in their paid work experiences due to power relations in the home and work, 'family friendly' government and employer policies, gender ideology, and individual choice. The chapter closes with a discussion of challenges that still exist in documenting the underemployment experiences of women and highlights the fact that definitions of underemployment to date capture only *paid* work in the *formal* labor

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market and *formal* learning experiences. This negates the lived experience of most women in which unpaid work and informal learning experiences play a critically important role.

## Labor Force and Educational Trends

An examination of the prevalence of underemployment among women is particularly relevant given the trend toward increased female labor force participation and increased attainment of secondary (i.e., high school) and tertiary (i.e., college) levels of formal schooling (Krahn & Lowe, 2002). Together, these trends put more women in the workforce with advanced qualifications and place them at greater risk for underemployment.

The participation of women in the formal sectors of the paid labor force has increased dramatically in the last 60 years. In Canada and the USA during that time, the labor force participation rate (LFPR) for women doubled to two-thirds of the population (Fullerton, 1999; Bureau of Labor Statistics, 2010; Statistics Canada, 2010). Women account for 40% of the global workforce (Catalyst, 2010a), and in recent decades the labor force growth has been higher for women than men in all regions of the world except Africa. These increases are most notable among women aged 25–35, who tend to be married with young children.

Explanations for the increase of women's LFPRs across industrialized countries include declining fertility rates and increased female control over fertility (Hakim, 2004; Bergmann, 2005), equal opportunity legislation and other government and employer policies, the erosion of the family wage and subsequent need for dual-income families (Duffy & Pupo, 1992), the rise of the service sector and more 'female friendly' work settings (Hakim, 2004), and changing social norms around maternal roles and women's career aspirations. Much of the increase in female LFPR has been in part-time or other nonstandard employment (Cranford, Vosko, & Zukewich, 2003). This work has been consistently described as more precarious than traditional full-time work.

Coupled with the rising participation of women in the labor force is their increasing educational attainment. Though both men and women of Generations X and Y have more formal education than the generations preceding them, the rise has been sharper for women. Among OECD countries, 80% of women aged 25–34 years have attained upper secondary education compared to 63% of women aged 45–54 years. Seeing similar gains, the proportion of women aged 25–34 with tertiary-level qualifications has surpassed that of men (37% vs. 30%; OECD, 2009).

Also relevant to the discussion of underemployment is the gendered division of domestic labor. Women still perform the majority of the unpaid reproductive and caring labor of the home (Hochschild, 2003; Fuwa & Cohen, 2007). Theories of power relations link this sexual division of domestic work to the financial resources of the spouses (Ross, 1987), where men's share of female-type tasks is inversely related to the ratio of men's earnings to total family income (Estes, Noonan, & Maume, 2007). The sharing of domestic work becomes more equal as the income

of the secondary earner (typically the female spouse in heterosexual partnerships) increases (Anxo, 2003; Estes et al., 2007). Men also perform a greater degree of routine housework when their female spouses have longer employment histories, though relative income and hours of work are stronger predictors (Cunningham, 2007).

Situations of a completely egalitarian division of household labor, though, are rare regardless of the woman's income level. Women who enter full-time paid employment spend the least amount of hours on domestic tasks when compared to women working part-time and full-time homemakers, but the work that is dropped by these women is not completely compensated for by the rise in men's contributions (Bianchi, Milkie, Sayer, & Robinson, 2000). As well, women retain more complex tasks such as the organization and planning of household schedules (i.e., appointments, external activities, and daily routines) while men pick up specific and isolated tasks, often only when asked (Daly, 2002). The lack of movement toward gender equity in the home is important to the following discussions of underemployment because domestic, caring, and reproductive work – the double day or second shift (Hochschild, 2003) – is often put forth as a barrier to women's equity in the labor market.

## Three Categories of Underemployment

### *Pay-Based Underemployment*

According to human capital theory, the overall male–female earnings differential is due to differences in the educational attainment and labor market experience of men and women. Therefore, the gap should be closing over time as women achieve higher levels of secondary and tertiary schooling (Krahn & Lowe, 2002) and experience fewer and shorter labor market interruptions. A growing number of women with young children return to the paid labor force rather than staying at home (Hochschild, 2003). More women also have access to parental leaves that give job protection and reduces their need to quit and drop out of the labor force when their children are born. Similarly, women have greater access to and ability to pay for the growing expense for child care for their young children (CBC, 2005; Baccari, 2010) so they can return to work (Duffy, 2007). Finally, strides have been made to eliminate intentional discrimination, and pay and employment equity programs have been created to address systemic discrimination.

However, women still experience pay-based underemployment. According to Feldman (1996), workers face pay-based underemployment if they earn 20% less than a previous job or, for new graduates, 20% less than the average of their graduating cohort. If this definition is extended to a comparison of the male and female wages in the same occupations (therefore with the same human capital requirements), women experience pay-based underemployment across most occupational groups. In 1985, Tipps and Gordon found that women were twice as likely to receive inequitable pay vis-à-vis males with similar human capital characteristics. The data



**Table 6.1** Median full-time earnings for selected occupations, by sex

Occupation	Male earnings	Female earnings	Male–female earnings differential (%)
All occupations	\$46,778	\$35,830	23
Professional occupations in health	\$101,680	\$64,381	37
Senior management occupations	\$85,522	\$65,961	23
Specialist managers	\$75,239	\$60,043	20
Other managers	\$70,023	\$57,519	18
Professional occupations in natural and applied sciences	\$68,251	\$57,863	15
Sales and service occupations	\$28,956	\$19,723	32
Chefs and cooks	\$23,156	\$20,057	13
Occupations in food and beverage service	\$20,015	\$15,931	20
Occupations unique to agriculture, excluding laborers	\$19,644	\$14,824	24
Cashiers	\$18,717	\$17,612	6

*Source:* Statistics Canada (2006)

in Table 6.1 from the 2006 Canadian Census present a similar picture. It presents the yearly salary by sex for full-time workers in the five highest- and five lowest-paying occupations in Canada and shows women's wages to be less than 20% of men in many cases (see also Krahn & Lowe, 2002 and for US data, Bergmann, 2005).

Bergmann (2005) and other dual market theorists (Krahn & Lowe, 2002; Phillips & Phillips, 1993) attribute the gender pay gap to labor market segregation. Specifically, industrial or horizontal segregation confines women to particular sectors of the labor market and occupational or vertical segregation confines women to the lower ranks of particular jobs within an occupation (Evans, 2002; Scott-Dixon, 2004). With respect to the former, women are over-represented in clerical, administrative, and service- and health-related positions (Bergmann, 2005; Legault, 2009). As such, in some ways men and women operate in separate labor markets that dictate different wages. Due to restricted size and scope and generally lower recognized skill requirements and productivity levels (Acker, 2006; Armstrong & Armstrong, 1994), the female labor market becomes crowded and wages become depressed (Bergmann, 2005).

Legault (2009) notes that the gender pay gap is particularly persistent in jobs that require the lowest educational levels and are the most highly gender segregated. There was a narrowing of the gap among the university graduates in her sample (24 to 20% from 1997 to 2008), while the rate was slightly slower for those with high school diplomas (30 to 27%) and practically stagnant for those with no high school diploma (39.4 to 39.2%). Legault also documents how equal access programs such as pay and employment equity are the most ineffective in low-skill, low-pay jobs because they tend to be nonunionized and in the private sector where such policies are not enforced.

Though the gender pay gap has been narrowing for highly educated women in male-dominated industries, it is still large. For example, female professors earned 82% of their male counterparts in 2005 (Canadian Association of University Teachers, 2010). And despite gains, women are still under-represented in SET (science, engineering, and technology) industries as a whole and particularly in the higher-status, higher-pay jobs within traditionally male-dominated industries (Wynarczyk & Renner, 2006). The liberal feminist strategy of obtaining the necessary human capital has not reduced the vertical and horizontal segregation of these occupations (Define, 1992) and this places women at risk for both pay-based underemployment and skill-based underemployment (discussed in the section below). Women made up almost half of the law students in the USA in 2007–2008, but in 2009 they represented only 32% of lawyers and 19% of law firm partners (Catalyst, 2010b). Women earned about 35% of MBAs in 2008–2009 in the USA and Canada and hold half of managerial, professional, and related positions, but only 13.5% of Fortune 500 top executives (Catalyst, 2010b) and 15% of corporate board members were women (Catalyst, 2010a; see Sealy, Vinnicombe, & Singh, 2009 for UK data). Women managers are most often middle or line managers and tend to manage women in female-dominated occupations (Coyle, 1995; Krahn & Lowe, 2002; Livingstone & Pollock, 2009), whereas most men are managed by other men.

In an account of women in the information technology industry, Scott-Dixon (2004) noted that women have made inroads only because of the feminization of many aspects of IT work. Women are not found in 'hard' technical jobs, but in work that requires 'soft' and helping skills stereotypically associated with women: user-testing, usability and design, call centers and help desks, Web design, and technical writing (see also Crump, Logan, & McIlroy, 2007). These feminized IT jobs are more likely to be contingent (though billed as flexible), lower-waged, benefit-free, and devalued as compared to 'core' IT work where men still dominate (Scott-Dixon, 2004). Work requiring high emotional labor is often underpaid vis-à-vis commensurate jobs (England, Budig, & Folbre, 2002). Even emerging forms of work such as new media are highly gendered despite work characteristics that might lend to easier work–life balance for women (Perrons, 2003), though Chasserio and Legault (2010) note that the approaches to project management that are prevalent in the IT sector are particularly disadvantageous to women.

An increasing body of literature explains the gender pay gap and industrial and occupational segregation by the gendered division of domestic labor. Powers (2003) found that domestic labor tasks account for 19% of the gap between male and female earnings in professional, managerial, and technical occupations. Motherhood has also been associated with a wage penalty for certain racial groups (Glauber, 2007). Women in most industrialized countries are delaying marriage and families to achieve high levels of formal education and establish their careers (Cobb-Clarke & Dunlop, 1999; Drolet, 2001). However, reproductive and domestic work undermines their efforts as it serves as a barrier to promotion (Cobb-Clarke & Dunlop, 1999) and to achieving high-level jobs within their occupations and organizations (Krahn & Lowe, 2002; Livingstone & Pollock, 2009). Livingstone and Pollock (2009)

reported that female managers spend twice as long per week as male managers in unpaid household tasks, while male managers spend an average of five additional hours per week in their paid jobs than their female counterparts. It is illustrative that recent popular articles that report higher wage rates for women than men refer to the young, single, and childless status of those women (Roberts, 2007; Dougherty, 2010; Intini, 2010).

Pratt and Hanson (1991) discuss the role of domestic labor in creating occupational segregation. They argued that because of their domestic responsibilities, women choose jobs with particular characteristics: that is, proximity to home, having complementary hours (to their spouse's job and other time-based needs), and being flexible or part-time. These jobs tend to be in female-dominated occupations and exhibit greater pay inequality. Therefore, women face a narrower range of job choices due to the structure of the labor market and their domestic time constraints and this places them at greater risk for pay-based underemployment.

### *Time-Based Underemployment*

Time-based underemployment occurs when individuals are working fewer hours than they desire. This issue is particularly relevant to women due to the rise in part-time and nonstandard work, the low quality of that work in general, and women's predominance in it (Armstrong & Armstrong, 1994; Cranford et al., 2003; Duffy & Pupo, 1992, 2000; McGovern, Smeaton, & Hill, 2004; OECD, 2008).

Tipps and Gordon (1985) used two measures to conceptualize underemployment through inadequate hours. They found that women are more likely to be involuntarily part-time than men of the same racial background. Women were not found more likely to have intermittent employment in their study. However, mothers who are making a transition from welfare to work seem to face high degrees of underemployment through intermittent employment and inadequate hours (Lein, Benjamin, McManus, & Roy, 2005). Single mothers and families with children are more likely to be underemployed and among the working poor because very few mothers leaving welfare can obtain a full-time, high-wage job. Lein et al. (2005) reported that only nine out of the sample of 99 had near full-time employment and that this was gained through multiple jobs; 34 faced consistent underemployment in the informal or formal sector and 24 had intermittent employment.

Yu (2002) found similar challenges for mothers at midlife who attempt to return to work after their children are older. Family lifecycle and family-work conflict theories contend that women enter part-time work at particular stages in their lives due to specific ideologies around domestic and reproductive responsibilities (see Blair-Loy, 2003). Malenfant, LaRue, and Vezina (2007) interviewed women who said they 'chose' to give priority to their relationship or family life and as a result took on more precarious, but arguably more flexible, employment. Hakim (2004) also noted that women stay in part-time work because they prioritize nonmarket activities. However, Yu (2002) argued that these perspectives imply that part-time work is transitional and that women can move between full-time and part-time at

no cost whenever they choose. However, as will be discussed below, women face penalties for taking part-time work and these jobs often become a trap.

Women's time off for child rearing puts them at a strong disadvantage in the 'permanent employment model' of most advanced market economies. Women who have left the labor market manage to re-enter the part-time ranks much more readily than the full-time ranks (Yu, 2002; Lein et al., 2005). Yu (2002) noted that it is much easier and more common for women to transition from full-time to part-time than the other way around. Also, women who remain in full-time jobs while they bear and rear their young children (due to their access to adequate maternity leave) are more likely to be found in full-time employment than those who must leave the market (Yu, 2002). Similarly, Gash (2008) found that women in Denmark and France are less constrained to part-time work than women in the UK because of its more supportive policies around maternal employment.

The issue of choice presents a particular challenge when determining time-based underemployment and complicates any normative judgments that may be directed against women in different situations. For example, VandenHeuvel (1999) reported that 78% of women in his sample chose to work part-time and did not want to work more hours. Liberal feminists would argue that this self-reported 'choice' must be interpreted within a complex web of individual, family, societal, and institutional constraints that reinforce sexual divisions of labor and keep women tied to the reproductive work of the home (Barker, 2005; Bergmann, 2005; Blair-Loy, 2003; Spain & Bianchi, 1996; Weisberg & Buckler, 1994).

Many of these arguments presuppose that the most optimal route to gender equality is for women to operate in the labor market similarly to men – that is, to have the same access to human capital development and full-time work. In this vein, even *voluntary* part-time or reduced hours may be seen as a form of skill-based underemployment in the sense that the latent abilities of these women are being underutilized in domestic work. Socialist feminists, on the other hand, argue that women do not need to become like men in the labor market; rather their unpaid work should be revalued (Barker, 2005). As Warren (2008) found great variation in the working-time contentment of female part-timers, the subjectivity of underemployment, the heterogeneity of women, and the rationalizing 'myths' they form around their choices must be acknowledged (Hakim, 2004; Hochschild, 2003).

That said, even voluntary part-time work can lead to other dimensions of underemployment. MacDermid, Lee, Williams, Buck, and O'Sullivan (2002) presented several cases of female professionals and managers who cut back their work hours to cope with the 'double day' of paid and unpaid work, and to increase their flexibility to achieve work-life balance. These women had the power and privilege to obtain reduced schedules that were on average 17 h less than their regular work hours. The success rate of these arrangements was relatively high; however, those who were less satisfied with their arrangements attributed their feelings of dissatisfaction to underemployment. Many reported that their upward mobility was on hold until they returned to full-time work; that they were given less interesting, visible, or stimulating assignments; that they could not take on certain projects or professional development opportunities; and that they were missing out on networking

opportunities. Women in unsuccessful reduced load arrangements reported subjective underemployment due to feelings of isolation and to unsupportive bosses and coworkers who did not assign them work, did not take them seriously as committed colleagues, and did not respect their schedules. Such perceptions that part-time workers are less committed to their careers are related to glass ceiling effects (Wenger, 2001).

The greater domestic burden that is placed on women seems central to perceptions of time-based underemployment. Notably, Bender and Skatun (2009) found more time-based underemployment among the men in their sample (70% versus 47% for women). However, this is likely because of the fact that men remain the primary earners and therefore desire and require full-time hours (Hakim, 2004). Factors such as being married, having children at home, and having a higher family income were all related to a desire for fewer hours among women. Marriage and children at home did not affect men's desires regarding number of work hours (Bender & Skatun, 2009). The probability of time-based underemployment increases with the age of dependent children (Kjeldstad & Nymoen, 2010). As children get older, women want to work more hours and any constraints, such as those outlined above, translate to involuntary reduced hours.

Industrial and occupational segregation is also closely linked to time-based underemployment. Kjeldstad and Nymoen (2010) found that 3 out of 4 women are employed part-time, that being employed in female-dominated jobs increased underemployment for both sexes, and that women in general are four times as likely to experience time-based underemployment than men. The authors concluded that these findings were not due to individual differences in gender roles or work preferences, but to systematic differences in the participation of men and women in various segments of the labor market (see also Barrett & Doiron, 2001). Part-time work is concentrated in a very small segment of the labor market that is dominated by women. As Wenger (2001) noted, half of the women who work part-time do so in 4% of the industries in the labor market as a whole. Only one-third of female employees work full-time work in those industries. These jobs are the lowest paid and the lowest skilled; therefore, it does not seem likely that this concentration is due to an individual preference for these specific jobs. Gender differences in time-based underemployment are significantly reduced when men and women are working in the same labor market and same type of job (Kjeldstad & Nymoen, 2010).

Time-based underemployment is also associated with pay- and skill-based underemployment. For example, hourly wages for part-time women workers are 20% less on average than full-time women workers when controlling for education, experience, and family structure (Hudson, 2000). Part-time work also offers limited human capital advantages in terms of labor market experience. Concoran, Duncan, and Ponza (1984) showed that staying in the labor force as a part-time worker gave no more advantage to wage growth than dropping out completely and returning at a later date. Evidence also suggests that part-time workers see lower wage returns on their qualifications than full-time workers (Kalleberg, 2000). These studies highlight that part-time work offers relatively little in the way of advancement opportunities, responsibility, decision-making authority, and challenge, and cannot be counted on

to lead to wage increases, upward mobility, or re-entry into full-time work (see also Yu, 2002; Krahn & Lowe, 2002). Indeed it may act as a signal to future employers and further cement workers on their current 'career' paths (Rainbird, 2007).

### ***Skill-Based Underemployment***

Skill-based underemployment actually comprises a set of distinct dimensions. Here, I discuss six gaps between employee and work situation: talent use, general knowledge, credential, performance, relevance, and subjective gaps. The talent use gap reflects "educational discrimination against youths from poorer economic class backgrounds, as well as those with subordinated race, gender, or other ascriptive characteristics, in terms of their chances to attain qualifications before entering the job market" (Livingstone & Pankhurst, 2009). The general knowledge gap refers to the KSAs that workers acquire through their myriad job experiences, which often exceeds the requirements of any specific job (Livingstone & Pankhurst, 2009; Weststar, 2009a). The credential gap is the match between education attained and education required for entry into the job (Feldman, 1996; Livingstone, 2009). The performance gap is the match between the education attained and that needed to perform the job, whereas the relevance gap refers to the degree to which the focus of one's education is related to the content of the job. Finally, the subjective gap is an omnibus measure of individuals' perceptions of the match between their qualifications and job requirements (Livingstone, 2009).

### **Talent Use and Relevance Gaps**

For women in industrialized countries, the rates of educational achievement have never been higher (Krahn and Lowe, 2002). That said, the talent use gap is still manifest in two ways. First, industrial segregation has roots in education segregation (Valentova, Smidova, & Katrnak, 2007 as cited in Livingstone et al., 2008). A lack of women in educational programs related to specific industries and occupations will naturally preclude them from gaining employment in those areas, particularly in a labor market that increasingly values formal credentials. A case study of engineering and science fields in the UK points to the gendered nature of educational choices that lead to those fields (Define, 1992).

The arguments explaining gendered educational choices can be summarized in two camps. Those that emphasize agency theory focus on the choices of girls and women. This approach takes as a starting point the early socialization of girls and women that steers them away from SET jobs toward careers deemed acceptable for women (Glover & Fielding, 1999; Radsma, 2009). Children's clothing and toys provide ample anecdotal evidence. Women may also actively turn away from jobs in which they know they will be out of place and alienated (Cockburn, 1987, as cited in Glover & Fielding, 1999). Interventionist solutions have abounded to try to change girls' and women's perceptions of SET fields and frame them in a light more

appealing to females. The second argument is most often taken up in feminist literature; it places the blame on the stereotypically masculine agenda of the SET fields that reinforce patriarchy, male dominance, and the exclusion of women (Glover & Fielding, 1999). Characteristics of the jobs themselves – long work cultures, competitiveness, hostile coworkers and managers, and expectations, norms, and rewards for careerism and uninterrupted work patterns – may discourage women from even enrolling in educational programs in these areas (Chasserio & Legault, 2010; Define, 1992; Scott-Dixon, 2004).

Glover and Fielding (1999) distinguished between ‘getting in’ to a particular field and ‘getting on’ in that field. In recent years, more women have gained access to the previously male-dominated fields of law, medicine, and management. But the numerical parity in these occupations masks the vertical sex segregation that remains. In medicine, the decision to specialize is often gendered, with women emphasizing patient interaction and fewer hours (i.e., general practice and internal medicine over surgery) and consequently being less expectant than men of high salaries (Bergquist et al., 1985; McFarland & Rhoades, 1998). Women are reported to be five times more likely to practice medicine part-time than men, arguably due to their family-based priorities (McFarland & Rhoades, 1998). In science fields, both getting in and getting on have been slow to reach gender parity. Glover and Fielding (1999) reported that 25% of women got into science, engineering, and technology programs in the UK in 1994 as compared to 46% of men. As discussed, women in these programs were more likely to take jobs of lesser status and pay and that arguably utilized fewer of their educational qualifications than men. They were less likely to hold professional jobs in their fields, more likely to be teachers (and at the elementary rather than secondary level), and less likely to be managers compared to male graduates.

Women with advanced degrees who take jobs in less specialized and less technical areas will also experience a relevance gap (and, incidentally, credential, performance, and pay gaps). Conversely, women who obtain more general or liberal education without specific careers in mind (Hakim, 2004) are also more likely to report that their education then bears little relation to their jobs. Such is also the case with jobs that require more diffuse skills such as those in the services or administration that are more populated by women. Pratt and Hanson (1991) found that women who ‘choose’ jobs in either female-dominated occupations or the more female-friendly jobs that have become available within male-dominated industries de-prioritize the fit of the job with their education or qualifications and focus instead on job characteristics that help them overcome domestic scheduling problems. Men, on the other hand, tend to choose jobs based on the opportunity for promotion and the match with their skill set.

Women who leave the labor market for child rearing may also find a greater relevance gap when they return if the value of their education has expired (i.e., in rapidly changing fields) and they must find other work. Indeed, many women workers in fast-paced jobs are at risk of decreased relevance of their education, training, and prior work experience even with short-term leaves. Without some effort at maintenance over the course of their leave, they could return to work without the

necessary skills and knowledge, which would negatively impact their performance. To date there has been limited research on these specific topics.

Barriers to informal and formal training opportunities is the second manifestation of the talent use gap for women (Cohen, 2003; Rainbird, 2007). Cooke, Zeytinoglu, and Chowhan (2009) found that low-wage, less educated, and nonunion workers are least likely to receive employer-sponsored training (see also Rainbird, 2007). Further, in each of these groups, women are less likely than men to receive training. They also found that women in nonpermanent jobs are half as likely to receive training as those in permanent jobs and that women in professions are twice as likely to receive training as women in nonprofessional jobs. These distinctions do not hold true for men. However, across their data as a whole, there are no significant training differences for women and men. Cooke et al. (2009) therefore suggest that the gender training barrier may be tied not to explicit discrimination, but rather to the overrepresentation of women in the groups that are denied employer-sponsored training (i.e., labor market segmentation). Where training is accessed, it is often highly discounted in pay and promotion considerations (Rainbird, 2007; Scherer, 2004).

Georgellis and Lange (2007) reported similar findings. They drew on discrepancy theory, equity theory, and social exchange theory to explain that training is perceived as a broken psychological contract between women and their employers because women do not receive the same career development and occupational mobility benefits from training as do men. Wonacott (2000) reported that women are under-represented in apprenticeship programs and gain less benefit from them. It is important to note here that unions tend to increase the participation and success of women in apprenticeships (Berik & Bilginsoy, 2006) and are also associated with higher incidences of education and training for workers overall (Livingstone & Raykov, 2005). Declining union density rates, therefore, could have even stronger detrimental impacts on women's access to training and their rates of underemployment.

### **General Knowledge Gap**

Workers acquire knowledge, skills, and abilities (KSAs) through various learning mechanisms throughout their work experience. Therefore, it follows that workers will often have reservoirs of working knowledge that exceed the requirements of any given job (Livingstone & Pankhurst, 2009; Weststar, 2009a). While this is true of all workers, women may face some additional challenges in accruing any benefits from their reserves of general knowledge. In a review of call centers, Hunt (2004) noted that women were less likely than men to use the experience gained at the call center to move into managerial ranks, lateral jobs with higher status, or jobs external to the call center such as with the parent or client companies. Scherer (2004) examined this phenomenon with respect to the impact of first jobs on later careers. She refuted the proposition of human capital theory (as well as career mobility theory and internal labor markets) that workers accept unchallenging jobs, low-pay jobs, or jobs below their qualifications or abilities in exchange for training and experience that will lead to advancement (Sicherman, 1991). Rather, Scherer (2004) used labor



market segmentation theory and signaling theory to explain how difficult it is for workers to break the pattern of marginalization set by these early job choices.

The above noted research is classified under the general knowledge gap because each case highlights how a failure to win recognition of the broad working knowledge acquired through previous work experience can trap workers in their jobs, occupations, or industries. This is particularly relevant in the absence of other markers of expertise such as additional formal credentials, continuous advancement through employer-sponsored training, promotions, and career continuity. As noted, women are more likely to have mixed histories with respect to these markers. This argument is supported by the work of Corcoran et al. (1984), who found no wage benefit for part-time work, and Yu (2002), who argued that part-time jobs are often not transitions to full-time jobs. It is possible that in each of these cases, the general knowledge obtained through part-time work is discounted in the full-time labor market. The same discounting of the applicability of knowledge is made in regard to unpaid domestic and reproductive work carried out predominately by women. It has been argued that better recognition of the complexity of this work and corresponding credit for it in educational and work spheres would greatly benefit most women (Caplan & Schooler, 2006; Eichler, 2005).

### **Credential, Performance, and Subjective Gaps**

There is very little research that examines gender- or sex-based differences specifically in terms of credential, performance, or subjective underemployment. Most research that explicitly included sex or gender as a variable of interest used widely different conceptualizations of underemployment or discussed skill-based underemployment more broadly. Some of these studies can shed light on these issues nonetheless.

Tipps and Gordon (1985) measured inadequate skill utilization in terms of overeducation and marginal jobs. Their overeducation was an objective measure of the credential gap that compared educational attainment with General Educational Development (GED) scores for the respondent's job. Tipps and Gordon found that women are less likely to be credentialed underemployed than men across all four racial groups studied. Marginal jobs were defined as those with skill requirements of 3 months or less according to the Directory of Occupational Titles (DOT) and were theorized to represent those typically found in the secondary labor market. As can be expected, women did not fare as well on this measure. Across all racial groups, women were considerably more likely to be in marginalized jobs than men. White females fared the best at 13.9%, as opposed to 21.7% for black females and 21.9% for Mexican American females. White men had the lowest rate at 5.3%. Conversely, Brown and Pintaldi (2006) concluded that women are almost twice as likely to be underemployed than men (3.2% versus 1.7%), using a skill-based underemployment measure constructed from a credential gap assessment and their respondents' reported desire to leave their jobs.

In asking whether women are at particular risk for overqualification, Renes and Ridder (1995) showed that sex discrimination exists in hiring practices; women

required about 6 months more experience to be hired for the same job as men. Renes and Ridder argued that women represent a greater cost to employers because of their increased probability of leaving the labor market. Since employers can no longer account for that risk through lesser wages (due to pay equity and antidiscrimination legislation and norms), they penalize women through increased hiring standards. Women are therefore underemployed because they have 6 months of additional work experience (and the corresponding KSAs) that the job does not necessarily require. This is a slightly expanded conceptualization of the performance gap which is typically only computed as the difference in formal schooling attained and needed to perform the job. Renes and Ridder's findings point to extra 'education' that must be gained through work experience which is consistent with the general knowledge gap.

In a theoretical article about the antecedents and consequences of underemployment, Feldman (1996) hypothesized that women will experience more underemployment than men. He cited several articles in support. For example, Weitzman (1985) found that divorced women who had been out of the labor market raising their children have a greater risk of credential underemployment upon re-entry because they lack work experience. They are penalized for the gap in or lack of work experience by taking a job that is lower than their educational qualifications warrant. Newman (1988) reported greater downward mobility among women, and both Marshall (1984) and Nowak and Snyder (1983) found that women who have been laid off have more difficulty finding suitable employment than men.

Rosen (1987) noted that women may be more likely than men to accept jobs with lower wages as they balance work and their family obligations. Jobs with lower wages do not necessarily mean they are jobs that require lesser qualifications to access or to perform; however, the general assumption under human capital theory is that wages increase with attributed credentials and educational attainment. Thus, women who take jobs with lower wages are likely to be taking jobs that offer less responsibility, autonomy, creativity, and status. As Bergmann (2005, p. 94) noted: "A secretary in a job with low wages and low-priority duties has low productivity, not because she has low potential, but because she has been penned into the secretarial pool by exclusion from other jobs she might have filled." Given rising educational attainment rates, women may be at increased risk of credential and performance underemployment if they are not given access to commensurate jobs.

One clear example of the performance gap is provided by women who experience sequential segmentation (Pratt & Hanson, 1991). To accommodate the working schedule of their spouse and the care needs of their children, these women often work the second or third (i.e., night) shift. This essentially removes these women from the nexus of organizational activity in the workplace, which occurs in more standard working hours. Women reported that their jobs ask less of them than the same jobs on the day shift. It also has implications for the pay gap due to the glass ceiling effect. Women who cannot work daytime hours are overlooked for managerial or administrative promotions and have more limited internal mobility.

There has been some discussion about how credential and performance gaps translate into subjective underemployment. Where there is often close overlap

between credential and performance gap numbers, self-reports of subjective underemployment are often lower. Though some explanations that account for both sexes have been proposed (see Green & McIntosh, 2007; Weststar, 2009b); women may be more likely to experience a form of cognitive dissonance (Festinger, 1957) and rationalize their choices. On the other hand, the structuralist perspective suggests that women who experience credential or performance gaps because they have actively chosen a particular job that allows them to gain fulfillment or balance in other life areas may report less subjective underemployment.

Duffy and Pupo (1992) have noted the substantial benefits that women gain from working as opposed to being full-time homemakers. The part-time women workers they interviewed reported greater outside stimulation and support, greater self-esteem, greater economic independence, and also improved health because the job is seen to be time for themselves. Rainbird (2007) also noted that women who work in low-wage, low-skill jobs in the public service find great satisfaction in the role their jobs play in society. The structuralist perspective, however, is that choice in employment is a luxury denied to most women. Instead, women are forced into non-standard work or jobs that are lesser than their credentials or abilities due to systemic discrimination and institutional barriers in the labor market, the uneven sexual division of paid and unpaid labor, and the consistent undervaluing of 'women's work.' Women who interpret their choice in this way may therefore be more likely to report subjective underemployment. More research is needed in this area.

The Canadian Work and Lifelong Learning (WALL) survey conducted with a random sample of over 9,000 individuals in 2004 (see [www.wallnetwork.ca](http://www.wallnetwork.ca)) provides data on the credential, performance, and subjective gaps; however, no systematic analysis has been conducted concerning potential sex differences. Based strictly on frequencies of the raw data, there does not appear to be much difference between men and women. In both groups, roughly 35% of the sample are credentially underemployed, 30% face performance underemployment, and 27% report subjective underemployment.

A slightly different picture is presented when the employment trends of women are considered. Given the dominance of women in part-time and temporary work and their segregation into specific occupations, it is important to look at these frequencies as well. These data highlight that people who work part-time, who are in temporary work, and who work in sales and service occupations face higher credential, performance, and subjective underemployment (see Table 6.2). Brown and Pintaldi (2006) also reported that service sector workers are the most likely to have skill-based underemployment.

Most part-time and temporary jobs, as well as jobs in the highly feminized sales and services sectors, tend to be more proscribed in terms of managerial control and routinized tasks. These characteristics lead to greater performance underemployment because workers have less opportunity and control to draw on their reservoir of KSAs and fit their abilities to their work (Livingstone, 2009; Weststar, 2009b). They also lead to more credential underemployment because only general qualifications are required for entry and those qualifications tend to be lower. Professional and technical occupations, on the other hand, tend to have lower levels of credential

**Table 6.2** Credential, performance, and subjective gaps by hours worked, work status, and sector

	Credential gap (%)	Performance gap (%)	Subjective gap (%)
<i>Hours<sup>a</sup></i>			
Part-time	42	39	37
Full-time	33	30	26
<i>Work status<sup>b</sup></i>			
Temporary	38	34	35
Seasonal	34	28	32
Permanent	31	30	27
<i>Occupational class</i>			
Professionals	20	20	20
Service workers	36	36	32
Industrial workers	33	33	30

<sup>a</sup>Working 30 h or less is considered part-time

<sup>b</sup>Work status is a self-report measure

underemployment due to specific and advanced educational requirements for the job (Livingstone, 2009).

Radsma's (2009) study of clerical workers highlights the case of a specific group of mostly female workers in a highly feminized occupation, but it is informative of the situation of many female workers. On all dimensions of credential, performance, and subjective underemployment, service workers are found to be more underemployed than other workers and clerical workers register even higher levels than the average service worker (Radsma, 2009). Most clerical jobs do not need a formalized set of qualifications, but creeping credentialism and high competition for a declining number of 'good' jobs means that clerical workers must continually increase their credentials in whatever way they can to stay on top of the applicant pile. This serves to increase the underemployment of these workers as the jobs are not being upskilled to keep pace – rather, most are being continually deskilled or eliminated altogether by new technologies (Radsma, 2009).

## Conclusion

Labor market inequalities should decrease with rising participation of women in the labor market and rising educational attainment by women. Pay and employment equity programs are working slowly to reduce systemic discrimination in hiring and wage setting in some segments of the labor market. Similarly, work by governments, employers, and unions to create supportive policies for pregnancy and parental leave and family-friendly work schedules keep more women in the paid labor force and more upwardly mobile. In terms of the credential and performance gaps, women seem to face no more underemployment than men when they occupy the same jobs with the same entry credentials.

That said, this good news does not apply to all women. Pay equity and employment equity programs do not reach all workers, typically missing those in the lower ranks of the private sector. These workplaces are also the least likely to have family-friendly employment policies and union protection. Poor parental leave supports and inadequate child care force women out of the paid, formal workforce to care for their young children. This gap is penalized upon re-entry. Furthermore, occupational and job segregation are still very apparent in the labor market and will continue to shunt women into jobs that are part-time, lower waged, and nonunionized, and offer less in terms of responsibility, autonomy, and opportunity to expand KSAs. Job segregation and the structure of male-dominated jobs also push women into subspecialties or career paths that seem to be a better fit with their domestic and reproductive responsibilities. Regardless of changing societal and occupational norms around gender roles, the reality is that women carry a larger burden of domestic and reproductive labor and they face a large cost for this in the paid labor market.

The issue of rational choice often dominates the debate on women's equality. It would be fruitful to seek solutions that can sidestep the quagmire of academic debate about whether women choose jobs with lower wages, lower skill requirements, lower responsibility, and fewer hours to fit their desired lifestyle and ideologies or whether societal, familial, and institutional dictates leave these jobs as the only option for many women. Regardless of how or why women get to these jobs, once in them they are more at risk to experience forms of underemployment and the corresponding negative consequences on their mental and physical health, their future job prospects, and their ability to make a contribution.

It is unlikely that women actively choose to be marginalized and underutilized; therefore the focus should be on how to 'fix' nonstandard jobs to better utilize talent and to devise new economic and social solutions for the current market system. The liberal feminist perspective that women should enter and participate in the labor market like men under the system of human capital seems not to be working. Socialist feminists would argue that an alternative is to revalue unpaid and informal labor and informal learning in the domestic sphere vis-à-vis the formal marketplace (Barker, 2005; Eichler, 2005).

This raises a fundamental problem with the conceptualization of underemployment in terms of market-based work and formal learning only. When women are full-time homemakers or working part-time it is easy to say they are underemployed because of the assumption that only full-time paid work can fully utilize their KSAs or that the ultimate goal is to match education with work in the paid labor force. But the reality is that many women (and also men) are engaged in informal work and learning activities that are fulfilling to the individual, the family, the community, society, and the economy. These activities are not included in the current understanding of underemployment and not recognized nor valued in the modern market economy (Eichler, 2005).

Future research in this area, then, would do well to explore definitions of 'under-work' as opposed to underemployment that can capture the experiences of all women from full-time homemakers to full-time workers, including the self-employed (Arai, 2000). Similarly, more attention is needed on the true impact

of policy interventions to assist women in overcoming underemployment. There is evidence that current work–life balance programs and equity programs are not removing the stresses and barriers that women face. Though positive on the surface, it has been noted that these policies may actually reinforce gender stereotypes and gendered divisions of labor in the household. They place women rather than men in the home, caring for the children and carrying out domestic duties (Fuwa & Cohen, 2007). Work–life balance programs that include flexible work schedules just put more responsibility for organizing the work on the shoulders of the employee and they do not address the core problem of long work hours (see Livingstone & Pollock, 2004). A final concern is that mechanisms that allow women to pass the burden of domestic care to others so that they can engage in the ‘real work’ of the paid marketplace simply shift problems of underemployment to a new set of female workers. Appelbaum, Bailey, Berg, and Kalleberg (2002) suggest a new shared work–valued care model that could address some of these issues.

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# Chapter 7

## Underemployment Among Minorities and Immigrants

Tim Slack and Leif Jensen

**Keywords** Ethnicity · Foreign-born · Immigration · Race · Second-generation

The share of the U.S. population comprised of non-white racial/ethnic minorities has increased dramatically in recent decades, and will continue to do so for decades to come. Due in large part to the impact of immigration, the U.S. Census Bureau estimates that non-whites will represent the numeric majority in the United States starting sometime between 2040 and 2050, an event that has been dubbed the “majority-minority crossover” (Ortman & Guarneri, 2008). These trends strongly suggest that the economic well-being of racial/ethnic minorities and immigrant populations will be an increasingly salient question in the twenty-first century, not just for the members of such groups, but for American society as a whole. Indeed, with the overwhelmingly white baby boomers now beginning to reach retirement age, it will increasingly be non-white workers who will support the entitlement programs (i.e., Social Security and Medicare) upon which older Americans have come to depend after leaving the labor force.

One important way to conceptualize economic well-being is underemployment—the degree to which workers are *not* employed full-time (or at least the number of hours they wish to be working) at jobs that pay above-poverty-level wages. Among the most prominent methods used to measure underemployment is the Labor Utilization Framework (LUF). Originally formulated for application in international contexts (Hauser, 1974), Clogg and Sullivan (Clogg, 1979; Clogg & Sullivan, 1983; Sullivan, 1978) designed a LUF measure for use in the United States that is tailored to the country’s most comprehensive national-level labor force survey, the Current Population Survey (CPS).

Starting in 1994, the CPS survey instrument added new questions on the place of birth of the parents of each individual within sampled households. This made it possible to differentiate between the foreign-born (i.e., the first generation), the native-born children of the foreign-born (i.e., the second generation), and the native-born children of native-born parents (i.e., the third and higher generations). Researchers have begun to take advantage of this new feature of the CPS to examine differences between the first, second, and third generations in adulthood (Farley &

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Alba, 2002; Jensen & Chitose, 1997; Smith, 2003), and to explore underemployment across immigrant generations specifically (Jensen, 2001; Slack & Jensen, 2007). Such analyses underscore the diversity of experiences of the first, second, and third and higher generations, especially as influenced by race, ethnicity, country of origin, and citizenship status. Further, studies that have considered the experiences of black (predominantly native) and Hispanic (regardless of nativity) workers have shown that members of these groups face persistently higher levels of underemployment than do their non-Hispanic white counterparts (Lichter, 1988; Slack & Jensen, 2002).

In this chapter, we contribute to this body of research by extending empirical attention to the first decade of the twenty-first century—a turbulent economic period culminating in a deep recession—and by providing a more comprehensive appraisal of the joint impact of race/ethnicity and immigrant status. We begin with an overview of the existing literature on this topic, drawing out issues related to the rigidity in racial/ethnic stratification, trajectories of assimilation, and social justice in the U.S. labor market. We then provide a descriptive snapshot of where racial/ethnic minorities and immigrants stand in the U.S. labor market at the beginning of the twenty-first century by examining group differences in the prevalence of underemployment from 1999 to 2009. Last, we conclude with a discussion of implications.

## **Theoretical and Empirical Considerations**

### ***Race and Ethnicity***

Racial and ethnic inequality and the processes and dynamics of migration are inextricably bound (Bean & Stevens, 2003; Lee & Bean, 2010). Arguably nowhere is this more apparent than in the history of the United States (Lieberson, 1980). Epochs of colonial invasion and European expansion, forced migration through slavery, and massive waves of immigration coming in sequence from all corners of the globe have seen race and ethnic groups collide, compete, and struggle. In a dynamic invariably suffused with relationships of dominance and subordination, one result has been a continual history of social and economic inequality along race and ethnic lines. Though race/ethnic stratification and immigration are highly intertwined, it is worth considering each in turn.

Social scientists in the United States have had an abiding concern with race and ethnicity, including both what these terms mean and the often stark inequalities that exist between race/ethnic groups (Feagin & Feagin, 2008). While conventional definitions are contested and in flux, we invoke the term “race” to refer to differences between whites, blacks, and Asians—race categories used by the U.S. Census Bureau in the data we analyze here and, demographically speaking, the major race groups in the United States (unfortunately, there are too few Native Americans in our data to analyze them separately). We also use the term “ethnicity” principally in

reference to the circumstances of those who claim Hispanic ethnic origin, a group that chiefly self-identifies as being of the white race. Fifty years from now, the concepts and measures of race and ethnicity may bear little resemblance to today's, but for now they remain the basis of sharp inequalities that spark academic and political attention. This concern is motivated in part by the fact that the persistent economic disadvantages faced by minorities challenge the popular ideal that American society is meritocratic; that success is based on the things achieved in life, not ascribed characteristics such as race and ethnicity. Apart from fundamental social justice concerns, social scientists also study the level and trends in race/ethnic inequality as indicators of the permeability of the U.S. stratification system and the nation's progress toward becoming a more open society with equal opportunity for upward social mobility (Hirschman & Snipp, 1999).

The greatest share of the social science research devoted to understanding racial/ethnic stratification has been focused on black–white inequality. Here, the work of William J. Wilson (1978, 1987, 1996) has been highly influential. Though recognizing the overt oppression of blacks through the antebellum period, Jim Crow, and into the mid-twentieth century, Wilson (1978) holds that the late 1900s marked a new era in race relations. The Civil Rights Movement at mid-century eroded racial barriers to economic mobility and allowed many African Americans access to the middle and upper classes. To be sure, not all blacks prospered following these social movement victories. Indeed, much of Wilson's research has focused on the bifurcation of black America between those who have achieved mobility and an inner-city "underclass"—the latter a group mired in persistent poverty and residing in places lacking stable living-wage employment, resulting in a myriad of forms of social disorganization (e.g., crime, family breakdown). While not uniformly accepted (Feagin, 1991), the provocative implication of Wilson's thesis was that the significance of being black per se was decreasing and that the disadvantages of the urban underclass were increasingly questions of social class and the uneven spatial distribution of decent jobs. In this sense, American society was becoming more racially just and meritocratic. With regard to educational attainment, white-collar employment, and earnings, evidence mounted that black–white inequality was indeed on the decline (Farley, 1984; Sakamoto, Wu, & Tzeng, 2000).

Regarding race/ethnic inequality in employment hardship in particular, the evidence is mixed. Farley (1984) reports no narrowing of the black–white gap in unemployment rates (with blacks suffering far higher rates) from 1960 to 1980, and Fairlie and Sundstrom (1999) actually report a widening gap into the 1990s. In a study focusing on race/ethnic differences in underemployment for the period from 1968 to 1998, we documented substantial and persistent black–white inequality in the prevalence of underemployment, with evidence of a slight narrowing over the period (Slack & Jensen, 2002). Notably, our study also examined Hispanics, and demonstrated a widening of Hispanic–white inequality in underemployment. Indeed, our analysis showed that Hispanics surpassed blacks in underemployment prevalence during this period. This shift was accounted for in part by trends in immigration, a topic to which we now turn.

## *Immigration and Immigrants*

The United States is unquestionably a nation of immigrants, a notion captured years ago by Oscar Handlin (1951, p. 3) who wrote, “Once I thought to write a history of the immigrants in America. Then I discovered that the immigrants were American history.” This history has been marked by several highly influential waves of immigration (Martin & Midgley, 2003). The first great wave of immigration (1820–1900) was comprised principally of those arriving from northern and western Europe. These newcomers readily blended into the emerging society, in which the existing white population was of a similar ethnic stock, and were largely economically successful. The second wave (1860–1930) overlapped with the first and was distinguished by a shift away from northwestern European origins to southern and eastern Europe. In appearance, religion, and origins they differed noticeably from previous arrivals, making it more difficult to immediately assimilate. Despite evidence that second wave immigrants proved to be economically successful (Lieberson, 1980), perceptions of negative social and economic consequences were strong. Nativist sentiment gave rise in the 1920s to the National Origin Quota System which greatly restricted immigrant flows from all regions of the globe but northwestern Europe. The quota system and the Great Depression caused a lull in immigration during the period spanning from 1930 to 1965. The third great wave of immigration (1965–present) followed legislation in 1965 that replaced the quota system with a system that provided a more equitable worldwide distribution of visas, increased the overall numerical ceiling on immigration, and prioritized family reunification as a criterion for entry. Immigration flows increased greatly as a result, with the country of origin composition shifting toward Latin America, Asia, and other developing regions.

Echoing negative sentiment toward the second wave, the third wave has spawned discontent among some segments of the native-born population and is a source of ongoing policy debate. In the end, whether this most recent wave is viewed as beneficial or detrimental will depend in part on how the first generation and their children—the second generation—fare in the U.S. economy and, particularly, the labor market. Several factors pose challenges to this success, including a decline in human capital among immigrants relative to natives, a labor market in which job quality is increasingly bifurcated into high- and low-skilled work, and a new social welfare regime that has increased the supply of low-wage workers and restricted the access of legal non-citizens to public assistance (Hagan, 2004; Smith & Edmonston, 1997). These challenges gain even greater salience considering that the economic well-being of immigrants hinges especially strongly on their employment circumstances. Evidence suggests, for example, that earnings (versus public assistance and other sources) comprise a greater share of immigrant than native family income (Jensen, 2001; Jensen & Chitose, 1997), and family workers other than the head are especially important to the economic well-being of immigrant families (Jensen, 1991).

How well the first and second generations do economically has implications for competing theories and scholarship on immigrant incorporation as well. At issue is whether optimistic or pessimistic views of socioeconomic trajectories are warranted

(Farley & Alba, 2002). Optimism that today's second generation will be successful is buoyed by prevailing policies that outlaw discrimination on the basis of race, ethnicity, nativity and the like, as well as better opportunities for immigrant women. Coupled with the record of immigrant success in the past (Lieberson, 1980), this optimistic view holds that models of a straight-line assimilation process (i.e., generational upward mobility and assimilation into the middle class) are reasonably valid (Alba & Nee, 1997; Perlman & Waldinger, 1997). A less optimistic standpoint looks to low demand for unskilled labor owing to industrial offshoring and other facets of economic restructuring, persisting discrimination against Latinos and others, and the gap between immigrants and natives in educational attainment, to call into question straight-line assimilation. Rather, it is argued that assimilation may be a segmented process (Portes & Zhou, 1993; Zhou, 1997). Such segmentation results in upward mobility for some immigrants (within and across immigrant generations) into mainstream middle-class society, upward economic movement but within ethnic enclaves for other immigrants, and downward mobility into a poverty stricken underclass for yet others.

While there has been a good deal of attention paid to immigrant economic performance in terms of earnings and occupational status (Borjas, 2000), research focusing on the prevalence of underemployment is relatively scant. This is surprising given the centrality of employment adequacy for overall economic well-being. Nonetheless, some research has explored these issues. Zhou (1993) found higher underemployment prevalence among some minority groups with high foreign-born concentrations (e.g., Mexicans and Chinese), although she could not focus specifically on nativity status in her analysis of 1980 Census data. Madamba and De Jong (1997) documented that in 1990, certain Asian groups (e.g., Asian Indians and Koreans) were more likely to be overeducated for their occupations (also called *job mismatch* or *overqualification*, a form of underemployment we do not examine here) than were native white men. Elsewhere, De Jong and Madamba (2001) reported higher rates of underemployment among immigrants than natives, but could not confirm especially high rates among minority immigrants.

Finally, we analyzed data for the period 1995 through 2004 and found higher prevalence of underemployment among first-generation immigrants compared to the second or higher generations—suggesting some evidence of an upward trajectory across immigrant generations. We also documented sharp inequalities between first-generation citizens versus non-citizens, the latter group suffering from very high underemployment (Slack & Jensen, 2007). To date, however, no one has fully examined the joint effects of race/ethnicity and immigrant status, and we do not have a full appraisal of the opening decade of the new century—a decade that concluded amidst a very deep economic recession.

### ***Common Elements of Employment Disadvantage***

Our aim here is to provide a contemporary statistical portrait of underemployment among immigrants and minority groups. While it is beyond the scope of this analysis

to statistically assess the causes of inequalities between groups or of trends over time, it is worth reviewing the ideas that have emerged from past research. We follow basic labor economics by assuming that there is a market that brings together a supply of workers and a demand for their labor. On the supply side, workers bring skills, education, and other forms of human capital to the market, which, when they can find work, they exchange for wages and other benefits. Employers bring jobs that likewise differ greatly in the skills they demand, the desirability of the work, the steadiness of the work, and so forth.

This simple model can be invoked to account for group differences in underemployment. Workers with less human capital will, other things being equal, have a harder time finding full-time work at decent wages, which is to say, they will have higher risks of underemployment. There is ample evidence, for example, that lower levels of education help to explain the higher rates of underemployment among blacks, Hispanics, and new immigrants (Slack & Jensen, 2002, 2007). Working against minorities are prejudice and discrimination, forces that run contrary to free labor markets. Multivariate studies of underemployment show that even after controlling for education and many other covariates, blacks and Hispanics are more likely than whites to be underemployed (Slack & Jensen, 2002). While this is at best suggestive of outright prejudice against minorities, audit studies reveal clear employer preferences for white over minority workers when given a choice (Darity & Mason, 1998). Finally, while evidence shows that immigrants—the first generation in particular—are beset by lower levels of educational attainment (Slack & Jensen, 2007), they also are challenged by lack of integration and acculturation into local labor markets. Notable here is the common problem of a lack of fluency in English, which is associated with labor market disadvantage (Park, 1999).

In addition to lower human capital and labor market discrimination, there is evidence that minorities are disproportionately plagued by problems of insufficient demand for labor in the labor markets in which they reside. Research by Richard W. Martin, for example, examines the exodus of jobs from America's central cities to its suburbs, with an emphasis on the spatial mismatch between where African Americans reside and where jobs are located. He finds that black unemployment was adversely affected by the suburbanization of jobs during the 1980s, while the effects in more recent decades are less clear (Martin, 2001, 2004a, 2004b). This work resonates with that of Wilson (1996) for whom the loss of good jobs is a key factor in the emergence of an African American urban underclass. This spatial mismatch is made all the more problematic in view of discrimination against blacks and Hispanics in housing markets (Page, 1995), which makes it difficult for minorities to simply move to the suburbs where the jobs are.

Interestingly, immigrants, particularly recent immigrants, tend to be more foot-loose and able to move to places where the structure of labor demand works in their favor. This is readily apparent in the movement of immigrants to small but emerging labor markets, or to places where meatpacking or other particular industrial niches that attract immigrant workers are present (Singer, 2004; Jensen, 2006). This movement does not necessarily make for low risk of underemployment—indeed, recent immigrants living in rural areas have quite high rates of underemployment due to



working poverty (Jensen & Yang, 2009)—but they are arguably better-off for having moved away from traditional “gateway” cities where immigrants have traditionally settled (Crowley, Lichter, & Qian, 2006).

## **Trends in Underemployment Among Racial, Ethnic, and Immigrant Groups, 1999–2009**

As noted at the outset of this chapter, the CPS—the nation’s most comprehensive data source on the U.S. labor force—is uniquely suited to measure underemployment and provides valuable information on race, ethnicity, nativity, and citizenship. Collected by the Bureau of the Census on behalf of the Bureau of Labor Statistics, the CPS is a monthly survey of approximately 50,000 U.S. households and all individuals residing within them. The March CPS, or Annual Social and Economic Supplement (formerly the Annual Demographic Survey), contains a wide array of socioeconomic and demographic variables that describe U.S. households, families, and individuals. We analyze concatenated (linked) data files from the March CPS for the period spanning 1999–2009 and thereby offer new analysis that carries the statistical record forward to the present day. We examine all individuals aged 25–64 years—those in the prime of their working years—who live in sampled households. The stratified cluster sampling design of the CPS necessitates the use of weights to produce reliable population estimates. Here, we use the March supplement person weights divided by their means to yield weighted case sizes that are approximately equal to the CPS sample size.

Our measures of underemployment, race/ethnicity, and immigrant status are operationalized as follows. Drawing on the LUF measure developed by Clogg and Sullivan (Clogg, 1979; Clogg & Sullivan, 1983; Sullivan, 1978), the operational states of underemployment that we use here are:

*Discouraged* includes individuals who would like to be employed but are currently not working and did not look for work in the past 4 weeks due to discouragement with their job prospects (official measures do not define these workers as “in the labor force,” as they are neither employed nor looking for work)

*Unemployed* is consistent with the official definition and includes those not employed but who (a) have looked for work during the previous 4 weeks, or (b) are currently on lay off but expect to be called back to work

*Low hours* (or involuntary part-time) is consistent with the official definition of those who are working “part-time for economic reasons” (i.e., those employed less than 35 hours or more per week only because they cannot find full-time employment)

*Low income* (or working poor) includes full-time workers (i.e., those employed 35 or more hours per week) whose individual average weekly earnings in the previous year were less than 125 percent of the individual poverty threshold

All other workers are defined as *adequately employed*, while those who are not employed and do not indicate a desire to be so are defined as *not in the labor force*. The latter group is not included in our analysis.

To measure race and ethnicity, we draw on questions tapping racial group membership and Hispanic ethnicity. Beginning in 2003, the CPS allowed individuals to identify themselves as members of more than one racial group. In order to create racial/ethnic group definitions that are roughly consistent over the period examined, from 2003 forward we limit our analysis to those identifying as non-Hispanic white only, non-Hispanic black only, Hispanic only, and non-Hispanic Asian only. The small number of individuals identifying as mixed-race and Native American are not included in our analysis.

Last, we utilize questions on individual place of birth, parental place of birth, and individual citizenship status to construct the following breakdown of immigrant generations. The first generation is defined as individuals who are foreign-born (not including those born abroad of American parents). Data are shown for the first generation as a whole, and for those who are citizens versus non-citizens separately. The second generation includes those who are native-born, but who have at least one foreign-born parent. The third (and higher) generations are those who are native-born and who have native-born parents. It is important to note that the CPS includes foreign-born individuals whose usual place of residence is the United States, but does not include information concerning likely permanence of residence or legal status beyond the citizen/non-citizen dichotomy. Therefore, while the CPS allows researchers to divide the foreign-born into those who are naturalized citizens versus those who are not, these data actually include foreign-born individuals falling into four broad legal status groups—naturalized citizens; legal immigrants; legal non-immigrants; and illegal immigrants—each of which realize different rewards and penalties in the U.S. political economy. Massey and Bartley (2005) provide an in-depth discussion of this issue for interested readers.

Table 7.1 shows the percentage of the labor force that is underemployed by race/ethnicity from 1999 to 2009. Examining within year differences by race/ethnicity shows one point clearly: white and Asian workers realize marked labor market advantages relative to black and Hispanic workers. Over the period examined, the prevalence of underemployment is roughly twice as high among blacks and Hispanics compared to whites and Asians. An average of approximately one out of every five black and Hispanic workers were underemployed over the decade, while among whites and Asians the prevalence of underemployment was only about half that level. We recognize that while the Asian advantage is real, it masks disadvantages among certain Asian groups, such as the Vietnamese, whose legacy as refugees has been a challenge. That said, except for highly aggregated comparisons (see Table 7.6), there are too few Asians in our data to provide refined analysis of various Asian groups.

Taken together, these differences illustrate the markedly unequal labor market experiences that exist across racial/ethnic groups in the United States. The numbers in Table 7.1 also illustrate that underemployment is countercyclical—when the economy is growing the prevalence of underemployment is lower, while during

**Table 7.1** Underemployment by race/ethnicity and year, 1999–2009

Year	White	Black	Hispanic	Asian
1999	9.6	18.3	20.3	12.7
2000	9.3	16.0	18.9	11.5
2001	9.1	17.1	18.3	10.2
2002	10.6	18.4	20.4	12.9
2003	11.2	19.1	20.4	14.4
2004	11.7	19.5	22.0	12.6
2005	10.9	20.3	19.1	11.7
2006	10.2	18.4	18.0	11.5
2007	10.1	17.2	18.0	10.8
2008	10.6	18.3	20.8	11.2
2009	16.2	24.6	29.7	16.4

*Notes:* All racial groups include those claiming that racial identity only. Individuals claiming a mixed racial identity are not included in these numbers. “Hispanic” refers to individuals claiming Hispanic ethnicity, regardless of race  
*Source:* March Current Population Surveys, 1999–2009

downturns, the prevalence of underemployment is higher. Notable in this respect is the impact of the Great Recession. Between 2008 and 2009, we can see a major increase in underemployment across all race/ethnic groups, with nearly 25 percent of blacks and 30 percent of Hispanics underemployed by decade’s end.

Table 7.2 shows the percentage of the labor force that is underemployed by immigrant generation from 1999 to 2009. A few key points stand out. First, those who

**Table 7.2** Underemployment by immigrant generation and year, 1999–2009

Year	Third generation or higher	Second generation	First generation		
			Total	Citizen	Non-citizen
1999	10.9	11.2	18.5	13.3	22.0
2000	10.4	10.8	16.6	11.7	20.1
2001	10.4	10.1	15.8	11.7	18.7
2002	11.9	12.0	18.3	12.8	21.9
2003	12.4	12.7	19.4	13.7	23.3
2004	13.1	12.8	19.2	13.5	23.2
2005	12.4	11.0	17.4	11.6	21.4
2006	11.6	11.6	16.0	10.9	19.5
2007	11.4	10.6	16.1	10.3	20.1
2008	12.0	11.2	18.7	12.4	23.1
2009	17.6	18.4	26.6	18.4	32.7

*Notes:* “Third generation or higher” refers to individuals who are native-born to two native-born parents. “Second generation” refers to individuals who are native-born with either one or both parents being foreign-born. “First generation” refers to individuals who are foreign-born and immigrated to the United States

*Source:* March Current Population Surveys, 1999–2009

are foreign-born are at a clear disadvantage relative to those who hail from a family that has lived in the United States for one or more generations. Over the entire decade, underemployment averaged nearly 19 percent among first-generation workers compared to approximately 12 percent among workers of the second and higher generations. Notably, the prevalence of underemployment among second-generation workers is shown to differ little from individuals of the third and higher generations. This is suggestive of a positive story of economic assimilation among U.S. immigrants, with the children of immigrants faring better than their parents. Of course, we are not controlling for education or other human capital differences between first- and second-generation individuals that might help account for the apparent advantage of the latter.

Another notable point is the particular disadvantage faced by first-generation non-citizens. Indeed, in many years, the underemployment rate among first-generation citizens is not markedly different than among second and higher generation workers, while underemployment among first-generation non-citizens is nearly double that of the other groups. Finally, Table 7.2 again confirms the countercyclical period effects on underemployment. The harsh impacts of the Great Recession stand out across groups, with more than a quarter of all first-generation immigrants and nearly a third of non-citizens being underemployed by the end of the decade.

Table 7.3 shows underemployment by type for the entire decade by race/ethnicity. The data again demonstrate the clear disadvantages realized by black and Hispanic workers vis-à-vis whites and Asians. Among whites, Hispanics, and Asians, the type of underemployment impacting the greatest share of workers is underemployment by low income, followed by unemployment, low hours, and discouragement, respectively. Among blacks, unemployment impacts the greatest share of workers, followed by low income, low hours, and discouragement. Importantly, what these data suggest is that across race/ethnic groups, underemployment is commonly a question of earning low wages despite significant labor market attachment or being

**Table 7.3** Underemployment by type and race/ethnicity, 1999–2009

Race/ethnicity	Percent underemployed				
	Total	Low income	Low hours	Unemployed	Discouraged
White	11.0	4.2	2.5	3.9	0.4
Black	19.0	6.4	3.5	7.8	1.3
Hispanic	20.8	8.5	5.3	6.4	0.6
Asian	12.5	4.9	2.7	4.1	0.8

*Notes:* All racial groups include those claiming that racial identity only. Individuals claiming a mixed racial identity are not included in these numbers. “Hispanic” refers to individuals claiming Hispanic ethnicity, regardless of race. Underemployment by “type” may not sum to “total” due to rounding

*Source:* March Current Population Surveys, 1999–2009

**Table 7.4** Underemployment by type and immigrant generation, 1999–2009

Immigrant generation	Percent underemployed				
	Total	Low income	Low hours	Unemployed	Discouraged
3rd Generation or higher	12.3	4.6	2.6	4.5	0.6
2nd Generation	12.2	4.2	2.8	4.7	0.6
1st Generation	18.6	7.7	4.7	5.6	0.7
Citizen	12.7	5.1	3.1	4.2	0.5
Non-citizen	22.7	9.4	5.8	6.6	0.8

*Notes:* “Third generation or higher” refers to individuals who are native-born to two native-born parents. “Second generation” refers to individuals who are native-born with either one or both parents being foreign-born. “First generation” refers to individuals who are foreign-born and immigrated to the United States. Underemployment by “type” may not sum to “total” due to rounding

*Source:* March Current Population Surveys, 1999–2009

out of work but actively searching for a new job. To the extent that policy makers and others emphasize unemployment exclusively, they are neglecting other important forms of employment hardship.

Table 7.4 has the same structure as Table 7.3, but is broken down by immigrant generation. Table 7.4 confirms the special disadvantage of first-generation immigrants, non-citizens specifically. As among race/ethnic groups, underemployment by low income and unemployment are the most prevalent types of underemployment, followed by low hours and discouragement, respectively. Low income work is especially pronounced among first-generation non-citizens, accounting for nearly half of the underemployment among that group of workers. Again, this suggests that despite a significant work effort, a disproportionate number of non-citizen workers are earning near-poverty level wages.

Table 7.5 explores how the prevalence of underemployment (the percentage suffering any form of underemployment) varies by immigrant generation and race/ethnicity during the decade. The pattern for whites and Asians is very similar, with underemployment rates close to 15 percent among first-generation non-citizens and approximately 10 percent among other generational groups. Among Hispanics, while underemployment remains high in comparison to whites and Asians, we see a pattern suggestive of positive economic assimilation, with the disadvantages of non-citizenship looming large among the first generation. Indeed, the prevalence of underemployment among first-generation Hispanic citizens differs little from second and higher generation Hispanic workers—approximately 16 percent are underemployed across these groups. On the other hand, nearly 28 percent of first-generation Hispanic non-citizens are underemployed. Last, among black workers, the data show high levels of underemployment regardless of immigrant status. In fact, among blacks, the lowest levels of underemployment are found among first-generation citizens.

**Table 7.5** Underemployment by type, race/ethnicity, and immigrant generation, 1999–2009

Race/ethnicity and immigrant generation	Total percent underemployed
White	
Third generation or higher	11.0
Second generation	10.1
First generation	12.7
Citizen	10.9
Non-citizen	14.5
Black	
Third generation or higher	19.3
Second generation	18.6
First generation	17.2
Citizen	12.8
Non-citizen	21.4
Hispanic	
Third generation or higher	16.0
Second generation	15.6
First generation	24.5
Citizen	15.9
Non-citizen	27.8
Asian	
Third generation or higher	9.9
Second generation	11.7
First generation	12.8
Citizen	11.3
Non-citizen	14.6

*Notes:* All racial groups include those claiming that racial identity only. Individuals claiming a mixed racial identity are not included in these numbers. “Hispanic” refers to individuals claiming Hispanic ethnicity, regardless of race. “Third generation or higher” refers to individuals who are native-born to two native-born parents. “Second generation” refers to individuals who are native-born with either one or both parents being foreign-born. “First generation” refers to individuals who are foreign-born and immigrated to the United States

*Source:* March Current Population Surveys, 1999–2009

Taken as a whole, these data tell a story familiar to students of racial/ethnic stratification in the United States. While similarly disadvantaged in the aggregate, the economic hardship among Hispanics is explained in part by their unique immigration experience, an experience that includes periods of outright recruitment into low-skilled and low-paying jobs in agriculture and other industrial sectors (Martin, Fix, & Taylor, 2006). In contrast, the economic hardship faced by blacks is related to the social legacy of slavery, Jim Crow, and systemic oppression unique to black Americans.

Finally, in Table 7.6, we show underemployment among first-generation immigrants by national origin for the decade. Table 7.6 lists the top ten nations of origin

**Table 7.6** Underemployment among the first generation by national origin, 1999–2009

National origin	Percent underemployed
Mexico	24.2
China	15.2
Philippines	10.5
India	10.4
El Salvador	23.7
Vietnam	16.8
Korea	11.3
Cuba	16.9
Canada	8.6
Dominican Republic	24.2

*Note:* The countries identified are the top ten nations of origin of current U.S. immigrants listed in rank order (i.e., Mexico is top nation-of-origin, China is number two, and so on). All have resident populations of 750,000 or more

*Source:* March Current Population Surveys, 1999–2009

among first-generation immigrants rank-ordered by size of immigrant population. All have resident populations of greater than 750,000 and in total represent more than 38 million people. Those of Mexican origin are by far the largest group—a total population of approximately 12 million—with those of Chinese origin representing a distant second place, with a total population of approximately two million (Grieco, 2010).

The data in Table 7.6 uncover a number of important across-group differences in the prevalence of underemployment. First, first-generation immigrants from Canada face the lowest underemployment of any national origin group. Indeed, first-generation Canadian immigrants show the lowest underemployment rate of *any* group examined in this entire analysis, a result which makes sense in view of the similarities in the structure of labor supply and demand between the United States and Canada. Canadian immigrants, versus those arriving from the developing world, are apt to be more readily employable. Second, those of Asian origin are shown to face markedly lower rates of underemployment compared to their Latin American counterparts, though clearly there is heterogeneity across Asian countries of origin. Over the decade, across first-generation Asian origin groups, underemployment averaged about 13 percent, while the comparable figure for first-generation Latin American origin groups was 22 percent. Notably, nearly one quarter of first-generation Mexican, Dominican, and Salvadoran immigrants were underemployed during the decade. Given the size of the first-generation Mexican immigrant population in particular, this disadvantage holds important implications for the contours and consequences of racial/ethnic stratification in the United States.

The analysis we have provided here is a descriptive portrait. We elected to focus on substantive group differences and not use inferential statistics. This decision was made both for the sake of accessibility and because in datasets as large as the CPS, even trivial substantive differences can reach statistical significance. It should be noted that previous research has shown the types of disadvantages outlined above to

hold in a multivariate context (e.g., Slack & Jensen, 2007). That is, while there are a range of other variables that help to explain the employment disadvantages faced by minorities and immigrants—lower levels of education on average, for example—these variables do not *explain away* the effects of race, ethnicity, and national origin. Furthermore, the workings of a stratified society make it the case that the ability to achieve particular arbiters of opportunity, like education, is not shared equally across social groups.

## Conclusion

In this chapter, we considered the question of underemployment among racial/ethnic and immigrant groups at the outset of the twenty-first century. We began with an overview of the existing literature on this topic, drawing out issues related to the rigidity in racial/ethnic stratification and trajectories of immigrant assimilation. We then provided a descriptive snapshot of the prevalence of underemployment by race/ethnicity and immigrant status from 1999 to 2009. Our analysis extends previous work by highlighting employment hardship during the most severe economic contraction since the Great Depression of the 1930s, and also provides a more comprehensive appraisal of the joint impact of race/ethnicity and immigrant status than has been conducted to date. We show that, at the outset of the new century, the U.S. labor market is characterized by clear cleavages relative to race, ethnicity, and immigrant status. Blacks, Hispanics, and non-citizens all face markedly higher underemployment than do workers who hail from other groups. Among Hispanics, the intersection of ethnicity and non-citizenship results in especially high underemployment; among blacks, high underemployment is the cruel reality regardless of immigrant status.

As noted at the beginning of this chapter, due in large part to the impact of immigration, the U.S. population is becoming increasingly racially and ethnically diverse, with minorities on track to surpass whites in relative numbers by mid-century (Ortman & Guarneri, 2008). While questions of racial and ethnic inequality and immigrant assimilation have always played an important role in the social history of the United States, the demographic trends at play at the outset of the twenty-first century portend that this will be increasingly true in the years to come. Indeed, the economic well-being of racial/ethnic minorities and immigrants will be pivotal—not just for the members of such groups, their families, and communities, but for American society as a whole.

In sum, high underemployment among blacks, Hispanics, and non-citizens, suggests that the contours of economic disadvantage in America continue to be determined in part by social statuses ascribed at birth (i.e., race, ethnicity, and national origin). This reality raises important concerns for American society going forward in the new century. A key concern here is social justice, as these inequalities pose challenges to the American ideal of a social meritocracy where achieved statuses like educational attainment matter most in getting ahead. Also of concern are the implications for the fiscal health of the nation. In an increasingly racially



and ethnically diverse society, with a rapidly aging white population dependent on a fragile entitlement system, the prospect of continuing to underutilize so many of the nation's workers is simply not sustainable. A pivotal challenge for America in the twenty-first century will be to continue to build on the progress of the past century in breaking down barriers to full and equal participation and facilitating social inclusion for minorities and newcomers. In short, the nation's ability to make good on the promise of its ideals and social contract depends on it.

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# Chapter 8

## Understanding Underemployment Among Contingent Workers

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**Keywords** Contingent work · Direct-hire temporary workers · Temporary agency workers · Independent contractors

Contingent workers, who do not have ongoing employment with a single organization, are an increasingly important component of the workforce in many countries (e.g., Batt, Holman, & Holtgrewe, 2009; De Cuyper et al., 2008; Mauno, Kinnunen, Mäkikangas, & Nätti, 2005). The proportion of workers with contingent work arrangements, alternatively known as fixed-term contracts, precarious work arrangements, or nonstandard employment contracts, are likely to increase, because these types of contracts present several advantages to employers. Specifically, organizations benefit from labor market flexibility, which enables them to match fluctuations in production and service requirements, and which in turn allows them to reduce labor costs and reduce managerial responsibilities (Houseman, 2001; Lepak, Takeuchi, & Snell, 2003; Nollen & Axel, 1996; Stanworth & Druker, 2006). This flexibility also allows employers to create an extended screening process for applicants for permanent positions (Bendapudi, Mangum, & Tansky, 2003).

Unfortunately, the advantages for contingent workers are less clear. These workers cope with increased job insecurity (De Witte & Näswall, 2003), potentially lower job satisfaction (Bergman, 2002), lower occupational health and safety outcomes (Collinson, 1999), and lower overall well-being (De Cuyper, Isaksson, & De Witte, 2005; Isaksson & Bellagh, 2002; Silla, Gracia, & Peiró, 2005). Although many individuals purposely seek contingent work arrangements in order to gain work experience, cope with family responsibilities, or as a short-term measure to deal with difficulty finding permanent employment (e.g., Ashford, George, & Blatt, 2007), the difficulties associated with contingent work are well documented.

Despite the growth in contingent workers, and despite the growing amount of research that examines these workers' experiences, the possibility that contingent workers may be at increased risk of being underemployed has received surprisingly little research attention. Indeed, what we know or believe about underemployment has been developed in the context of traditional employment relationships. In this chapter, we therefore discuss structural and theoretical reasons that may

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affect how three different types of contingent workers (i.e., direct-hires, temporary agency workers, and independent contractors) experience underemployment. Our chapter concludes with a discussion of the implications relating to contingent worker underemployment and offers practical suggestions for alleviating its negative effects.

## Definitions of Underemployment

Early definitions of underemployment suggested that contingent workers are necessarily underemployed. For example, Tipps and Gordon (1985) suggest that individuals who experience intermittent employment after having been continuously and regularly employed during the previous 5-year period are, by definition, underemployed. This approach is in contrast to the more comprehensive definition suggested by Feldman (1996, p. 387), which considers underemployment as that which is “an inferior, lesser, or lower quality type of employment . . . relative to some standard.” This definition is advantageous in that it provides more leeway to encompass worker’s perceptions regarding their employment situations, but these nuances may also make underemployment potentially more difficult to measure.

To facilitate our discussion, we will therefore adopt the more granular approach proposed by Maynard, Joseph, and Maynard (2006), who have extended the work of Feldman (1996) by proposing four dimensions of underemployment. They suggest that underemployment is present if: (1) workers possess more formal education, higher-level skills, and more extensive work experience than the job requires, (2) workers are involuntarily employed in a field different than their formal education, (3) workers are involuntarily employed in temporary, part-time, or intermittent employment, and (4) workers earn 20 percent or less than their previous jobs.

Furthermore, although some definitions of underemployment focus primarily on “visible” underemployment, where the extent to which an individual is underemployed can be objectively measured, there is an increasing acknowledgement in the research literature of the existence of “invisible” underemployment, which is more subjective (e.g., Kalleberg, 2008; Loutfi, 2001). Individuals may consider themselves to be underpaid or overqualified, even though they may not be considered underemployed by an objective standard. In this chapter, we regard both objective and perception-based measures as important to understanding the underemployment of contingent employees (e.g., Luskyte & Spitzmüller, this volume).

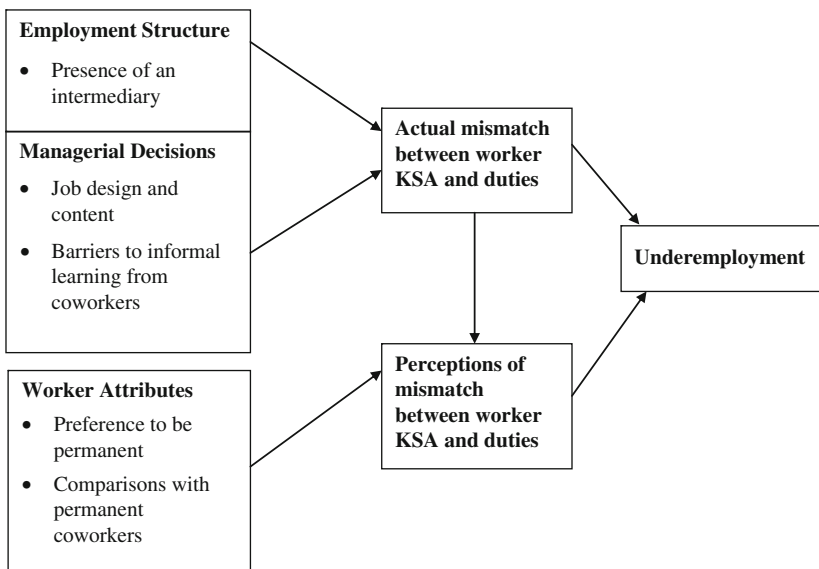
## Structural Reasons Why Contingent Workers May Be Underemployed

As noted above, contingent workers differ from permanent employees in that contingent workers lack an explicit expectation of a continuing employment contract or a predictable number of work hours (Gallagher & McLean Parks, 2001). Although some contingent workers might hope or believe that their employment relationships

with their employers will continue indefinitely, their legal employment contracts have predetermined end points with no automatic or enforceable renewal. This form of employment has been criticized for shifting the burden of risk from the state and economy to the individual worker (Standing, 2009; Gephart, 2002), yet it continues to grow in popularity as organizations seek greater flexibility (Reilly, 1998).

Contingent workers are a heterogeneous group; independent contractors have markedly different experiences than temporary agency workers or those who work for a single employer full-time (Connelly & Gallagher, 2004). In this section, we therefore discuss how the distinctive features of three types of contingent work may contribute to or mitigate these workers’ experiences of underemployment. We will focus our discussion on direct-hires, temporary agency workers, and independent contractors; specific definitions and defining features of these employment arrangements are discussed below. We then follow up with several characteristics common to all contingent work which impact the likelihood of underemployment.

In Fig. 8.1, we show how employment structures, management decisions, and worker attributes all contribute to contingent worker underemployment. The presence of an intermediary as well as issues relating to job design (i.e., contingent workers are not as likely as permanent employees to be assigned to tasks that require interdependence) may predict the mismatch between contingent workers’ knowledge, skills, and abilities and their actual assigned duties. These workers’ preferences for permanent employment and their comparisons with permanent employees in the same organization may further contribute to their perceptions of being overqualified.



**Fig. 8.1** Factors contributing to contingent worker underemployment

## *Direct-Hires*

The simplest form of contingent work is that of the “direct-hire,” “on-call,” or “zero-hour” temporary worker. These individuals are employed by a single organization, but unlike permanent employees they cannot expect a minimum number of hours of paid work on an ongoing basis. They may work either part-time or full-time hours (i.e., approximately 40 h per week), but the amount of paid work available to them is not guaranteed. For example, in many school districts, supply or substitute teachers are employed by the school board to fill in for different permanent teachers who are ill or otherwise unable to come to work. If, for some reason, there is no demand for the supply teacher’s services, he or she is not paid.

As noted above, workers will be underemployed if they hold higher levels of formal education, skills, or work experience than the job requires. Direct-hire temporary workers may indeed find themselves in this situation. Large, unionized, or highly bureaucratic organizations tend to use the employment of direct-hire temporary workers as a way to screen entry-level applicants (Uzzi & Barsness, 1998). For example, new teachers are often unofficially expected to work as supply (or substitute) teachers for a certain amount of time before being hired into a permanent position (where they remain on probation for another set period). In these cases, the number of eligible supply teachers exceeds the number of available teaching positions, and the individual school boards are able to require that successful applicants possess higher qualifications than those held by their permanent colleagues. As such, direct hires may be prone to experiencing both objective and subjective underemployment.

The second dimension of underemployment refers to workers who are employed in a different field than their formal training. Interestingly, this dimension of underemployment may not be particularly common among direct-hire contingent workers. As noted above, many firms use this type of employment arrangement as an employment screening mechanism; the workers who apply for these positions are generally trying to “break into” their preferred field. As such, direct-hire contingent workers may not be especially likely to experience this dimension of underemployment.

In contrast to the preceding two dimensions, the issue of whether or not contingent workers are voluntarily thus employed (i.e., “volition”) has received considerable attention in the research literature about contingent workers’ experiences. At issue is the extent to which contingent workers’ overall attitudes toward contingent employment, rather than their specific attitudes toward their employer or their work groups, may predict their work attitudes and behaviors. These investigations have been predicated on research suggesting a clear relation between workers’ preferences for part-time work and their work commitment (Morrow, McElroy, & Elliott, 1994). In general, we can state with some certainty that contingent workers’ preferences for contingent work is related to their affective commitment (e.g., Coyle-Shapiro & Morrow, 2006; Van Breugel, Van Olffen, & Olie, 2005), continuance commitment (e.g., Connelly, Gallagher, & Gilley, 2007), and satisfaction (e.g., Krausz, Brandwein, & Fox, 1995; Krausz, Sagie, & Bidermann, 2000), although

it has not been shown to significantly relate to performance (Ellingson, Gruys, & Sackett, 1998).

Although there is a growing body of research about contingent workers' attitudes and behaviors, the relation between contingent work and underemployment has not received much attention. One might assume that all contingent workers would prefer permanent employment in order to benefit from decreased job security, but the proportion of direct-hire temporary workers preferring this arrangement is estimated at 40 percent (Cohany, 1998). Indeed, some individuals may voluntarily select contingent arrangements in order to develop new skills (Marler, Barringer, & Milkovich, 2002). Because of the sizable minority of workers who prefer contingent employment, it may not be accurate to say that contingent workers are necessarily underemployed, according to this dimension of underemployment.

Keeping in mind the fact that workers are considered to be underemployed if they are being paid at least 20 percent less than what they were paid in their previous position, it is also important for us to turn our attention to the pay levels of workers with direct-hire temporary contracts. Unfortunately, these workers earn significantly less than permanent employees, even when taking into account the industry and individual characteristics such as gender and education level (Gebel, 2009).

### *Temporary Agency Workers*

In contrast to direct-hire temporary workers, who are employees of the firm where they complete their assigned tasks, temporary agency workers are legally employed by a temporary help service or agency, but they perform their tasks at a client organization (Gallagher & McLean Parks, 2001). The temporary agency recruits and selects workers, and then matches them with clients for relatively short-term assignments, where the individual is supervised and provided with tasks to complete. In North America, temporary agency workers are typically not paid unless they are "on assignment" at the client organization, but in some European countries (e.g., Sweden), they are paid a set salary even when they are waiting in between assignments.

Because temporary agencies serve as intermediaries between the workers and the organizations where they perform their tasks, individual workers may face pressure to accept assignments for which they have more than the required level of formal education, skills, or work experience, or if the assignment is in a different field than that in which the worker prefers to work. By definition, these workers may be underemployed, according to the first and second dimensions. However, the pressure upon these workers to accept such positions may be subtle, and it is due to a variety of situational factors.

In order to be profitable, temporary agencies require a large pool of potential workers, available on short-term notice, so that they may be able to fulfill their contractual obligations with clients. Indeed, workers may have little leverage because large pools of workers ensure that someone will always take assignments (Van Arsdale & Mandarino, 2009). Temporary workers who never refuse assignments,



even if the work is “beneath them” or in a different field, are valued highly by most agencies, who in turn reward these workers by continuously offering assignments, whereas workers who refuse assignments are often relegated to the bottom of the assignment list, even if the proffered assignments are unsuitable (Forde, 2001). The implicit pressure on temporary agency workers to accept any assignment (regardless of the tasks that would be required as part of the job duties) in order to obtain a continuous stream of client assignments therefore promotes the underemployment of temporary agency workers.

The presence of an intermediary (i.e., the temporary agency) may also lead to greater underemployment because the client is not actively involved in the recruitment or selection process. As such, the local managers or supervisors may be unaware of the potential of the temporary worker in question. Workers with higher-level and diversified skill sets may be recruited because agencies often advertise assignments with broad requests for workers’ knowledge, skills, and abilities (Feldman, 2006). Indeed, agencies often advertise job assignments in the most positive light possible (Kalleberg, Reskin, & Hudson, 2000). Client-based supervisors may therefore be unaware that the temporary workers who present themselves for their assignment actually possess skills beyond those required. As a result, workers will be more likely to be underemployed according to the first and second dimensions.

As noted above, workers are considered to be underemployed if they are working contingently involuntarily (i.e., if they would prefer permanent employment). As with direct-hires, there is considerable evidence that many temporary agency workers accept this form of contingent employment reluctantly (e.g., Ellingson et al., 1998). Workers may become especially discouraged if they are available to work but believe there are few permanent jobs available for which they are qualified (Brown et al., 2006). However, this again does not imply that all temporary agency workers are necessarily thus employed involuntarily, and that they are therefore invariably underemployed. Rather, it is important to note that some workers have intentionally chosen temporary agency work. Estimates of the proportion of workers who actually prefer contingent employment arrangements range from 30 to 45 percent (Bernasek & Kinnear, 1999; Polivka, 1996).

In terms of the fourth dimension of underemployment, temporary agency workers are indeed likely to experience lower levels of pay compared to permanent employees who perform similar work (Segal & Sullivan, 1997). Similar to direct-hire temporary workers, temporary agency workers therefore face a greater likelihood of experiencing underemployment.

### ***Contractors***

A third and growing component of the contingent workforce is individuals employed as independent contractors, sometimes referred to as “free agents” or “freelancers” (Pink, 2001). Independent contractors can be broadly characterized as individuals who offer their services or skills to a “client” organization on an

hourly or project basis (Gallagher, 2002). When a specified assignment is complete, the relationship between the contractor and the client ends unless the parties agree to enter into a subsequent contract. Other defining (and legal) characteristics of true independent contractors are that they have considerable control over how the work is done as well as the ability to simultaneously have contracts with multiple clients (Church & Lambert, 1993; Fragoso & Kleiner, 2005). Unlike temporary agency workers, who are employed by an intermediary, independent contractors are self-employed workers who normally sign contracts directly with the client organization. Some organizations and independent contractors, however, do use a placement firm or an intermediary to assist in matching skilled contractors with the project needs of a potential client organization.

It might appear that, in contrast to other forms of contingent work, independent contractors would be less likely to experience underemployment. Such an impression may be based on popular press and contractor testimonials about the value of breaking away from organizational constraints and being able to have the opportunity to use one's skills and work experience in a more rewarding manner (Pink, 2001). In practice, many independent contractors gravitate toward contract work which is consistent with their formal education or training. Indeed, the majority of contractors choose this type of work in order to use more of their skills and abilities (Dennis, 2006). Furthermore, a majority of individuals who work as independent contractors have made a voluntary choice to pursue contracting as a career option. In some particular occupational areas (e.g., information technology, skilled trades), being an independent may be more financially advantageous than performing the same work as an organizational employee (Hipple & Stewart, 1996; Kalleberg, Reskin, & Hudson, 2000).

However, independent contracting may also be a path to underemployment in a number of notable ways. First, survival as an independent contractor requires the sequencing of jobs in such a way that when one assignment is finished a new project or client has been lined up for the contractor to move on to. As noted by Evans, Kunda, and Barley (2004), contractors frequently need to accept contracts as they become available, even if the work is not particularly desirable. Ironically, this need for continuous employment may create a work environment where independent contractors cycle between working on challenging, well-paid, or interesting projects (where their skills are fully employed) and projects where they are underemployed.

Second, despite the popular image, not all independent contractors undertake such work on a voluntary basis. For some workers, independent contracting may be viewed as an involuntary option stemming from the inability to find more permanent employment. In an increasing number of circumstances, contracting may be the result of the situation where workers terminated from more traditional employment are involuntarily rehired on a contract basis (Ho, Ang, & Straub, 2003). Finally, for some independent contractors, the economic benefits of self-employment may represent a net financial loss from prior employment within an organizational context. What gains may be made in hourly billing rates may not be offset by the assumption of costs associated with health insurance (e.g., dental benefits, prescriptions), which were previously provided by the employer.

### ***Additional Considerations***

Although the variation in the extent to which contingent workers will experience underemployment depends somewhat on the type of employment arrangement, it is possible to make some general conclusions about the nature of these workers' experiences. First and foremost, as contingent workers (temporary agency workers and independent contractors especially) move from assignment to assignment, the nature of their job responsibilities changes, and thus the match between their objective level of current skills and responsibilities is prone to change as well, as discussed above. For employees with more traditional employment contracts (i.e., the expectation of ongoing employment with a single employer), this constant job redesign is not as much of an issue.

Secondly, but no less importantly, workers moving from client to client or to different departments within an organization also need to cope with new organizational and workgroup cultures. Once the contingent worker has adapted to a new environment, with its attendant social dynamics, there may be a short period of respite until the worker must transfer to a new setting and the adaptation process must begin anew. This continuous readjustment process may preclude the worker from being able to informally fine-tune each new position to match his or her qualifications more precisely, resulting in a greater chance of underemployment. For permanent employees, who typically experience far less employment mobility, this issue is not as serious a concern.

### **Perceptions of Underemployment Among Contingent Workers**

We will now turn to three theoretical lenses to examine why contingent workers are especially affected by underemployment, above and beyond the structural reasons identified above. We specifically focus on social identity theory, social exchange theory, and social comparison theory to explain why contingent workers may perceive themselves to be underemployed.

#### ***Social Identity Theory***

The structural reasons for contingent workers' underemployment discussed above may be further exacerbated by the short-term nature of most temporary workers' contracts as well as their status as "outsiders" within the organization. Social identity theory suggests that the similarities among in-group members and differences from out-group members are used to maintain positive self-images (Tajfel & Turner, 1986). To preserve positive self-images, in-group members positively differentiate themselves from out-group members (Tajfel & Turner, 1979). Contingent workers may unfortunately be stigmatized on the basis of their employment status, rather than recognized for their individual abilities and potential (Boyce, Ryan, Imus, &

Morgeson, 2007; Feldman, Doeringhaus, & Turnley, 1994). For example, temporary or contract workers may be excluded from social gatherings and training opportunities. These differentials are sometimes further reinforced by physically segregating contingent workers from the permanent employees in the organization (Lautsch, 2002).

Social or physical barriers between contingent workers and permanent employees may be potentially problematic, in that they may prevent contingent workers from being offered informal opportunities to acquire knowledge from coworkers (Webster et al., 2008). This informal knowledge acquisition, or knowledge sharing, has important implications for both individuals and organizations (Wang & Noe, 2010).

A key determinant of whether employees share knowledge with each other is the trust and social ties between them. Indeed, social ties have been shown to significantly affect the quality and quantity of knowledge sharing (Cross & Cummings, 2004; Reagans & McEvily, 2003), even in virtual communities (Wasko & Faraj, 2005). In consequence, contingent workers may be more likely to be underemployed if their different employment status leads their permanent colleagues to share less job-related knowledge with them. Over time, contingent workers may lack the specific knowledge required to perform various tasks, and thus be constrained in terms of the breadth of the jobs that they are qualified to perform. Although they may have initially had the knowledge, skills, and abilities to complete highly sophisticated tasks, contingent workers who are unable to keep current in their fields may eventually find that they are no longer overqualified.

### ***Social Exchange Theory***

Social exchange theory is predicated on the idea of trust developing over time; effective social exchanges require trust between the two parties because the “giver” cannot actually require the recipient to reciprocate (Blau, 1964, 1968). Further, social exchange relationships often entail emotional attachments and a sense of loyalty between exchange partners (Masterson, Lewis, Goldman, & Taylor, 2000). For contingent workers, the ability to take advantage of positive social exchange relationships in order to reduce the possibility of underemployment may be hampered by two important factors.

First, for many contingent workers, and for temporary agency workers in particular, the duration of time with a particular client organization, and even the temporary agency, tends to be limited. The reduced contact time between the contingent worker and the employer not only decreases income potential but it also negatively affects the amount of time that is available for developing a relationship and ultimately building trust. Second, for both temporary agency workers and many independent contractors, movement between client organizations complicates the identification of potential exchange partners within the organization. These two factors may combine to inhibit the development of potential client relationships where, over time, contingent workers may allow organizational partners to develop a more complete

understanding of their skills and abilities. This lack of understanding may preclude an adjustment in assigned duties that would lead to a better match between contingent workers' skills and their job responsibilities, thereby reducing the level of skill underutilization.

By the same token, unilateral adjustments in job responsibilities raise the risk of psychological contract breaches, when there is a resultant mismatch between the expectations of the worker and the working conditions created by the employer. The risk of psychological contract breach is particularly relevant in the context of temporary agency workers if the agency has induced the potential temporary worker to accept the assignment by overstating the difficulty or interestingness of the tasks that would be required. The worker may thus begin the assignment with an understandable yet unrealistic set of expectations, which the organization will then fail to meet. The resultant psychological contract breach may then affect the quality of the relationship between the worker and the focal manager.

Positive social exchange relationships with key organizational members may also be instrumental in contingent workers being offered additional contracts or permanent positions. In some cases, employers utilize temporary appointments as a path to regular employment contracts (e.g., an extended probationary period); in these instances, a social exchange relationship may be especially important. Likewise, within the realm of independent contracting, the development of a positive social exchange relationship with client organizations may help contractors to maintain a relatively unbroken sequence of projects. In fact, as suggested by Evans et al. (2004), the willingness of contractors to occasionally go beyond the terms of the written project requirements may well be predicated on an expectation that such additional work will be recognized through the granting of future projects, which will offer opportunities for increased income and challenge.

For independent contractors who work in highly technical areas, the principles inherent in effective social exchanges may also be relevant in the context of social networking. Most notably, contractors often turn to other contractors for advice when confronted with project-related issues with which they are not totally familiar. However, the likelihood of maintaining an ongoing information network will be dependent upon the willingness of the receiver to also reply to requests by others (Orr, 1996). Such reciprocal networking in independent contractor communities frequently extends to information about the location and skill-related requirements of available project openings, which may be valuable in preventing underemployment on future contracts.

### ***Social Comparison Theory***

Social comparison theory suggests that people are driven to evaluate their own abilities, and they observe others in order to make these assessments (Festinger, 1954). Because underemployment has a subjective element, contingent workers' assessments of their abilities to perform more difficult or complex tasks

(and hence their underemployment) may be affected by their perceptions of the abilities of the permanent employees that they work alongside. For example, if the contingent workers in the organization possess more formal education, higher-level skills, and more extensive work experience than their permanent counterparts, then they will notice this and therefore be even more likely to feel underemployed.

As per social comparison theory, contingent workers' perceptions of their underemployment may also be affected by their assessments of how well they are compensated in relation to permanent employees who perform similar tasks. Contingent workers who observe that they have lower pay and benefits, in comparison to permanent employees, are likely to feel a greater sense of underemployment than workers who do not have readily observable comparators. Organizations may be aware that contingent workers make such comparisons; direct-hires are more likely to receive fringe benefits when they are offered to permanent employees (Lautsch, 2003).

The ability of contingent workers to make effective social comparisons, however, depends on such information being available, which depends on the presence of permanent employees performing similar tasks. This varies considerably across organizations. Whereas some firms use contingent workers and permanent employees interchangeably, others take a different approach and keep contingent workers and permanent employees segregated (Lautsch, 2002). Of the different types of contingent workers, temporary agency workers are more likely to feel underemployed than direct-hires and contractors because they typically receive less pay and fewer benefits than permanent employees (Kalleberg, 2000).

A related theory that may help to explain contingent workers' perceptions of underemployment is equity theory, which suggests that workers compare their work contributions (inputs) and rewards (outputs) to the contributions and rewards received by referent others (Adams, 1965; Homans, 1961). In essence, individuals feel a sense of inequity or injustice when their ratio of inputs to outputs exceeds the ratios of inputs to outputs that are perceived to be held by others. On occasion, contingent workers may have higher inputs (e.g., higher-level skills, more formal education, and more extensive work experience) than permanent employees. If the pay and benefits (i.e., outputs) do not match the inputs that the contingent workers believe that they contribute, then they are likely to perceive inequitable treatment and feel a greater sense of underemployment. Likewise, if contingent workers and permanent employees have similar inputs in terms of their qualifications, but the permanent employees are perceived to receive greater rewards (e.g., greater job security or opportunities for advancement), then the contingent workers are again likely to perceive inequity and thus feel underemployed.

As we can see, there are several theoretical lenses (i.e., social identity theory, social exchange theory, and social comparison theory) that can be used to understand contingent workers' experiences of underemployment. We now turn our attention to how managers and employers can use this knowledge both to reduce underemployment itself and to mitigate the negative effects of underemployment, where possible.

## Practical Implications

Organizations are frequently exhorted to increase the quantity and quality of their employees' human capital (Hitt, Bierman, Schimizu, & Kochhar, 2001). In response, many organizations provide additional training for existing employees, and strive to hire new employees with increasingly extensive levels of education and experience (Beltrán-Martín, Roca-Puig, Escrig-Tena, & Bou-Llusar, 2008). However, according to the resource-based view of the firm, the ineffective deployment of the employees with the requisite knowledge and skills is as problematic as insufficient human capital because it results in unused organizational capacity (Barney, 1991). We therefore do not suggest that organizations should add to all workers' human capital. Rather, we seek solutions to how underemployed workers, and underemployed contingent workers especially, can be permitted to use more of the knowledge, skills, and abilities they already possess.

A gradual decline in contingent workers' knowledge, skills, and abilities may be exacerbated if they are only assigned simple tasks. Unfortunately, this appears to be common practice; permanent employees are made responsible for duties that involve interaction with more employees and that require consistency (Ang & Slaughter, 2001). By the same token, contingent workers may find that their skills become obsolete if they are not able to access formal organizationally based training programs, as is often the case (Virtanen, Kivimäki, Virtanen, Elovainio, & Vahtera, 2003). Contingent workers may be able to keep their skills current if they obtain skills training independently or through a professional association, but they may generally be more at risk of falling behind their peers.

Contingent workers' perceptions that they are underemployed are of key interest to the organizations and intermediaries that employ their services because these perceptions will lead to unnecessarily decreased job satisfaction and organizational commitment and to increased turnover (Feldman, Leana, & Bolino, 2002; Maynard et al., 2006). Workers' perceptions of underemployment are naturally predicted by their actual (objective) underemployment, but additional measures may be taken to reduce the subjective element.

Ideally, managers should endeavor to take into account the employment preferences of contingent worker applicants, if possible, as a selection criterion. Contingent workers who prefer this arrangement will be less likely to feel underemployed; those who prefer permanent employment may be transitioned to permanent jobs if these positions are available. Indeed, increased labor mobility within the organization may enable workers to find positions that match their abilities and their preferences. Temporary agencies are also responsible for matching workers' qualifications to the skills required from an assignment; ensuring adequate person–job fit can help temporary agencies improve the attraction and retention of highly qualified workers (Tan & Tan, 2002). Workers are less likely to leave agencies when they match their preferences for hours, schedules, shifts, and work arrangements (Holtom et al., 2002).

## Future Research Directions

This chapter has dealt with the three dominant forms of nonstandard employment: direct-hire temporary workers, temporary agency workers, and independent contractors. However, it is also useful to consider other forms of nonstandard work and how these arrangements may result in higher levels of underemployment.

Volunteers are frequently overlooked in discussions of nonstandard work, but their experiences are instructive to our investigation of contingent workers, in that both groups are working for organizations in a short-term capacity with potentially low (or no) pay and underutilization of their skills. While volunteers have significantly weaker legal ties to the organization, relative to any employee, both groups may have equally strong emotional ties or motivations for working there. Future research should explicitly examine how the knowledge, skills, and abilities of volunteers can be successfully leveraged by the nonprofits where they work. Generally, nonprofit organizations tend to hire as many volunteers as possible in order to reduce costs and to conform to government funding parameters (Theisen & Pelfrey, 1993). However, these volunteers are then often assigned tasks that are simple, repetitive, and non-interdependent (Pearce, 1993). For example, volunteers with significant work experience may be asked to stuff envelopes. A more efficient use of volunteer abilities, even if this means that fewer volunteers are recruited, may in fact be more effective. However, the case of volunteers raises the important issue of whether all instances of underemployment are problematic; some volunteers may prefer work that is less demanding than what they are capable of. Each volunteer's life and career plans, as well as their reasons for pursuing volunteer work, will affect how they perceive the tasks that are assigned to them.

Telecommuters have nonstandard work arrangements in that they complete at least some of their assigned tasks outside their workplaces (e.g., at a home office; Ashford et al., 2007). The reduced social interaction with their colleagues may result in similar social barriers to those experienced by contingent workers and described above. These intangible barriers may result in telecommuters being assigned less challenging work tasks and thus result in higher rates of underemployment in this segment of the workforce. In essence, there are limitations in terms of what assignments can reasonably be given to a telecommuter; these limitations will further reduce the fit between these workers' knowledge, skill, and abilities and the work that is assigned to them. Future research should examine the extent to which telecommuters experience underemployment as well as how these effects may be mitigated.

More research is also needed that integrates contingent worker perceptions of underemployment into the study of these workers' experiences. For example, much of the extant literature that examines contingent workers' contextual performance (e.g., organizational citizenship behaviors) was motivated by an assumption that these workers perform at a lower level than their permanent counterparts. However, given the mixed findings in this area, it is possible that only some contingent workers are underemployed. That is, many contingent workers may hold positions that are



a good match for their skills and abilities; their resultant attitudes toward their jobs and their performance levels may therefore be relatively positive. However, research that explicitly captures contingent workers' underemployment self-perceptions is warranted.

Because some types of contingent workers (i.e., independent contractors, temporary agency workers) are exposed to several different client organizations, it is possible that they are therefore able to take advantage of informal learning opportunities. For example, they may learn new processes or methods at one client site that are transferrable to the next opportunity. Although the organizational learning literature that specifically examines contingent workers tends to focus primarily on the organizational decision-making process that can reduce the transfer of knowledge outside the firm (e.g., Matusik & Hill, 1998), as well as why contingent workers seek knowledge from other employees (e.g., Sias, Kramer & Jenkins, 1997), it would be interesting to determine the extent to which contingent workers are able to learn informally, and what factors may affect this process.

The importance of underemployment as a worker issue facing both organizations and our workforce suggests that it should also be incorporated into our longitudinal national data collection initiatives (e.g., Bureau of Labor Statistics, Statistics Canada). Because contingent work is growing, and because contingent workers may experience higher levels of underemployment, it stands to reason that the proportion of workers who perceive themselves to be underemployed is also rising. However, we must document this phenomenon carefully in order to be able to provide useful policy advice to our governments and advocacy groups.

## Conclusion

The investigation and discussion of underemployment in the context of contingent employment raises a number of interesting challenges and unanswered questions. On the surface, it would appear that a basic definition of underemployment necessarily leads us to the immediate conclusion that, due to the intermittent nature of work assignments, all contingent workers are underemployed. Of course, such a conclusion ignores the possibility that, similar to part-time workers (Barling & Gallagher, 1996), many contingent workers may actually use a series of fixed-term assignments or contracts which will lead to a continuous stream of work, which is more typical than abnormal. Some contingent contracts are also long enough that workers may "feel" as though their position is permanent (Hardy & Walker, 2003).

However, a more nuanced understanding of the nature of underemployment among contingent workers suggests that underemployment is a predictable but not an intrinsic element of contingent work. As we have seen, contingent workers' experiences of underemployment may be exacerbated or mitigated by several factors that are within an organization's control or purview. Because of the dramatic and continued rise in the proportion of workers with contingent employment contracts, it is surprising that so little research attention has been devoted to this important issue. Given the significant implications of underemployment for individual well-being

and organizational effectiveness, it is important for us to consider further ways in which underemployment among contingent workers can be mitigated.

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**Part III**  
**The Effects of Underemployment**

# Chapter 9

## The Impact of Underemployment on Psychological Health, Physical Health, and Work Attitudes

Sarah Anderson and Anthony H. Winefield

**Keywords** Underemployment · Nonstandard work · Part-time work · Job satisfaction · Work attitudes · Physical health · Psychological well-being · Person-job fit

For many individuals, work plays a significant role not only in satisfying their economic needs but also in improving their self-esteem, enhancing their involvement in the community, and developing their identity (Erikson, 1959; Jahoda, 1981, 1982). Given the importance of work in people's lives, researchers have shown a great deal of interest in improving our understanding of the impact of employment status on psychological well-being, health, and work attitudes. This is reflected in the abundance of literature in work psychology that has investigated this topic (Dooley & Prause, 1995, 1997; Feather, 1985; Fryer & Ullah, 1987; Warr & Jackson, 1987; Winefield, Tiggemann, & Winefield, 1992).

Until recent decades, the focus of this investigation has been on comparing the unemployed with those in full-time employment, the latter being the traditional work arrangement upon which labor laws were based. Over the last few decades, however, there has been a significant change in the design and nature of work, which has been driven by a combination of employer and employee preferences (Belous, 1989; Capelli, 1999). In order to compete successfully in the global marketplace, employers have found it necessary to move away from an assurance of employment tenure to a labor supply that can change with customer demand (Deery & Mahony, 1994). This has been facilitated by structural movements such as the deregulation of fixed-term contracts (Capelli, Bassi et al., 1997; Spoonley, Bruin, & Firkin, 2002). At the same time, the rising presence of females and older persons in the workforce has increased employee demand for more flexible work arrangements (Bolle, 1997).

This move to work flexibility has meant an increase of work arrangements across a continuum of unemployment and part-time, casual, and full-time employment (Pocock, Buchanan, & Campbell, 2004). One of the concerns regarding the increase in nonstandard employment arrangements, however, is whether those who are

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employed in this type of work are doing so in a voluntary capacity (Pollert, 1991). It has been argued that people are adopting nonstandard work roles increasingly because they have no choice (Tilly, 1996; Winefield, 2002). Where workers participate in work of a lower quality relative to some standard of comparison, the work becomes a form of what has been labeled *underemployment*.

Against this background, this chapter aims to examine how underemployment and nonstandard work affect worker psychological health, physical health, and job attitudes. We commence with an examination of the characteristics that define underemployment and how these may lead to particular adverse outcomes. We then investigate the impact that underemployment can have on worker attitudes including job satisfaction, commitment, and career attitudes. This is followed by a review of the literature concerning the ways in which work status may also affect psychological health as well as physical health and health-related behavior. Given the potential for adverse psychological and health outcomes of underemployment, it is important to investigate the factors that can moderate or mediate these relationships, and the literature in this area has also been reviewed. The chapter concludes with an exploration of the gaps in the literature and the way forward in terms of future research and interventions to improve outcomes for workers most at risk of adverse outcomes.

## Definition of Underemployment

To begin with, it is necessary to explore how underemployment is defined in terms of employment characteristics and worker need. Once this is understood, we are in a better position to explore how the characteristics of underemployment may give rise to particular psychological and health outcomes.

In the literature, underemployment has been defined in various ways. For example, it has been defined in terms of some form of financial loss, such as a wage that is considered below poverty level (Clogg, Sullivan, & Mutchler, 1986). It has also been defined as overqualification for the current position or underutilization of skills (Johnson & Johnson, 2000; O'Brien, 1986). Others have tended to give greater weight to self-reported data and individuals' own perceptions of whether or not they are underemployed (Borgen, Amundson, & Harder, 1988).

Summarizing these findings, Feldman (1996) has argued that underemployment can be categorized into five kinds: (a) when the individual has more education than required by the job, (b) when the individual has more skills or experience than required for the job, (c) when an individual engages in involuntary employment in a field outside of his or her area of education, (d) when an individual engages in involuntary employment in part-time, temporary, or intermittent work, and (e) when an individual is employed for a low pay, relative to either a previous job or to others with similar educational backgrounds. He argues that employment characteristics only constitute true underemployment when it is inconsistent with the employee's desires (Feldman, 1996).



This discrepancy between employment characteristics and individual worker needs is expressed in the theory of person–job fit (Edwards, 1991). French and colleagues (French, Caplan, & Harrison, 1982; French, Rodgers, & Cobb, 1974) identified two types of person–job fit. The first type, *job demands–worker abilities fit*, refers to the match between the requirements of the job and the knowledge, skills, and abilities of the employee. This may occur when workers have more or less education, experience, or skill than required for their job. The second type, *worker needs–job supplies fit*, refers to the match between the employee’s desires or preferences for certain work conditions and the actual work conditions on that job. Poor need–supply fit can occur when workers are in low-paying, temporary, or insecure jobs and desire different conditions. According to the person–job fit model, incongruence in either type of job–person fit produces psychological stress (French et al., 1982), and negatively impacts on job performance and work attitudes (Dawis & Lofquist, 1984). Therefore, this model provides a useful basis for understanding the psychological and health outcomes of underemployment.

## **How Characteristics of Underemployment May Affect Attitudes and Health**

Given that underemployment reflects incongruence between worker needs and job conditions, it should be expected that it may lead to adverse outcomes for some employees. It may be that the psychosocial and economic stressors produced are not dissimilar to those created by unemployment, including reduced income, loss of time structure, reduced social interactions, and a loss of skill application (Feldman, Leana, & Bolino, 2002). While it is likely that being involved in a form of work will produce some time structure, income, and social purpose, whether it is adequate to maintain reasonable psychological well-being and positive work attitudes is uncertain. In order to explore this possibility, the features of underemployment that can result in greater worker dissatisfaction and stress are examined below.

### ***Psychosocial and Economic Stressors***

Workers who are underemployed or in nonstandard work arrangements often have reduced access to protection from unfair dismissal and are not entitled to payment for periods of nonwork time including paid maternity leave, holiday and sick leave, and long service leave (e.g., Carey & Hazelbaker, 1986). Although some employees in nonstandard work receive additional payment to compensate for the lack of benefits, it has been argued that this additional payment is often inadequate (Pocock et al., 2004). It may also be that those in nonstandard work can suffer low pay due to having few and/or intermittent hours (Pocock et al., 2004). These factors may lead to greater family and/or personal stress, as well as financial strain.

### ***Lack of Opportunity for Skill Use and Development***

Nonstandard work arrangements can also disadvantage workers by providing limited opportunity for skill use, therefore having a potentially deleterious effect on future earnings and career advancement. For example, Nabi (2003) found that compared with the appropriately employed graduates (those who were in jobs which required their degree), the underemployed had failed to make up ground nearly three and a half years after graduation in terms of skill use and salary. This suggests that these negative effects may not be short term.

Hand in hand with reduced opportunity for skill use is the potential for nonstandard workers to find that they have limited access to training and development (Pocock et al., 2004). This has been demonstrated by Hall, Buchanan, and Considine (2002) who reported that 49.5% of casual workers in Australia (those paid at a higher wage in lieu of more stable employment or greater benefits) received training during the last 12 months, compared with 69.9% of permanent employees, and 81.8% of employees on a fixed-term contract. However, this study did not control for different work types, which may account for some of these differences. Such findings are important, as reduced access to professional development may have a negative impact on the career advancement of workers in nonstandard forms of employment. This appears to be particularly significant in the current work environment where there is an ever-increasing demand for qualifications.

### ***Early Work Identity***

As well as producing negative consequences for those already established in the workforce, underemployment may also interfere with career advancement, the development of skills, and the establishment of an identity and independence in early career workers. This is particularly the case for school-leavers who are those most likely to enter nonstandard work and underemployment (Borgen et al., 1988; Cantor, Norem, Niedenthal, Langston, & Brower, 1987; Greenberger & Steinberg, 1986; Vondracek, Lerner, & Schulenberg, 1986).

When graduates leave school, they typically face the challenge of establishing a meaningful occupational identity, which in turn is important for finding a satisfactory job (Erikson, 1959). Success at this should lead to increased self-worth and self-efficacy but failure can lead to self-doubt and dependency. For this reason, it has been noted that moving from school into the workforce is one of the most important transitions in young adulthood (Cantor et al., 1987).

In a study of young people's attitudes, Worth (2002) found that while there was an acknowledgment of the existence of nonstandard employment, the young people in the study did not want or expect to have to work in temporary or part-time jobs. Rather, they rated the traditional ideal of a permanent full-time job as something very important to them. These findings are of concern because, as we have discussed, when there is incongruence between the expectations of young people

and the real-world work opportunities for them, they may find the transitions into the workplace to be more difficult. This may in turn lead to longer-term negative outcomes for those who experience what may be perceived as early career failure.

### ***Negative Impact on the Psychological Contract***

Reflecting the notion that nonstandard employment results in some ‘lesser’ quality of work is the argument that nonstandard employment interferes with what has been termed the *psychological contract* (Schein, 1978). This is the understanding that employees will work hard and generally do what their employer requires of them and, in return, they will be provided with ongoing employment, appropriate wages, and the opportunity for advancement (Schein, 1978). It can be argued that the introduction of nonstandard work arrangements has changed the traditional employee–employer relationship and this mutual expectation is no longer a part of the work contract (Rousseau, 1990, 1995). In the absence of this mutual contract, there is likely to be decreased job security and commitment and increased stress (Casio, 1998; De Meuse, Bergman, & Vanderheiden, 1997). This was reflected in a study of 800 managers by Turnley and Feldman (1999), who found that violations of employees’ psychological contracts affected their exit, voice, loyalty, and neglect behaviors and led to decreased levels of loyalty to the organization.

A particular violation of the work contract may occur for those in nonpermanent work or casual work who are placed in an environment where they are uncertain about the security of their work (Davy, Kinick, & Scheck, 1997; Hellgren, Sverke, & Isaksson, 1999). It is not uncommon for casual employees to work on call, without any guaranteed number of hours. As a result, they may be requested to work anything from one to thirty-eight hours of work in a week, with little ability to influence how many hours they receive. This variation in working hours may make it difficult to borrow money, plan for child care, and budget around income, resulting in significant stress for the worker.

### ***Loss of Control and Alienation***

The unpredictable working hours and income associated with nonstandard work may produce in workers a reduced sense of control (Pocock, 2003). This can extend to a feeling of powerlessness and alienation from the major power structures of society (Lauitsen, 1995). It may also be experienced as a general feeling of being left ‘out of the loop’, such as not being asked to work functions or missing out on major communications (e.g. Gray and Laidlaw, 2002). These factors can leave these group of workers feeling particularly vulnerable, which is likely to increase their risk of poor mental health outcomes.

## **Work Attitudes and Employment Status**

When work involves a great many undesirable features, as can be the case for underemployment as detailed in the previous sections, it may be expected that any personal benefit gained from work involvement is likely to be significantly negated. Therefore, it makes intuitive sense that underemployed employees may have poorer attitudes toward work than those in traditional employment. Resentment for having to work fewer hours than they desire, being in positions that do not adequately utilize their skills, and having a lack of control over aspects of their working status are among the features of underemployment that may produce negative work attitudes. The relationship between underemployment and work attitudes is explored next.

### ***A Model for Understanding Poor Work Attitudes***

As each dimension of underemployment can be seen as an example of poor person–job fit, it is useful to apply this model in order to understand the relationship between work status and attitudes. This is reflected in findings of a meta-analysis by Kristof-Brown, Zimmerman, and Johnson (2005), which suggested that using a model that looks at the fit between worker needs and job supply provides a better prediction of employee attitudes and intentions than using a model that looks at the absolute work situation.

Indeed, research that has compared worker satisfaction among groups working different hours on a voluntary or involuntary basis has tended to reveal a pattern of results reflecting a detrimental impact on worker attitudes for those with inadequate needs–supply fit. For example, in a study of Australian retail service employees, Deery and Mahoney (1994) found that asking full-time employees to work fewer hours than desired and part-time employees to work more hours than desired reduced job satisfaction, organizational commitment, and customer service. Looking at it from the opposite direction, in a study of nursing staff, Armstrong-Stassen, Al-Ma'aitah, Cameron, and Horsburgh (1998) found that workers whose total hours of work matched their preferences showed greater satisfaction, lower levels of emotional exhaustion, and a lower intent to leave. Specifically looking at part-time employment, Maynard, Thorsteinson, and Parfyonova (2006) found that workers who chose to work part-time reported higher levels of work and pay satisfaction, organizational commitment, and lower turnover intentions than those who gave involuntary reasons for working part-time (e.g., lack of available full-time jobs).

The notion of worker attitudes being influenced by a discrepancy between worker needs and the job can also be found in relation to the level of education. Interestingly, Maynard, Joseph, and Maynard (2006) found that underemployment based on perceived overqualification may produce even more consistent and strong negative attitude and intentions than those experienced by involuntary part-time workers. Burris (1983a) reported that underemployment, as defined by overeducation, was negatively associated with job satisfaction, job involvement, relationships

with coworkers, future aspirations, and feelings of control. The underemployed graduates in this study also experienced greater feelings of antipathy toward work than those who had a high school education. This may be due to their increased expectation of finding suitable work after completing additional study.

While the discrepancy between worker needs and job supply appears to result in poor work attitudes for the involuntary part-time employed and overqualified, it appears that temporary workers do not fit this model. This was demonstrated in a study by Maynard et al. (2006), who found that more positive attitudes and intentions were not more likely for employees whose preferences matched their work situation. However, they found that for affective commitment, the reverse was true. The lack of attitudinal differences between temporary workers who prefer permanent work and those who do not has also been reported previously (Ellingson, Gruys, & Sackett, 1998) but further research is needed to clarify these findings.

### ***Clarifying the Relationship between Work Attitudes and Underemployment***

In order to gain an understanding of worker attitudes, it is necessary to explore particular aspects of underemployment, together with the various facets that comprise worker attitudes. For example, Maynard et al. (2006) argued that it is important not to view job satisfaction in global terms. Rather, they suggest that the relationships between underemployment and satisfaction are domain specific, and therefore it is important to assess job satisfaction at the facet level. They found that the strongest relations between underemployment and job satisfaction tended to be when the dimension of underemployment had a clear causal link with the particular facet of satisfaction (e.g., underpayment with pay satisfaction, perceived overqualification with work satisfaction).

The authors further illuminated our understanding of work attitudes in a later study by examining the various facets of underemployment. In this study they found involuntary part-time faculty members were more dissatisfied with advancement, compensation, and security than full-time or voluntary part-time workers, but in general were just as satisfied with other aspects of their positions, relative to these other two groups (Maynard & Joseph, 2008). This research again highlights the importance of applying a multidimensional view to gain a more accurate understanding of job satisfaction.

In terms of particular work attitude outcomes, there are a number of studies that have examined how these function in relation to the way underemployment occurred. For example, Leana and Feldman (1992) found that workers who had been downsized had lower career investment even after they had found replacement jobs. Similarly, in a study of managers in replacement jobs after their layoffs, Feldman et al. (2002) found that those re-employed in jobs which paid less, were at lower levels of organizational hierarchies, and did not fully utilize their skills had consistently more negative job attitudes. Further analyses of the data provided important information about the contribution of particular aspects of underemployment by finding

that declines in skill utilization, rather than pay cuts, played the greatest role in these negative reactions.

It has also been argued by Feldman et al. (2002) that managers who have been re-employed in inferior positions may fundamentally change the way in which they view their psychological contracts and decide not to devote significant effort in subsequent jobs. In this way, their findings suggest that underemployment may have potential negative spillover effects in terms of the individuals' long-term attitudes toward work and their careers more generally.

### ***Work Status, Attachment, and Commitment***

Given the aforementioned evidence of negative work attitudes among the underemployed, it is likely that this would be reflected in negative behaviors such as reduced work commitment or attachment to the organization. Indeed, in a study by Robinson, Kraatz, and Rousseau (1994) it was reported that recent graduates who felt their psychological contracts had been violated were less likely to stay two years with their employers and were less likely to give advance notice before leaving. Similarly, Leana and Feldman (1995) found that laid-off workers who were underemployed in their new jobs were more likely to continue to hunt for jobs.

A lack of attachment to the organization can also be seen in the demonstration of negative non-performance-based behaviors. Those found in relation to the underemployed have included manipulative interpersonal behavior (Feldman & Weitz, 1991) and taking 'mental health days' off (Breaugh, 1981), both of which are likely to have an adverse impact on the organization.

While this evidence suggests that the underemployed can display poor work commitment, a consistent pattern of findings has yet to emerge (Abrahamsen, 2010). Divergent findings in this area are perhaps not surprising, given the multidimensional nature of the work commitment construct. Meyer and Allen (1991) have identified three different components of work commitment, namely affective (emotional attachment), normative (duty or obligation), and continuance (costs associated with leaving). It may be that contrasting findings reflect these various components. This was demonstrated in research by Johnson, Morrow, and Johnson (2002), who found that there may be a differential relationship between the underemployed and the different forms of commitment, with the finding of a negative relationship between qualification mismatch (i.e., overqualification) and affective commitment, but no relationship with normative or continuance commitment.

It may also be that the way in which different components of the work commitment construct are affected reflect particular factors about the work role. This was argued by Maynard and Joseph (2008) in their study of part-time faculty, in which they found that, regardless of person–job fit, part-time workers reported similar levels of affective commitment to the organization as the full-time faculty. They speculate that this may be due to the level of interest in the work and/or the perception of there being relatively permanent work and believing that the institution met their obligation in this regard.

## Underemployment and Psychological Well-Being

With evidence that underemployment can adversely affect aspects of work attitudes, it is likely that psychological well-being may also be affected. Research in this area is of limited breadth, particularly when compared with the considerable research that has been conducted on unemployment and psychological well-being (Winefield, 1995). Nevertheless, literature in the area has started to accumulate, as will be described below.

### *Psychological Health of the Underemployed*

Generally, there has been moderate support for the notion that underemployment adversely affects psychological well-being as indicated by effects on marital, family, and social relationships (Dooley & Prause, 2004; Feldman, 1996), depression (Anderson, Winefield, Delfabbro et al., 2006; Beiser, Johnson, & Turner, 1993), life satisfaction (Feldman & Turnley, 1995), self-esteem (Prause & Dooley, 1997), locus of control (Feather & O'Brien, 1986a; Winefield & Tiggemann, 1989), general affect (Feather & O'Brien, 1986a; Winefield & Tiggemann, 1989), psychosocial stress (Jones-Johnson & Johnson, 1991), and anger expressed toward other workers (Lauritsen, 1995). However, there is also contradictory evidence that it is unrelated to many of the same indicators of health and well-being, including life satisfaction (Burke, 1998; Feldman & Turnley, 1995), job satisfaction (Kahn & Morrow, 1991), depression (Beiser et al., 1993), and overall life satisfaction (Liem & Liem, 1988).

One difficulty with previous research has been that many of the studies conducted used a cross-sectional research design, which does not allow causal inferences about the relation between work and well-being indicators (Feldman, Doeringhaus, & Turnley, 1995). Therefore, any observed differences of interest might reflect a variety of influences over and above employment status (Zapf, Dormann, & Frese, 1996).

In order to address these issues, a number of longitudinal studies have been conducted in the area. Many of these have examined the relationship between employment groups and psychological and physical health by following school-leavers from high school into joining the workforce. These studies have helped to clarify our understanding of the relationship between well-being and underemployment, and have provided support for the notion that underemployment, as defined by some type of inadequate employment, can have a negative impact on mental health.

One such longitudinal study on employment status was conducted by Winefield, Winefield, Tiggemann, and Goldney (1991), who compared Australian school-leavers using categories of satisfied employed, dissatisfied employed, tertiary students, and unemployed. Their analyses indicated that participants in unsatisfactory employment and unemployment showed higher depressive affect, lower work values, and lower personal control than participants in satisfactory employment or tertiary students. They found that for males, unemployment was found to be worse for their well-being than unsatisfactory employment, but for females

the reverse was true. In another Australian study of school-leavers, O'Brien and Feather (1990) examined the impact of underemployment as defined as underutilization of skills. They reported that school-leavers employed in jobs that did not provide them with the opportunity to utilize their skills and education were no better off psychologically than the unemployed. More specifically, they found that workers who experienced skill underemployment two years after leaving high school reported more depressive symptoms, lower life satisfaction, a more external control orientation, and lower perceived competence than their adequately employed peers. They also found that the skill-underemployed became more depressed and more externally oriented during those two years.

Other longitudinal research has taken a broader look at the relationship between work status and well-being by examining a range of employment status categories. For example, Dooley and Prause (1997) conducted a longitudinal investigation of school-leavers utilizing data from the US National Longitudinal Survey of Youth (NLSY) that commenced in 1979 when most participants were still at school. Work status was examined as a range of categories including unemployment, involuntary part-time employment, low-wage employment, intermittent unemployment, adequate employment, and out of the labor force. It was found that after controlling for self-esteem and other background variables, and using the adequately employed as the reference group, each of the inadequate employment status groups reported significantly lower self-esteem in 1987. These differences were due to larger increases in self-esteem among adequately employed workers rather than decreases in self-esteem among underemployed workers. Their research indicated that the effects of inadequate employment were not in fact significantly different from the effects of unemployment (Dooley & Prause, 1995; Prause & Dooley, 1997), which is consistent with the findings of the aforementioned Australian longitudinal research.

This was further supported in subsequent analyses of the NLSY responses. The respondents who were adequately employed in 1992 were reinterviewed in 1994 when they were entering their early 30s (Dooley, Prause, & Ham-Rowbottom, 2000). This examination revealed that, after controlling for 1992 depression and other significant background variables, those who had become unemployed or inadequately employed showed similar significantly elevated depression.

### ***Psychological Health and the Various Dimensions of Underemployment***

Clarification about the relative effects of underemployment was provided by a longitudinal study by Friedland and Price (2003) that compared the psychological health and well-being of those experiencing different types of underemployment. They examined hours, income, skills, and status types of underemployment in people of working age after controlling for prior levels of health and well-being. They found moderate support for the hypothesis that underemployed workers experience poorer health and well-being than adequately employed workers. However, interestingly, the relationship varied for both types of underemployment and indicator of health



and well-being. That is, people who experienced status underemployment reported more negative health effects and lower self-concept than adequately employed workers, whereas the income-underemployed workers reported that their health interfered more with their activities and they revealed more depressive symptoms and lower self-concept than adequately employed workers. In contrast to these findings ‘hours underemployment’ was found to be unrelated to any of the indicators of physical health but was related to several indicators of psychological well-being. These findings reinforce the view that it is necessary to examine different facets of underemployment in order to gain a thorough understanding of potential outcomes.

### ***Underemployment and Interpersonal Relations***

In addition to the detrimental effect on individual well-being, it is possible that the strain resulting from underemployment can also produce a negative influence on interpersonal relations. Supporting this proposition is evidence that underemployment can interfere with the quality of interpersonal relationships because of an avoidance of social outings (Newman, 1988) that can occur voluntarily or incidentally due to lack of funding for leisure activities (Zvonkovic, Guss, & Ladd, 1988).

Underemployment can also adversely affect intimate relationships. For example, Zvonkovic et al. (1988) found that underemployed husbands and their wives were less satisfied with their finances and their marriages than the comparison group. This may occur when underemployment exacerbates previous difficulties or when it alone leads to unsatisfying relationships (Voydanoff, 1984).

### **Physical Health and Employment Status**

As we have seen, working in a role that does not meet an individual’s needs and expectations can negatively impact psychological health and may consequently produce a greater risk of physical ill health and health-risk behavior. While research investigating these relationships is still limited, studies do suggest that particular dimensions of underemployment may be harmful to physical health, as will be examined in the next section.

### ***How Underemployment May Affect Health***

Research investigating the general physical health behavior of the underemployed has been reported by studies such as that conducted by Cassidy and Wright (2008), who conducted a study of graduates over an 18-to-24-month period. They found that the underemployed, together with the unemployed and student groups, all showed a reduction in positive health behaviors compared to those employed in a desired job who reported similar health behaviors in their final undergraduate year.

In order to clarify the nature of these findings, we look to other research that has examined particular dimensions of underemployment and health. As noted earlier,

Friedman and Price (2003) examined certain health variables and dimensions of underemployment and found that people in status and income underemployment reported that their health interfered more with their activities than did the adequately employed. They also found that the status underemployed experienced more chronic disease than the adequately employed.

The notion that health is differentially affected by certain types of inadequate employment was also explored by Lewchuk, Clarke, and de Wolff (2008), who utilized a new set of measures, referred to as the employment strain model, in order to explore the interaction between different characteristics of employment relationship and health. They found that scheduling uncertainty, effort staying employed, and constant evaluation efforts were associated with poorer health; however, employment fragility or earnings uncertainty was not. They suggested a complex association between less permanent employment and health, where it is the characteristics of the job, as much as having or not having permanent employment, that are associated with different health outcomes. They reported that the particular combination of high employment relationship uncertainty (in those with uncertain employment prospects) and high employment relationship effort (in those who felt the need to expend effort to minimize this uncertainty) was associated with poorer health outcomes. Interestingly, those in uncertain situations but who were not spending time and energy securing future employment reported health outcomes similar to those in permanent full-time employment. This reinforces the notion that employees who are seeking particular work roles and are not supplied with the desired work outcome are more adversely affected than those who are more content with their work role.

### ***Underemployment and Health-Risk Behavior***

Another dimension of health that may be negatively affected by underemployment is health-risk behavior. In this regard, there has been valuable longitudinal research examining the relationship between underemployment and alcohol use. Dooley and Prause (1997) have conducted a series of studies in the area and reported that favorable employment change was associated with decreased binge drinking in those who had been heavy drinkers, indicating a restorative effect of improved employment. Looking at the reverse situation, it was found that shifting from adequate to inadequate employment significantly raised the risk of binge drinking among those who were heavy drinkers at the baseline assessment. The authors also reported a selection effect in that elevated symptoms of alcohol abuse and poor self-esteem were associated with increased odds of later being unemployed and underemployed. In a later study, Dooley and Prause (1998) found that employees who experienced income-based underemployment reported an increase in symptoms of alcohol abuse. This finding, however, was not replicated in the same sample four years later, suggesting some developmental adjustments with maturity.

The same authors also investigated the relationship between birth weight and maternal employment changes during pregnancy using singleton first births from the National Longitudinal Survey of Youth data set (Dooley & Prause, 2005).

Controlling for other significant risk factors, they found that women who shifted from adequate employment to underemployment had significantly more smaller weight babies. This is an interesting finding that suggests the potential for health impacts of long-term significance. Overall, the research suggests that the relationship between underemployment and physical health is complex, with possible far-reaching negative consequences for individuals and their families.

## **Factors that Moderate the Relationship Between Underemployment and Well-Being**

As has been documented in the preceding section, there is compelling evidence that underemployment can produce adverse psychological and health effects. For this reason, it is important to investigate potential variables that may moderate or mediate these relationships in order to understand the factors that may ameliorate these negative outcomes. These are examined in the following section.

### ***Coping Strategy***

The way in which an individual copes with a situation has been shown to reduce possible negative work outcomes (Parkes, 1990, 1994). These coping strategies include a range of tools for dealing with stressful perceptions and situations (Lazarus & Folkman, 1984; Parkes, 1994), such as engagement in recreational activities and seeking of social support (Osipow & Spokane, 1987).

Research has suggested that these coping strategies exert primarily direct effects on occupational strain (Callan, Terry, & Schweitzer, 1994) or moderate the relationship between the intensity of the stressor and the strain (Osipow & Davis, 1988). However, there is evidence that specific types of coping resources, such as social support, may both directly affect as well as moderate occupational strain and well-being.

### ***Attributional Style and Disposition***

Another factor that may moderate the potential negative impact of underemployment on health and well-being is the attributions that people make about their work situation. It has been argued that the majority of people use causal attributions for self-protection, known as a self-serving attributional bias (McCary, Edwards, & Rozario, 1982). This is the attribution of success to internal factors and failures to external factors (Taylor & Brown, 1988; Zuckerman, 1979).

Research specifically focused on employment status has found that attributional style is significantly related to well-being (Feather & O'Brien, 1986a, 1986b; Tiggemann & Crowley, 1993). In an investigation of how attributions for underemployment may intersect with background variables, Burriss (1983b) found that more poorly educated workers made internal attributions about the reasons for their work status and expressed greater despair about their future. In contrast,

more highly educated workers made external attributions for their underemployment and were more optimistic about their abilities to locate better jobs in the future.

Given these findings, it may be that understanding the attributions that underemployed workers make about their circumstances can help explain why people react and cope as they do. For example, individuals who attribute their underemployment to external causes (e.g., lack of jobs) may blame themselves less and hence may be less likely to suffer a negative psychological impact. In contrast, individuals who attribute their underemployment to internal factors (e.g., personal failure) may experience greater psychological distress. It may follow, then, that underemployment would be less psychologically damaging if it occurs during a high unemployment period when work status can be attributed to the employment climate rather than to personal failure.

Related to attributions is the role that individual disposition is likely to have in the experience of underemployment. For example, Watt and Hargis (2010) suggested that an individual's proclivity to experience boredom is related to his or her perceptions of subjective underemployment and perceived organizational support. Disposition is also likely to be related to an individual's capacity to deal with underemployment. This has been suggested in the unemployment literature, which has found that high levels of neuroticism have been related to elevated levels of psychological distress (Payne, 1988; Schaufeli, 1992). This may also be the case for the underemployed, and future research is needed to clarify these relationships.

## **Summary and Where to Go from Here**

As has been consistently demonstrated throughout this chapter, the effects of underemployment upon job attitudes and physical and psychological health appear to be very much dependent on the expectations and desires of the worker and whether there is an inconsistency between these and their work role. These relationships are reflected in variations of the type of psychological variable affected as well as the form of underemployment associated (e.g., status, income). When the work is considered to be inadequate from the worker's perspective, the findings emerging from the literature reveal a pattern of adverse impacts on worker psychological well-being, health, and work attitudes. How this research can be extended and applied to practical interventions is explored in the sections below.

### ***Future Research***

In order to further understanding in the area, future research will need to focus on clarifying the construct of underemployment and how it should be measured. One of the limitations of previous research has been the lack of consistency in defining employment status, which in turn is likely to produce variation in outcomes. One aspect of this has been the failure of some researchers to provide an explanation

of how employment status was defined in their study. In other research, objective definitions such as work hours or skill level have been used without any indication of the voluntariness of the role.

A further gap in the literature is that few studies have used a longitudinal methodology, with cross-sectional methods being the most common design. As a result, much of the research has been unable to make causal inferences about work status. Larger data sets can allow researchers to move to multivariate designs and gain an understanding of how underemployment relates to other factors (antecedents, moderators, and outcomes). Unfortunately, longitudinal studies that follow participants over a reasonable period of time are expensive and require continued commitment. Nevertheless, they are necessary for understanding the different ways in which individuals experience work, as they provide a clearer picture of which antecedent conditions best predict those in different types of work arrangements and what types of underemployment best predict certain outcomes. They also can examine the potential long-term effects and coping strategies used by those in underemployment.

Of the longitudinal studies that have been conducted in the area, much of the seminal work was based on data collected in the late 1970s and early 1980s (e.g., Feather & O'Brien, 1986a; Prause & Dooley, 1997; Tiggemann & Winefield, 1984; Winefield & Tiggemann, 1989). Due to the significant rise in the prevalence of precarious employment over recent decades, more longitudinal studies are needed to extend the work of these earlier studies and gain an understanding of current work trends and attitudes. It would be interesting to explore whether work attitudes have been influenced by the change in work patterns over time and how they relate to well-being measures.

Another focus for future research may be in clarifying those most at risk of adverse outcomes. As Friedland and Price (2003) have argued, particular subgroups are more vulnerable to the negative impact of underemployment, and a direction for research may be to follow this field of investigation. It has been argued that a particularly high percentage of school students and graduates find themselves in underemployment due to corporate restructuring, resulting in the elimination of many midlevel positions and increasing the number of experienced workers competing for entry-level positions (Feldman, 1996; Lauritsen, 1995). Other research has indicated that midlife is the period when job quality exerts the strongest effects on health (Siegrist & Marmot, 2004, p. 1464). Given these findings, further research is needed to explore the potential for the differential impact of underemployment on subgroups based on age or stage of life. If particular subgroups are identified as being at more risk, interventions can be targeted to these groups.

### ***Interventions to Minimize the Adverse Impact of Underemployment***

As worker expectations have been found to be associated with adverse psychological and health outcomes, this is one area in which interventions can be targeted. Given the move to greater work flexibility, attitudes and expectations toward employment

need to move beyond expectations of the traditional ideal of stable and permanent work. Instead, there needs to be a greater understanding about how to negotiate a career path in a changing labor market that provides a range of work options and perhaps reduced job security. It may be that young people and workers of all ages would benefit from learning how to utilize greater work flexibility for their own benefit in terms of health and work success. Flexible work arrangements can benefit workers in terms of providing better work–life balance and it can also be consistent with the notion of lifelong learning and reskilling.

Targeted interventions to help prevent and/or minimize the adverse psychological and health effects of underemployment may in some way be modeled on the interventions that have been designed to help the unemployed improve their self-esteem and skills to seek re-employment more effectively (e.g., Vinokur, Price, & Schul, 1995). This may include providing the underemployed with some form of social support, which preliminary research suggests can help moderate the negative impact of inadequate work status. This may come in the form of support from colleagues, a mentor, or supervisors.

A problem in developing interventions to assist the underemployed is the issue of funding support. Underemployment is not always featured in labor market statistics along with the reports of unemployment and, for this reason, it receives less public attention and targeted funding. Therefore, greater recognition of underemployment and the potentially detrimental impact it can have on workers is needed in order to produce greater pressure on policy makers to minimize the harm to both individuals and organizations.

The need for such interventions is reinforced by the research outlined in this chapter which has shown that workers who are in some lower quality of employment and are not satisfied with some aspect of the work arrangement, such as too few hours or underutilization of skill, are at risk of negative health or well-being outcomes. These findings should be of interest to organizations, which are faced with the hidden costs associated with negative job attitudes and poor worker health and well-being. It also emphasizes the importance of organizations facilitating a good ‘fit’ between the worker and the job placement. A good fit can help ensure that individuals maximize their capacity, create a sense of personal fulfillment, and minimize the costs of placement in an inadequate work role.

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# Chapter 10

## The Impact of Underemployment on Individual and Team Performance

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**Keywords** Underemployment · Time · Teams · Task performance · Extra-task performance

The issue of underemployment is one of increasing concern for countries across the globe. For example, in the USA estimates have put the number of underemployed as high as 20.3%, while in Europe the number of overqualified workers (just one dimension of underemployment) has been estimated at 21.5% (Groot & Maassen van den Brink, 2000). Unfortunately, given the current global economic crisis, this situation can only be expected to worsen in the near future. The international labor pool is becoming more educated and qualified (Peiró, Agut, & Grau, 2010) while organizations worldwide are seeking the minimum effective level of human capital in an effort to cut costs. As such, fewer jobs demanding high levels of qualification are becoming available on the labor market while the supply of employees with just such a profile continues to grow.

One issue at the heart of concerns about underemployment is the belief that underemployed individuals will underperform. The reasoning seems to be that underemployed individuals will not work hard because they find their jobs pointless and demotivating (e.g., Borgen, Amundson, & Harder, 1988) and consequently, performance will suffer. Indeed, there is a body of empirical work showing that if we broaden our definition of performance to include turnover and work withdrawal, this assumption is correct. However, Edwards and Shipp (2007) have recently pointed out that the effects of some types of underemployment on performance may, in some conditions, be positive. In fact, there are several studies that show that this too is correct (Fine & Nevo, 2008; Holtom, Lee, & Tidd, 2002; Erdogan & Bauer, 2009; Erdogan, Bauer, Peiró, & Truxillo, 2011). Underemployed individuals can be high performers as well.

This chapter will untangle some of these issues by exploring the empirical and theoretical links among different types of underemployment and performance at the individual and team level. We suggest that a deeper, and more complex, understanding of these relationships can be achieved by incorporating

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well-established models of performance, expanding our definition of performance, and considering the dynamic nature of these relationships over time. We will begin by formally setting out our definition of underemployment, then move to a brief definition of performance and a discussion of the model of performance upon which we draw, before turning to the main body of the chapter to explore how underemployment of different types and degrees relates to performance.

## Underemployment

Early research on employment status and its consequences took a dichotomous approach to the topic, with individuals categorized as either employed or unemployed (Dooley, 2003). However, as labor market flexibility increased and the field matured it became clear that other categories were possible, including that of inadequate employment. In an effort to describe this phenomenon, Hauser (1974) laid out a framework (the Labor Utilization Framework, LUF) that introduced a continuum of employment status ranging from “sub-employed,” or individuals who are not currently working and who had not looked for work during the previous 4 weeks because they felt no jobs were available, through “unemployed” to “underemployed.” He further split underemployment into a number of subcategories, including underemployed by low hours (or involuntary part-time employment), underemployed by low income (or working poor), and underemployed by occupational mismatch (or overeducated). Later researchers argued that yet more categories were possible, including contingent workers, involuntary temporary workers, wage underemployed (employees whose pay did not match their output), and even employees that lacked the equipment needed to achieve maximum efficiency (Dooley, Prause, & Ham-Rowbottom, 2000; Dooley, 2003; Feldman, 1996; International Labour Organization, 1998). To make things more complex, it is possible to belong to more than one category of underemployment. For example, temporary workers also typically have lower salaries as compared to permanent workers, making them underemployed both in wages and in the type of contract desired.

Clearly, as Friedland and Price (2003) point out, “there are almost as many operational definitions of underemployment as there are researchers who study the phenomenon” (p. 33). For our purposes, however, we will focus on two dimensions of potential underemployment: underemployment in knowledge, skills, or abilities (overqualification – a slightly broadened version of Hauser’s “underemployment by occupational mismatch”) and time-related underemployment (similar to Hauser’s “underemployed by low hours,” but including involuntary part-time work, temporary work, and contingent work).

Of the underemployment dimensions we discuss here, the connection with performance at the level of the individual and the team is perhaps most intuitive for overqualification. However, time-related underemployment also has clear (and some more subtle) implications for performance. Before we launch into a discussion

of these specific relationships, however, we need to define what we mean by performance and to discuss the relevant models of its antecedents and processes.

## Performance

In this chapter, we will be exploring the effects of underemployment on performance at the level of the individual as well as at the level of the team. Because team performance is related to individual performance (although we are not suggesting that it is the simple addition of each individual team member's performance), we will first describe performance at the level of the individual. Performance at the level of the team will be defined more thoroughly in the section on underemployment and team performance.

Although assessed and defined in slightly different ways by different researchers, there seems to be consensus that at its core, performance consists of goal-relevant behaviors under the control of the individual that contribute to the organization's goals (e.g., Campbell, McCloy, Oppler, & Sager, 1993; Campbell, 1999; Motowidlo, 2003) and that performance is not a unidimensional construct. To address this multidimensional, behaviorally based conceptualization of job performance, Campbell et al. (1993) proposed a taxonomy of eight dimensions: job-specific task proficiency, non-job-specific task proficiency, written and oral communication, demonstrating effort, maintaining personal discipline, facilitating peer and team performance, supervision, and management/administration. According to the authors, these eight dimensions covered the latent structure of performance at a general level across all jobs. These dimensions were later grouped into two more general factors – task and extra-task performance – which have since received a substantial amount of attention in the literature (Dalal, Weiss, Welch, & Hulin, 2009; Motowidlo & Schmit, 1999; Motowidlo & Van Scotter, 1994).

Task performance (or task proficiency) refers to behaviors that contribute to the core transformation and maintenance activities in an organization, such as producing products, managing subordinates, or delivering services (Motowidlo & Schmit, 1999). Extra-task performance consists of active and volitional acts engaged in by individuals that include both organizational citizenship behaviors (OCBs) and counterproductive work behaviors (CWBs). OCBs refer to behaviors that contribute to improving the culture and climate of the organization, such as volunteering for extra work, helping and cooperating with others, persisting with enthusiasm, and supporting or defending the organization (Motowidlo & Schmit, 1999). In contrast, CWBs are acts that harm the organization and people within it, acts that generally go against the interests of the organization (Spector & Fox, 2005; Sackett & DeVore, 2002). These can range from damaging property or abusing coworkers to theft and withdrawal from work (Spector et al., 2006). Although other dimensions of performance have been proposed (e.g., adaptive performance; Hesketh & Neal, 1999; Pulakos, Arad, Donovan, & Plamondon, 2000; Schmitt, Cortina, Ingerick, & Wiechmann, 2003), for the purposes of this chapter we will focus on the two most common dimensions of performance: task and extra-task performance.

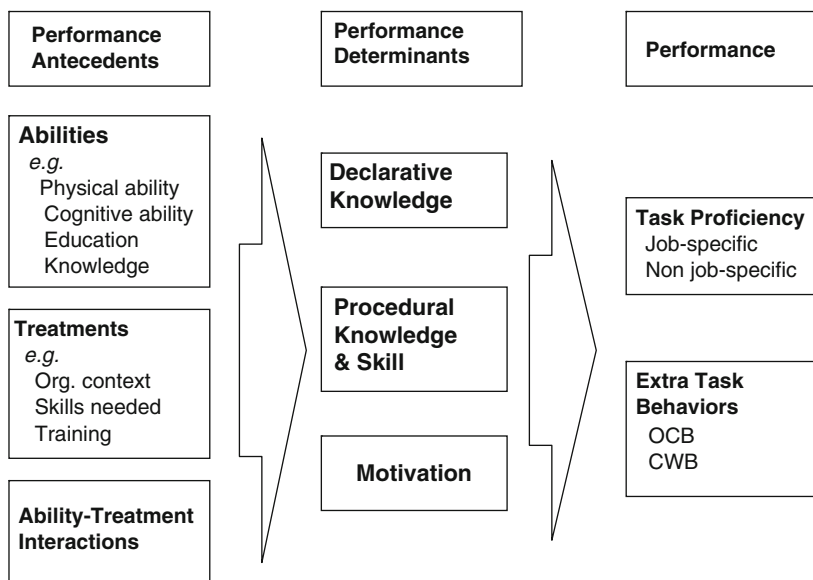
## *Models of Performance*

It is well established that individual differences such as personality characteristics and abilities have a significant effect on performance (Schmidt, Hunter, & Outerbridge, 1986), but various models of job performance and its antecedents have been used over the past 20 years to explain the fact that these effects are mediated by job knowledge and skill. Hunter (1983) was among the first to model these two mediators empirically showing that the relationship between cognitive ability and performance was fully mediated by job knowledge and job skill. Schmidt et al. (1986) replicated and extended this study to add job experience as an antecedent to performance. They demonstrated that the effect of work experience, like ability, was fully mediated by job knowledge, and to a lesser extent, work sample performance. Borman, White, Pulakos, and Oppler (1991) expanded both the predictor and the criterion space with the addition of the personality variables of achievement orientation and dependability, on the predictor side, and awards and disciplinary actions, on the criterion side. Again, ability was related to job knowledge, job knowledge was related to task proficiency, and task proficiency was related to supervisory ratings of performance. The impact of achievement orientation and dependability on supervisory ratings was entirely mediated by awards and disciplinary actions (respectively). Interestingly, the Borman et al. paper also demonstrated that the effect of personality on task ratings followed a very different path than that of ability on task ratings. This finding opened the way for the inclusion of a third mediating variable: motivation.

Campbell and his colleagues (Campbell, 1990; Campbell et al., 1993) were the first to incorporate motivation into their model of performance and its antecedents, one of the most coherent and encompassing models to date. In line with the earlier findings suggesting a mediated effect of abilities on performance, they distinguished between three sets of variables in the model: “performance determinants” (the mediators; Campbell, 1990, p. 705), the antecedents of those performance determinants (individual differences and contextual effects, such as abilities, interests, education, experience, climate, and personality), and performance itself (see Fig. 10.1). Given the substantial empirical support for this model, this is the approach we adopt for the remainder of the chapter. As we will argue, the effects of some types of underemployment on performance are expected to differ depending on the performance determinant considered and the type of performance predicted.

### **Performance Determinants**

As in preceding models of performance and its antecedents, the Campbell model established that the effects of individual differences on performance are fully mediated by job knowledge and skill (which Campbell and his colleagues relabeled “performance determinants”). Unlike previous models, however, in the Campbell model motivation was added as a third mediator and job knowledge was relabeled as “declarative knowledge” and job skill as “procedural knowledge and skill.”



**Fig. 10.1** A model of performance, its determinants, and their antecedents

Note: Adapted from Campbell (1990)

According to their definition, declarative knowledge is the extent to which an employee has factual job knowledge and understands the task requirements of a job. Procedural knowledge and skill is the extent to which an employee knows how to perform a task, and motivation is defined as “the combined effect of three choice behaviors: (a) the choice to expend effort, (b) the choice of what level of effort to expend, and (c) the choice to persist in the expenditure of the chosen level of effort” (Campbell, 1999, p. 494).

### Antecedents of Performance Determinants

Campbell (1990) pointed out that more than 100 years of research have given us models of performance that emphasize the role of abilities and context in shaping employee behavior. He argued that those abilities, contexts, and their interactions “are the direct predictors of individual differences on declarative knowledge, and procedural knowledge and skill” (p. 706). For example, general mental ability (GMA) has been repeatedly shown to be an antecedent to declarative knowledge and procedural knowledge and skill (Schmidt & Hunter, 1998). As GMA increases, individuals acquire more general knowledge and are able to learn and apply the necessary job skills. Personality too is modeled as an antecedent to procedural knowledge and skill and declarative knowledge, but some researchers have argued that it is more closely linked to motivation than to other performance determinants (Schmitt et al., 2003; Campbell & Kuncel, 2002).



## Underemployment and Individual Performance

### *Overqualification and Performance*

#### **Overqualification, Declarative Knowledge, Procedural Knowledge and Skill, and Task Performance**

In layperson's terms, overqualification is generally defined as having surplus education, knowledge, skills, or abilities (Maynard, Joseph & Maynard, 2006) relative to what the job requires. In popular culture, overqualified individuals are thought to be undesirable employees due to the assumption that they will be bored, dissatisfied, and underchallenged at work (Bills, 1992). This is not without reason. A recent study by Watt and Hargis (2010) empirically demonstrated that perceived underutilization of skills was indeed related to boredom proneness. However, if we couch overqualification within a model of performance and its antecedents, it becomes important to understand how overqualification relates to an individual's level of declarative knowledge, procedural knowledge and skill, and motivation.

One possible explanation for the relationship among overqualification and the determinants of performance can be understood in terms of a person–job fit argument (e.g., Edwards, 1991; Kristof, 1996). In the fit literature, it is generally argued that, to the extent that an employee possesses the knowledge, skills, and abilities necessary for the job, outcomes will be positive. If, however, an employee possesses too much of a given ability or skills (i.e., overqualification), then the effect on outcomes (e.g., job performance, voluntary turnover) is presumed to be negative (Edwards, 1991; Kristof, 1996). Edwards and colleagues (Edwards, 1996; Edwards & Shipp, 2007) hypothesize two processes by which overqualification can hamper performance: interference and depletion. *Interference* is what occurs when excess abilities in one job dimension reduce abilities in another dimension. Such a case may occur when an individual develops a specific ability beyond the level required by the job and, in doing so, leaves other abilities underdeveloped. In contrast, *depletion* results when excess ability in the present causes a decrement in the level of the ability in the future. In this process, it is argued that as excess abilities go unused they may atrophy or degrade over time such that they are no longer sufficient to meet future demands.

However, only one study to date has empirically demonstrated a negative relationship between overqualification and performance. In a sample of expatriate employees, Bolino and Feldman (2000) had employees rate their perceived overqualification as well as their own performance and reported a standardized regression coefficient of  $-0.16$ . The authors point out that this may in fact be because overqualified individuals know that they could do better and as a result rate their own performance less highly.

Other studies have obtained opposite results, reporting positive relationships between overqualification and performance (e.g., Fine, 2007; Fine & Nevo, 2008; Erdogan & Bauer, 2009). In terms of the Campbell model of performance, this makes sense. For example, individuals who are overqualified in terms of general

mental ability (GMA) have more cognitive resources, and thus they will be more likely to attain higher levels of declarative knowledge and procedural knowledge and skill (Schmidt & Hunter, 1998) and as a result are more able to perform. Similarly, individuals who are overqualified in terms of education or job experience are more likely to have already attained the declarative and procedural knowledge and skill necessary for performing the job at a high level (Erdogan & Bauer, 2009). Edwards and colleagues (Edwards, 1996; Edwards & Shipp, 2007) describe two alternative processes to interference and depletion that help understand how overqualified individuals could be high performers. In a process they termed *carryover*, they argue that overqualified individuals may apply their excess of abilities to demands of new performance-related tasks. They give the example of a training situation in which individuals whose technical skills become developed beyond those required for a particular task could go on to develop new expertise that transfers to other tasks. Alternatively, they point out that it may be possible that the savings in time or effort that overqualified individuals accrue can be reserved for future demands or be applied to other dimensions related to performance, a process they called *conservation*.

While empirical tests of these processes do not yet exist, there is empirical research that bears out the possibility that overqualified individuals can be high performers. Employees who perceive themselves to be overqualified receive higher performance ratings from supervisors (Fine, 2007; Fine & Nevo, 2008), rate their own performance more highly (Fine & Nevo, 2008), and have higher levels of objective performance (Erdogan & Bauer, 2009). All told, the fear that overqualified individuals will have lower levels of task performance (O'Brien, 1986; Tsang, Rumberger, & Levin, 1991; Feldman, 1996) is not borne out by the current empirical evidence, although admittedly, this evidence is still scant.

This is a paradox at the heart of the belief that overqualification leads to lower individual performance. Overqualified individuals, by definition, have the ability to do the job well, if not better than other employees, yet the belief persists that they are poor employees. Studies have repeatedly found that managers prefer not to hire candidates they deem overqualified (Bills, 1992; Maynard, Taylor, & Hakel, 2009). If one views the issue through the lens of a “can do” versus “will do” dichotomy (Schmidt et al., 1986), however, this fear begins to make more sense. The issue seems to be not whether overqualified individuals *can* do the job; rather it is whether they *will* do the job. In other words, it is a matter of motivation.

### **Overqualification, Motivation, and Task Performance**

A larger variety of theoretical explanations are typically offered in the underemployment literature to explain why overqualified individuals should demonstrate lower levels of motivation and subsequently lower task performance.

A popular theoretical explanation draws from equity theory (Adams, 1963). Equity theory argues that employees compare the outcomes they get from their work (e.g., salary, responsibility, and recognition) and the inputs they invest in work to get those outcomes (e.g., education, experience, training, and effort). Perceptions

of equity depend on the ratio of these outcomes to inputs. Whether that ratio is considered reasonable (i.e., fair) or not will depend on what others receive based on the inputs they invest and the outputs they get (the others' ratio). This, of course, involves a social comparison process. When the result of the comparison is reasonable, a positive social exchange can be initiated. When it is not reasonable, especially when the ratio of one's outcomes to inputs is smaller than the others' ratio, employees will take actions to restore equity. This restoration can take a wide variety of forms including cognitive re-evaluation, but what is of relevance for this chapter is the possibility that employees who perceive inequity may invest less time and effort in their work with the expected negative effect on task performance. Research has indeed shown the negative effects of perceptions of inequity (e.g., Harder, 1992) and the violation of psychological contracts (Guest & Clinton, 2010) on performance.

As applied to overqualification, this would mean that employees who are overqualified will attenuate their performance to maintain equity between their inputs and outcomes (Feldman, 1996) and choose not to perform to their full potential, especially if they perceive that the promises made have been violated. However, as popular as this theoretical approach is in the broader literature, most overqualification research does not directly assess equity perceptions or promise fulfillment, and it is unclear if these mechanisms are at work.

A different argument draws from the goal-setting literature (Bolino & Feldman, 2000). As is well established in goal-setting theory (Locke & Latham, 1990), goals that are difficult to achieve lead to higher task performance than do easier goals. More difficult goals direct attention and action, increase persistence and effort, and represent motivating challenges that require the use of knowledge and skills. Because overqualified individuals are expected to be underchallenged at work, any goals are more likely to be easy for them. Since easy goals do not generate sufficient attention (Locke & Latham, 1990), overqualified individuals will therefore perform below their ability. As was the case with equity-based approaches, no research has examined the relationship between overqualification and performance as potentially mediated by goal difficulty.

Indeed, empirical work directly relating overqualification to motivation as defined by Campbell (1999) – the choice to expend effort, the choice of what level of effort to expend, and the choice to persist in the expenditure of the chosen level of effort – is sparse. This is most likely due to the difficulty in operationalizing motivation (Campbell & Kuncel, 2002). Instead, most research use proxies for motivation such as positive affect or job satisfaction (see Anderson and Winefield, this volume). Of course this is reasonable given that, one of the key features determining whether people are happy at work is whether they have the opportunity to use their abilities. People need the opportunity to apply their skills and knowledge to do what they are good at, not only to solve problems and achieve goals but also to experience flow or a self-actualization that is satisfying in and of itself (Warr, 2007; Warr & Clapperton, 2010).

Overqualified people who are unable to fulfill their true potential tend to suffer a decrease in happiness and satisfaction (Johnson & Johnson, 1996, 2000). Although several meta-analyses have shown that the relationship between individual

task performance and attitudinal measures such as job satisfaction is modest at best (Iaffaldano & Muchinsky, 1985; Judge, Thoresen, Bono, & Patton, 2001; Petty, McGee, & Cavender, 1984), the relationship between task performance and happiness and positive affect seems to be stronger (Lyubomirsky, King, & Diener, 2005; Staw, Sutton, & Pelled, 1994; Wright & Staw, 1999). If workers do not enjoy their jobs and are frustrated because they cannot use their expertise, they will contribute less to performing the tasks required to attain the goals established, diminishing the levels of task performance.

At this point, it is interesting to note that although objective overqualification and perceived overqualification should be positively correlated, they may play different roles. Objective overqualification should have an effect on task performance through the acquisition of declarative knowledge and procedural knowledge and skill, while perceived overqualification should have an effect on task performance through motivation. So even if objectively overqualified individuals may be able to improve their task performance through increased knowledge and skills (especially compared to other people who are just qualified or even underqualified) – their level of perceived overqualification could simultaneously reduce their desire to do so. To date however, attempts to model the links among overqualification, motivation, and task performance have met with limited success (see Erdogan & Bauer, 2009). One possibility is that motivational factors are stronger predictors of extra task performance, rather than task performance (Motowidlo, Borman, & Schmit, 1997). We now turn to this particular dimension of performance.

### **Overqualification and Extra-task Performance**

As Feldman and Turnley (2004) point out, there may be situational and financial constraints that limit an individual's ability to act upon his or her desires to restore equity (Adams, 1963) or express boredom (e.g., Watt & Hargis, 2010), both of which would reduce their task performance. They argue that if individuals lower their level of contribution too much, they risk losing their jobs. Instead, as suggested by Motowidlo, Borman, and Schmit (1997), motivational factors may more strongly predict extra-task performance, such as volunteering for tasks that are not formally part of the job, demonstrating effort, or helping and cooperating with others.

Additionally, as Hulin and colleagues (Hanish & Hulin, 1990; Dalal & Hulin, 2008) argue, if one type of behavior is controlled (e.g., work rates are closely monitored and reductions in task performance are not possible without risking repercussions), employee dissatisfaction is likely to be expressed with an alternate behavior (e.g., theft). Therefore, if (as suggested by Feldman and Turnley, 2004), overqualified individuals cannot reduce their inputs to core performance, they will instead change their extra-task behaviors, decreasing OCBs such as volunteering, defending the organization, or filling in for others, and increasing their CWBs such as work withdrawal and theft.

### **Summary of Findings**

Two points stand out about the body of research on overqualification and performance. One is that it is quite small. Our literature review uncovered only four

empirical studies relating overqualification to performance. The second point is that all these studies focused on only one dimension of performance: task performance. The relationship between overqualification and extra-task behaviors remains largely unexplored. Interestingly, given the discretionary nature of extra-task behaviors, this may be precisely the area in which the effects of overqualification (especially perceived overqualification) on performance are greatest.

### ***Time-Related Underemployment and Performance***

Compared to overqualification, the concept of time-related underemployment includes a wider array of categories, including part-time work, temporary work, and contingent work (Kalleberg, 2000). While the conceptual differences among these categories can be meaningful (e.g., Maynard et al., 2006), not much research has been done on the specific relationship of each of these types of underemployment with performance. Moreover, as Kalleberg (2000) points out that these categories frequently overlap. For example, 54% of temporary workers report also working part-time (Casey, 1991). Given these facts, in this section we will consider the effects of time-related underemployment jointly and not parse out the effect of each category.

One important aspect of time-related underemployment that does seem to have strong effects on performance is whether or not the situation is freely chosen by the employee (e.g., Krausz, 2000). For example, a person can choose to work at a job that is less than full-time to allow him or her balance work and family life (Von Hippel, Magnum, Greenberger, Heneman, & Skoglund, 1997), or to earn money when not in school, or even to have a variety of work experiences and acquire different skills (Von Hippel et al., 1997). Indeed, in comparisons between voluntarily and involuntarily underemployed individuals it has been shown that those who *choose* to work part-time or in a temporary position (so as to balance work and family life, for example) are more committed to their organizations, experience less negative feelings toward their job (Feldman & Turnley, 2004), and show higher levels of initiative (Peiró, 2009). However, this preference for part-time and temporary jobs is not common. For example, in a representative sample of young Spanish employees aged between 16 and 30 years, Peiró (2009) reported that only slightly more than 17% preferred part-time work while almost 50% preferred full-time jobs. As such, we will focus on those employees who are involuntarily underemployed both because it is the most common condition and because the effects on performance seem likely to be more powerful.

### **Time-Related Underemployment, Declarative Knowledge, Procedural Knowledge and Skills, and Task Performance**

The lack of opportunities to work full-time when it is preferred, together with temporary work that compels workers to be unemployed during the periods when they would clearly prefer to work, is certainly expected to carry a risk of poorer performance (Dooley & Prause, 2004). However, how these effects play out in the context

of the model of performance and its antecedents that we have described is not well understood. For example, how would being time-related underemployed relate to levels of, or acquisition of, declarative knowledge and procedural knowledge and skills?

One possibility is that people who are time-related underemployed simply have less declarative knowledge and procedural knowledge and skill to begin with than those employed full-time. That is, they come into the job with lower levels of these determinants and simply cannot do the job as efficiently as full-time employees. Indeed, there is some evidence that compared to permanent employees, temporary workers are less educated and less skilled (Paoli & Merllié, 2001). However, how this affects task performance is unclear given that levels of skill utilization between temporary and permanent workers appear to be similar (Paoli & Merllié, 2001). So, even if full-time employees do have higher levels of skill than do temporary employees, that additional skill may not be utilized.

Another possibility involves a more dynamic process. It may be that employees who are time-related underemployed may not be able to acquire the required declarative knowledge and procedural knowledge and skill on the job as easily as full-time, permanent employees. This may be either because they simply have less time to learn by doing or because they are excluded from training and other development opportunities by their colleagues or the organization as a whole. Indeed, in many cases the introduction of temporary workers can lead to higher levels of conflict in the workplace (Geary, 1992; Kochan, Smith, Wells, & Rebitzer, 1994), especially between those temporary workers and their full-time, permanent colleagues. When conflict and tension are high among these groups, the full-time employees may be less than willing to help their underemployed colleagues learn the required knowledge and skills.

Alternatively, the organization as a whole may simply neglect to train temporary employees because they do not see the point of expending time and money on an individual who will shortly be leaving (Kalleberg, 2000). In fact, in a sample of more than 5,000 employees from about 200 organizations in six European countries, Isaksson et al. (2010) found that common human resource practices such as training and development, performance appraisal, and performance-related pay were implemented far more frequently for the permanent workforce than for temporary workers. A related possibility is that time-related underemployed individuals seem to be generally stigmatized (Segal & Sullivan, 1997; Ferber & Waldfogel, 1998; Kalleberg, 2000; Tilly, 1996) and seen to lack intelligence and skills (Parker, 1994; Rogers, 2000; Smith, 1998; Williams, 2001). Boyce, Ryan, Imus, and Morgeson (2007) argue that this stigmatization may create a self-fulfilling prophecy whereby the organization does not offer training and development opportunities (for fear of wasting them on employees who are unable to take advantage of them), inevitably leading to the relative lack of skills among temporary.

Despite these intriguing possibilities, empirical and theoretical work that explains why time-related underemployment may affect levels of declarative knowledge and procedural knowledge and skill (and consequently task performance) is currently lacking. The processes of conflict, lack of opportunities, and

stigmatization suggested by Geary (1992), Kochan et al. (1994), Kalleberg (2000), and Boyce et al. (2007) may also affect performance through a different pathway. Temporary and part-time employees may be less willing to exert effort in situations where they feel they are not being treated as they deserve. In short, they may have lower levels of motivation. In fact, just as was the case with the relationship of overqualification to performance, most of the work on time-related underemployment and performance has examined the role of motivation.

### **Time-Related Underemployment, Motivation, and Task Performance**

Feldman (1996) argued that underemployed people, including those time-related underemployed, would be more likely than other employees to be out job hunting or to take off “mental health days.” The argument is that underemployed workers are less motivated to perform beyond the minimum requirements of the job (Moorman & Harland, 2002) and that a feature of underemployment is that one will not be willing (or perhaps even able) to give the job his or her full concentration. As in the case with work on overqualification, the theoretical grounding for work on the effects of time-related underemployment on motivation does not argue for a direct assessment of effort à la the Campbell (1990) model. Instead motivation is indirectly incorporated via a number of proxies such as relative deprivation (Stouffer, Suchman, DeVinney, Star, & Williams, 1949), discrepancy (Lawler, 1973), and goal-setting theories (Locke & Latham, 1990).

Relative deprivation theory is highly related to equity theory in that it argues that employees will compare the outcomes they receive to those received by relevant others in the workplace. However, relative deprivation theory differs in two ways: (1) it does not make a comparison of ratios, simply a comparison of outcomes, and (2) it introduces another mediator to the causal chain such that when that comparison is unfavorable, individuals first experience relative deprivation and then become motivated to restore equity.

There are a number of ways in which part-time, temporary, or contingency workers may experience relative deprivation. One is simply by virtue of being involuntarily time-related underemployed. In general, part-time and temporary workers have lower salaries, lower social status in the organization, second-rate job characteristics, and inferior prospects than permanent employees (Segal & Sullivan, 1997; Ferber & Waldfogel, 1998; Kalleberg, 2000; Tilly, 1996). Another, more obvious source of relative deprivation for this group of employees is the number of hours worked. When employees want a permanent full-time job like most of their colleagues but are only offered part-time or temporary work relative deprivation theory would predict that they become motivated to balance out this difference by reducing their task performance.

In the only explicit test of relative deprivation theory among time-related underemployed workers, Feldman and Turnley (2004) compared levels of relative deprivation and performance among adjunct faculty and full-time faculty. While they found higher levels of relative deprivation among adjunct faculty, this was not significantly linked to differences in levels of task performance.

In contrast, Holtom et al. (2002) use another highly related theory, discrepancy theory (Lawler, 1973), to argue that matching employee preferences for working hours should lead to higher levels of task performance. Like relative deprivation theory and equity theory, discrepancy theory suggests that employees make a comparison of job features. However, in this case the comparison is between what an employee desires and what the employee gets, rather than a comparison of inputs to outcomes relative to some relevant other. As applied to time-related underemployment, this would suggest that employees who work the number of hours they desire should feel more positively toward the organization and more motivated to perform at a higher level than those who do not. Indeed, Holtom et al. (2002) found this to be the case. When employees reported having less (or indeed more) hours than they desired at work, they had lower levels of performance.

Finally, in terms of goal setting, it has been pointed out that compared to full-time and permanent workers, temporary workers experience less autonomy and perceive their job as less challenging (e.g., Benach, Amable, Muntaner, & Benavides, 2002; Schalk et al., 2010). As mentioned before, goal-setting theory explains that challenging jobs should enhance performance by directing attention and action, and increasing persistence and effort. Therefore, if the time-related underemployed find their jobs to be less challenging, lower levels of performance may result.

Interestingly, there is also the possibility that workers who are time-related underemployed might actually outperform full-time employees. In particular, time-related underemployed individuals may instead be highly motivated if they perceive their job as a stepping-stone toward full-time employment or toward better career opportunities (De Cuyper et al., 2008). In such a situation, temporary or part-time work may be seen by the employees as an opportunity to signal their potential value, almost like an audition (Broshak & Davis-Blake, 1999), and they may take the opportunity to demonstrate high effort and higher productivity (Mauno, Kinnunen, Mäkikangas, & Nätti, 2005). There is some evidence that this can be the case. Broshak and Davis-Blake (1999) found that temporary workers who were seeking to be hired as full-time workers had significantly higher productivity than regular workers.

### **Time-Related Underemployment and Extra-Task Behavior**

Just as was the case with overqualification, employees who are time-related underemployed may face contextual or situational constraints on their ability to vary task performance (Feldman & Turnley, 2004). Just like their overqualified colleagues, they may instead express their lack of motivation through the performance (or non-performance) of extra-task behaviors. Given that prosocial extra-task behaviors like OCB are discretionary and not typically part of the job description of temporary or part-time workers (Feldman & Turnley, 2004), researchers argue that these behaviors are a social resource that employees have at their disposal to exchange with the organization if they feel well treated (Moorman, 1991; Kaufman, Stamper, & Tesluk, 2001) or to withhold from the organization to restore equity and balance inputs and outputs (Ang, Van Dyne, & Begley, 2003) when they feel poorly treated.



Given that part-time and temporary workers are generally worse off than their full-time, permanent counterparts on a range of variables including pay and status (Segal & Sullivan, 1997; Ferber & Waldfogel, 1998; Kalleberg, 2000; Tilly, 1996), and can be stigmatized (Boyce et al., 2007), a number of researchers have argued that employees who are time-related underemployed will demonstrate lower levels of prosocial extra-task behaviors such as OCBs. Indeed, the adjunct faculty in the Feldman and Turnley (2004) study that reported higher levels of relative deprivation also reported lower levels of OCBs, and Holtom et al. (2002) found a similar pattern with a sample of hospital employees. Again, however, if you approach OCBs as a resource to be exchanged, the predictions become more subtle. Employees who are time-related underemployed do in fact perform higher levels of OCBs when they have positive job attitudes (Moorman & Harland, 2002), when they have a more relational psychological contract (Kidder, 1998), or when they otherwise view their relationship with the organization positively (Van Dyne & Ang, 1998).

One thing missing from this body of work on time-related underemployment and extra-task behaviors is an examination of the effect on the darker side of extra-task behavior: counterproductive behaviors. There is no work that examines how or whether underemployed workers engage in higher levels of these undesirable behaviors rather than simply modulate their levels of positive behaviors. This is a logical extension of the current literature and is theoretically reasonable. Stealing from the organization, provoking internal conflict in the workplace, and indulging in sabotage (to name a few) are potential strategies that frustrated part-time, temporary, or contingent employees might use to restore equity.

## Underemployment and Performance Across Levels

Although past research suggests that underemployment is related to lower organizational commitment, higher turnover intentions, and higher actual turnover (Maynard et al., 2006; Erdogan & Bauer, 2009) – all outcomes which are detrimental at the level of the organization – there is virtually no research on the effects of underemployment on performance at the organizational level. As DeNisi (2000) points out, “all performance in organizations, regardless of the level of analysis, must ultimately be a function of individual behavior” (p. 131). The problem, however, is that research on the effect of aggregated individual behaviors on organizational level outcomes is sparse (Schneider, Smith & Sipe, 2000). The reasoning is that there are “too many possible issues that intervene between the personal characteristics and the performance of the organization for the relationship to be possible” (Schneider et al., 2000, p. 112) or at least for it to be studied.

In this section, instead of trying to build theory linking individual underemployment to organization-level performance, we will develop some arguments that posit an effect for underemployment on team-level performance. Because teams are both more proximal to the underemployed worker and are more likely to be affected by the actions of one or more underemployed workers, and because there is some work

linking team performance to organizational performance (Guzzo & Dickson, 1996), this seems to be a reasonable starting point.

### *Overqualification and Team Performance*

Traditional team performance models (Gladstein, 1984; McGrath, 1964) include as an input variable the pattern of members' skills and the adequacy of those skills as antecedents of performance. More recent models (Klimoski & Jones, 1995) also consider the configuration of knowledge and skills as an input, and the use of those skills as a requirement for the correct processes to emerge and team effectiveness to improve. Although the effects of overqualification on task work might be similar to the effects shown at the individual level, because team members' contributions to any particular task may be pooled and combined, the process is probably also much more complex. Teams can perform beyond the additive abilities of individual members (Cannon-Bowers & Salas, 2001), and one nonperformer in the team can lower an entire team's performance.

On the one hand, overqualified individuals can, in a process similar to carry-over (Edwards, 1996; Edwards & Shipp 2007), choose to make available or share their excess cognitive and skill resources with other team members when needed. Team members can take advantage of the individual learning capacity and cognitive stimulation of their teammates (especially in a context where different skills and knowledge are needed to respond to demands for flexibility and versatility), potentially increasing team performance (Hill, 1982). This type of sharing information and knowledge (Mohrman, Cohen, & Mohrman, 1995; Tjosvold, 1991), both in doing task work and in doing teamwork, improves team performance, especially when the information shared is unique (Mesmer-Magnus & DeChurch, 2009). In fact, two areas of research are especially relevant here: team learning and transactive memory systems.

First, team performance may be enhanced by team learning, or the activities through which a team obtains and processes the required knowledge (Edmondson, 1999, 2002). Team learning, in turn, is based on individual learning (Kozlowski, Chao, & Jensen, 2010) and requires, among others features, the transfer of information, knowledge, and procedural skills (Goh & Richards, 1997). Second, team performance could also benefit from transactive memory systems. As Wegner (1986) explained, a team's transactive memory system consists of the knowledge stored in each individual's memory combined with a metamemory containing information regarding the different teammate's domains of expertise. This provides each group member with more knowledge than any individual could access on his or her own. Teams with effective transactive memory systems have quicker access to a larger amounts of knowledge, improved information integration (Cannon-Bowers & Salas, 2001), and superior decision-making processes (Stasser, Stewart, & Wittenbaum, 1995).

Overqualified employees have the potential to improve team performance via the transfer of knowledge and skills to the other members (even when team members'

roles are very different). But just as is the case with individual performance, the crucial question is whether they will do so, and if so, when and why. Equity theory (Adams, 1963) might posit that overqualified individuals who feel that the outcomes they receive do not match these larger inputs (Feldman, 1996) would be expected to be less willing to share their knowledge and skills. Inequity may be even more salient at the team level than at the individual level, as team members provide a concrete social comparison point. Goal-setting theory suggests a different and opposite relationship. If teamwork fosters a sense of empowerment and increases the use of relevant abilities (Entrekin & Court, 2001) and this use of abilities has a positive reinforcing effect (Warr, 2007; Warr & Clapperton, 2010), it could mitigate the negative effects of having an unchallenging job because team goals may be more difficult and require the use of excess knowledge and skills.

Another factor that could mitigate the potential negative effects of individual overqualification in teams is recognition. Sharing relevant information and knowledge with other team members to attain the team's goals can elevate the overqualified person's status within the team (informally at least) and self-esteem. As such, teamwork and the recognition of one's peers may make under-challenging work fulfilling (Warr, 2007; Warr & Clapperton, 2010).

Despite this array of theoretical possibilities, there is only one empirical study that we know of that examined the effects of overqualified individuals at a level higher than the individual. Tsang (1987) showed that overeducation (operationalized as the difference between education and education requirements for the job) related negatively to individual job satisfaction (again a proxy of motivation and work effort) after controlling for sex, race, age, and education, and that a firm job satisfaction composite, in turn, predicted a firm production function. Although this study is not without limitations, it offers some support to the argument that the lack of effort of overqualified employees relates to a reduction in organizational performance. However, given that the outcome of interest was at the firm level it is not clear whether these findings would generalize back to the team level. Unfortunately, there is little work on the effect of teamwork on organizational performance, let alone the effect overqualified individuals in teams have on team- and organization-level performance.

Many questions remain. What happens when proportions of overqualified individuals in a team vary – for example, when there is more than one overqualified individual in a team or even when a whole team is overqualified? One might speculate that as the proportion of overqualified individuals in a team increases, overqualification becomes normalized and the negative effects on motivation could be attenuated. Conversely, as teams reach higher proportions of overqualified individuals they may attain some sort of critical mass and be spurred to take action to remedy their situation. In any case, the social dynamics, perceptions of inequity and incentives to share knowledge and skills in those types of teams can be expected to be quite different. Clearly this is a very fruitful area for future research and one with important practical implications for organizations.

### ***Time-Related Underemployment and Team Performance***

As mentioned before, there is some evidence that temporary employees are less educated and less skilled than permanent full-time workers. This, of course, could affect task work and also teamwork through slower acquisition of the relevant declarative knowledge and procedural knowledge and skill by these employees, especially if all the team members have low skills and the task is complex (Tziner & Eden, 1985). However, more interestingly, when a team is comprised of a combination of standard employees and temporary, part-time, or contingent employees (time-related underemployed employees), regardless of the level of skill and education of these employees, the time-related underemployed team members would have had shorter (and probably poorer) social interactions with the full-time members of their team. Less interaction and fewer shared experiences should complicate the emergence of a positive team climate and the opportunity to develop a shared mental model about the equipment, the task, the team itself, and the situation (Cannon-Bowers, Salas, & Converse, 1993; Rentsch, 1990). Given that both team climate and team mental models have shown relationships with team performance (e.g., Anderson & West, 1998; Minionis, Zaccaro, & Perez, 1995; Schneider & Bowen, 1985), it makes sense to expect a reduction in team performance when part-time, temporary or contingent employees are part of the team.

But it is not just climate and shared mental models that may be influenced. Interaction among team members is also needed for the emergence of team learning and the transactive memory systems (Kozlowski & Ilgen, 2006). As mentioned, time-related underemployed team members may be stigmatized (Boyce et al., 2007; Ferber & Waldfogel, 1998; Kalleberg, 2000; Segal & Sullivan, 1997; Tilly, 1996) as marginal employees lacking intelligence and skills (Parker, 1994; Rogers, 2000; Smith, 1998; Williams, 2001). As a result, full-time employees, aside from not having the time or opportunity to share knowledge and skills with their time-related underemployed team mates, may not have the inclination either.

This last point relates directly to the motivational issues that arise when we consider the effects of time-related underemployed individuals in teams with full-time colleagues. Sharing of knowledge and skills is a two-way street. So, while full-time employees may not have the desire or the opportunity to share knowledge and skills, time-related underemployed employees may equally be reluctant to exert maximum effort to help the team. In fact, the experience of relative deprivation and inequity of those time-related underemployed workers will have even stronger effects on performance in teams than it does on individual performance because, in the context of a team, the immediate referent for social comparison purposes (i.e., other team members) is especially concrete and observable. As we pointed out earlier, however, there may be limits on how much time-related underemployed individuals can lower their level of contribution to teamwork without losing their jobs. Instead we expect that time-related underemployed employees will vary their level of extra-task behaviors (organizational citizenship and counterproductive behaviors) in a bid to restore equity.

Given that both the use of contingent employment and teams in organizations seem to be on rise, the likelihood that any one team will have at least one time-related underemployed member becomes greater. As such, understanding how the composition of a team in terms of the employment status of its members relates to that team's performance becomes even more relevant. In addition, these processes (and indeed all the processes discussed to this point) need to be examined over time. Team compositions change over time as do the individuals and their jobs that make up the team. Only by looking at these effects longitudinally can we expect to better understand the relationship between time-related underemployment and team performance.

## **Directions for Future Research**

In contrast to many other areas of the literature on underemployment, longitudinal work on the effects of underemployment is relatively robust. A substantial amount of work has been done in the area of the economics of underemployment over time in particular (see Wilkins and Wooden, this volume). Nevertheless, there remain quite a few areas yet to be explored. In particular, research on underemployment would be enriched by examining how employees change in a job, how jobs change, how employees recall and anticipate their underemployment, and how employees change their jobs.

### ***Change in the Person and Change in the Job***

Some of the processes relating underemployment to performance already discussed include the effects of time implicitly in their definitions, such as Edwards and colleagues' (Edwards, 1996; Edwards & Shipp, 2007) four processes resulting from overqualification that can help or hinder performance (interference, depletion, carryover, and conservation). However, we believe the field would benefit from more explicitly modeling the role of time in the relationship of underemployment to performance. In their seminal chapter discussing issues of person–organization fit, Kristof-Brown and Jansen (2007) reintroduce the argument for the importance of fit itself varying over time. As the authors point out, research in fit does not deal very well with the possibility that either the person or his or her job may change over time. In their argument for “fit versus fitting,” they point out that people can be categorized as having fit with their job or not, but also that individuals may actively manage the extent to which they fit with a job, or that the job may dramatically change over the employment of an individual, or both. In short, fit changes.

This is especially relevant to research in underemployment. Most approaches to underemployment implicitly assume that the job or the person remains the same. However, one or both may be changing. Take the example of overqualification. Although determining whether or not someone is overqualified for a job is meaningful and is linked to a number of individual and team outcomes, it is equally

meaningful to examine how people *become* overqualified for a job, or alternatively how they move from overqualified to qualified, or even why people would stay in job for which they are overqualified. Kristof-Brown and Jansen (2007) identify three temporal features of fit which can be applied to underemployment specifically: *magnitude* (in terms of the absolute number of hours worked, or the extent of the difference in skills the individual has as compared to the skills needed), *duration* (how long the individual has endured this condition), and *trajectory* (in what direction the person or the job is changing or has changed).

For example, in terms of magnitude, a part-time worker who desires full-time work may react differently based upon how few hours he or she is working (e.g., 10 h a week as compared to 25 h a week). In terms of duration, the willingness of an employee to view part-time work as an “audition” for a full-time job (and the subsequent increase in task performance) can only last for so long, and, sooner or later, expectations for improvement, and in turn motivation and performance, can be expected to drop.

### ***Anticipating and Recalling Underemployment***

Relatedly, Shipp and Jansen (2005) argue that we must begin to consider not just “clock time” (or the actual passage of time) but also “psychological time” (expectations, anticipation, and recollections) in fit. They point out that retrospective and anticipated fit have already been found to influence the relationship between current fit and well-being. One would expect a similar effect when looking at underemployment. For example, the recollection of past underemployment may serve as contrast to current levels of underemployment such that when that contrast is favorable (current levels of underemployment are lower than recalled levels of underemployment in a past job), the effect on performance and turnover may be positive. And, of course, the opposite may occur. This may help explain why people stay in a job for which they are overqualified or time-related underemployed. It is simply because they see it as a better situation than what they had before. This possibility that our beliefs about our future fit to our jobs and our recollection of our past experiences on the job may moderate the effects of underemployment on performance is an intriguing one. Indeed, this is the process (although it is not couched in cognitive terms) underlying those part-time employees “auditioning” for full-time positions and outperforming full-time employees (Broshak & Davis-Blake, 1999; Mauno et al., 2005). They are anticipating the possibility that over time their jobs may fit their needs better.

### ***People Changing Their Jobs***

A final possibility takes us back to the idea of change over time. However, in this case it is not the possibility of a person changing or the job changing; rather it is

the idea of the person changing the job. This is what has been termed *job crafting* (Wrzesniewski & Dutton, 2001). Job crafting is related to older constructs such as role innovation and task revision (Staw & Boettger, 1990), but relies on different motivational structures and does not require high levels of empowerment or autonomy.

Job crafting clearly has implications for the performance of both overqualified and time-related underemployed (part-time, temporary, or contingent workers) employees. For example, overqualified workers may change the number or sorts of the tasks they perform (job expanding) or emphasize particular aspects of their job that they find most fulfilling (task emphasizing) in order to feel a sense of fulfillment or control over their work. Indeed, given that more and more people are looking for more than financial rewards from their work (Berg, Grant, & Johnson, 2010), this is likely to become an even more common practice. Employees seem to be looking for more than a job – they are looking for meaning, or as Berg et al. (2010) put it, a calling. As such, overqualified individuals might be especially likely to benefit from job crafting as a way to shape their jobs into something that gives them a sense of fulfillment. Being able to do so may prevent counterproductive work behaviors. In fact, the concepts of carryover and compensation (Edwards, 1996; Edwards & Shipp, 2007) may provide a theoretical framework explaining how overqualification leads to job expanding or task emphasizing and subsequent performance changes at the individual level. Overqualified individuals can dedicate their surplus time or skills to broadening their job responsibilities.

Employees who are time-related underemployed are also likely to job craft, but for different reasons. For example, temporary workers have been shown to change their rate of work to exert some control over their job or to show intense interest in the subject of their task (Rogers, 1995). Wrzesniewski and Dutton (2001) argue that given the stigmatization that comes with being a temporary worker (Boyce et al., 2007), this represents a change in how they think about the job and is an effort to sustain a positive sense of self (and to maintain relatively functional levels of motivation and performance). Again, this process may ameliorate some of the negative effects of being underemployed and lead to less counterproductive and more citizenship behaviors on the part of these employees.

Although the links to underemployment are compelling, there remains much work to be done in this area. Of particular interest is one of the finer points made by Wrzesniewski and Dutton (2001). They found that, in a sample of hospital cleaners, those most likely to job expand (increasing interactions with patients, other workers, and staff and helping the overall performance of the hospital) were those who felt that their work was highly skilled. Those hospital cleaners who felt the work was low skilled tended not to alter their job tasks or work relationship to engage with others in their workplace. This poses a unique problem for overqualified workers who would most benefit from job crafting, as those who perceived themselves as overqualified (or at least thought of their job as low skilled) were the least likely to engage in such a practice.

## Conclusion

Research on underemployment and performance is still in its infancy. In terms of overqualification, the few studies we reviewed here suggest that overqualified employees can be good performers. The question is when they will perform well, and on which dimensions of performance. In contrast, for employees who are underemployed in time, the results suggest that temporary, part-time, and contingent employees are generally lower performers than permanent full-time employees. However, the processes that operate to explain these effects remain underexplored.

We believe that the field would further benefit by expanding our study of underemployment beyond the level of the individual to include teams and, eventually, organizations. As more underemployed individuals enter the workforce the experience of being underemployed will become far more common. This is especially relevant if we consider that, as we have pointed out here, the proportion of underemployed in a team or organization may have important effects on the social dynamics and overall perceptions that can lead to performance.

We are particularly intrigued by the idea of underemployment over time. The concepts of duration, magnitude, and trajectory (Kristof-Brown & Jansen, 2007) are useful frames for thinking about how underemployment effects may play out. For example, underemployment could be seen as a stagnating situation for an individual as he or she fails to grow or even lose skills or abilities, but it may also be seen as a stepping-stone and an opportunity to reach better employment. The perspective taken and the strategy an employee enacts may depend on the duration and the trajectory of one's underemployment. As such, the choice of techniques such as job crafting versus counterproductive behaviors may be explained in terms of one or all of these three concepts. Work in these areas is moving forward, but many questions remain here as well.

Finally, most studies have focused on only one type of time-related underemployment, or on one type of overqualification (in skills, education, experience, or knowledge). But the interactions among these types of underemployment are potentially very instructive. For example, the effects of overeducation on performance may be attenuated by a lack of experience, and the effects of overqualification in skills may be modified by a lack of education. The empirical evidence for these possibilities is lacking, but it is another area that is certainly worth exploring.

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# Chapter 11

## The Impact of Underemployment on Turnover and Career Trajectories

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**Keywords** Underemployment · Overqualification · Turnover · Career trajectories

How does underemployment affect employee tenure within an organization? Are underemployed employees a flight risk for the organization? Furthermore, how does the career of an underemployed individual evolve? Is underemployment a barrier for career advancement of employees, or is it possible in the long run for employees to reap benefits from staying in a position in which they are underemployed? The answers to these questions have significant practical implications. Operating under the assumption that underemployed employees have increased chances of leaving their jobs, hiring managers often shy away from hiring job candidates who are or might later become underemployed (Bewley, 1999). If underemployed individuals indeed stay in an organization for only a brief period of time, it may be difficult for the organization to recoup expenses associated with recruitment, selection, training, and premature replacement of these candidates.

Given that the presumed connection between underemployment and job mobility influences important HR decisions as well as the future health and well-being of job candidates, in this chapter we examine the research evidence from several countries to summarize what we know about the underemployment–turnover and underemployment–career mobility relationships. In addition, we develop testable research propositions based on past research to help stimulate additional research on potential moderators of the underemployment and turnover relationship.

To date, underemployment has been defined in numerous different ways in diverse fields, including labor economics, education, sociology, and management. Different conceptualizations of underemployment included being overeducated, overskilled, or overexperienced for one's job; working in a field that is unrelated to one's area of education; holding a part-time position while desiring full-time employment; or earning wages that are significantly less than wages earned in previous employment (Feldman, 1996). In this chapter, our focus is on being overqualified for one's job, which refers to the degree to which a person possesses more skills, education, and experience than the job demands and requirements. Given the dearth of research in these areas as well as the significantly different

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nature of the way in which these types of underemployment are expected to influence employee mobility at work, our focus will be on underemployment in the form of being or feeling overqualified for one's job.

## **Why Would Underemployed Employees Choose to Leave Their Jobs?**

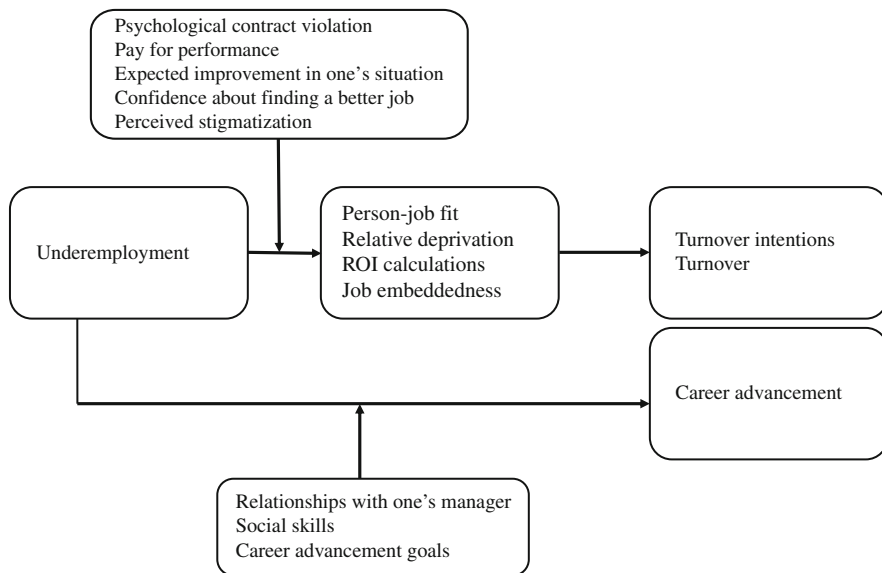
Numerous studies provide support for the argument that underemployed individuals will want to leave their jobs sooner than those employees who are not underemployed. When employees are unhappy with their employment situation, a strong desire to leave their jobs would be a rational response to the situation, and may be regarded as a constructive way to cope with the situation (Griffeth, Hom, & Gaertner, 2000). Supporting this argument, Burris (1983) interviewed over 30 clerical workers and found that those who felt overqualified for their current jobs were more likely to express dissatisfaction with their jobs and report that they were less likely to give their jobs another year. Feldman and Turnley (1995) found that underemployed college graduates reported lower job attitudes and were more likely to look for a job, or report intentions to look for a job within 1 year, compared to those who did not feel underemployed. Researchers have found that downsized individuals re-employed in jobs where they felt underemployed reported lower job satisfaction and continued their job search even after re-employment (Feldman, Leana, & Bolino, 2002; Feldman & Leana, 2000; McKee-Ryan, Virick, Prussia, Harvey, & Lilly, 2009). Similar effects were observed in expatriates, who were more likely to report higher intentions to quit their assignments when they felt overqualified (Bolino & Feldman, 2000; Kraimer, Shaffer, & Bolino, 2009) than when they did not. Maynard, Joseph, and Maynard (2006) report higher turnover intentions for those who perceive themselves as overqualified. Finally, Wald (2005) reported that in a study of over 2,500 Canadians, perceived overqualification was related to higher likelihood of job search behavior.

Theoretically, there are numerous potential explanations for why individuals who are underemployed might want to quit their jobs sooner. In this section, we review these theoretical mechanisms. A summary of our process model is presented in Fig. 11.1.

### ***Person-Job Misfit***

The person–job fit literature suggests that mismatch between employee abilities and job demands (i.e., poor *demands–abilities fit*) as well as mismatch between employee needs and job “supplies” (i.e., poor *needs–supplies fit*) may lead to a desire to leave one's job (Cable & DeRue, 2002; Kristof-Brown, Zimmerman, & Johnson, 2005). While Kristof-Brown et al. (2005) did not include studies of overqualification in their meta-analysis of person–job fit and person–organization fit literatures, they did recognize overqualification as a specific type of person–job





**Fig. 11.1** A process model of the relationship between underemployment, turnover, and career advancement

misfit. Maynard et al. (2006), in their study of the effects of overqualification on outcomes, relied on person–job misfit as the explanatory mechanism. Underemployed employees tend to be unhappy with their jobs (Johnson & Johnson, 2000; Khan & Morrow, 1991; Lee, 2005), as they are unable to fully utilize their skills, talents, and credentials. In other words, there is a mismatch between their abilities, skills, and the demands of the job, which is regarded as an example of poor demands–abilities fit. Moreover, overqualified employees would likely be unhappy with the rewards being provided in their current jobs (Feldman, 1996; Feldman & Turnley, 1995; Johnson & Johnson, 2000; Johnson, Morrow, & Johnson, 2002; Peiró, Agut, & Grau, 2010) and report receiving fewer job rewards (Abrahamsen, 2010), suggesting that their jobs may not meet the needs of these individuals, an example of poor needs–supplies fit. In sum, person–job fit theory provides a strong potential explanation for why underemployed individuals may have higher propensity to leave.

### *Relative Deprivation*

Further elaborating on why underemployed employees would be dissatisfied in their jobs, some researchers have identified feelings of relative deprivation (Crosby, 1984) as the mechanism that would link underemployment to turnover. Underemployed individuals may feel deprived in their current jobs relative to their peers who hold comparable skills, education, experience, and credentials and who are employed in positions where these qualifications are put to good use. For example, college

graduates working in a restaurant may be compensated well compared to high school graduates working in the same restaurant, but may nonetheless feel deprived when they compare themselves to their class peers who are working in an accounting firm. Crosby (1984) proposed that when individuals want something that they do not have and they believe that they deserve to get it, they feel relative deprivation. Studies have shown that relative deprivation mediates the relationship between underemployment and its outcomes such as job satisfaction and intentions to leave (Feldman et al., 2002), and many researchers have utilized relative deprivation theory to explain why underemployed individuals are more likely to leave (Erdogan & Bauer, 2009; Kraimer et al., 2009).

### ***Return on Investment (ROI)***

The skills, experience, and education employees accumulate over time have costs associated with them as they are being acquired. In the case of skills learned on the job, employees will incur opportunity costs in the form of foregoing alternative jobs and alternative opportunities while learning a particular set of skills specific to that job. In the case of education, the individual will have to directly pay for the cost of the education in tuition money and other related expenses, as well as the opportunity cost of several years spent in the education system as opposed to being a full-time employee and earning wages or salaries.

In the overeducation literature, expected ROI by those who possess degrees is an oft-cited explanation for potential high turnover. For example, Hersch (1991) noted that individuals who pursue higher education will do it with the intention of getting an adequate return on their time and financial investment. As a result, overeducated individuals would be more likely to quit their jobs because working in a position for which one is overqualified will have a lower ROI when compared to a job for which one is adequately qualified. For example, Sicherman (1991) used data from 5,000 male heads of households to show that overeducated individuals were paid less than similarly educated individuals who were not overeducated for their jobs. Similar results were reported in the UK on studies conducted on business school graduates (Battu, Belfield, & Sloane, 1999; Nabi, 2003). Büchel and Mertens (2004) analyzed panel data from 12,000 German workers to report that the overeducated experienced lower wage growth. Finally, using panel data from Australia, Mavromaras, McGuinness, and Wooden (2007) found that overskilled individuals were paid 24% less than individuals who were not overskilled. In other words, individuals' desire to protect their investments in education and skills and to get a higher rate of return on these investments may explain greater intentions on the part of the underemployed to leave their jobs.

A related explanation is that intentions to leave may be caused by a desire on the part of overqualified and overskilled individuals to protect their skills. According to human capital depreciation theory (Rubb, 2006), when individuals work in jobs in which they are unable to utilize their skills, these underused or unused skills will depreciate in value as they would if they were unemployed. Sloane, Battu,

and Seaman (1996) hypothesized that the overeducated will try to leave their jobs as soon as they can, because the experience gained in a position for which they are overqualified will not help them in their next job. In other words, leaving a job for which one is overqualified may be explained by the desire to protect one's investment in skills and education and the ROI one will receive in the future.

### ***Job Embeddedness***

Job embeddedness is a relatively new addition to the employee turnover literature. The concept of embeddedness goes beyond job attitudes to explain the process by which employees decide to stay or leave their organizations. Job embeddedness incorporates (a) the degree to which individuals are linked to people in their environment, (b) the degree to which they have high fit with their work and nonwork environment, and (c) the things individuals would have to sacrifice if they had to leave (Mitchell, Holtom, Lee, Sablinski, & Erez, 2001). Job embeddedness has been shown to be a significant predictor of intentions to leave as well as voluntary turnover (Crossley, Bennett, Jex, & Burnfield, 2007; Lee, Mitchell, Sablinski, Burton, & Holtom, 2004; Mitchell et al., 2001).

It is plausible that job embeddedness is a satisfactory explanation regarding the effects of overqualification on turnover. As we discussed earlier, overqualified individuals likely have lower levels of fit with their work environment. Furthermore, overqualified individuals may feel that they have to make relatively few sacrifices when changing jobs. A job that does not offer desired rewards or advancement opportunities will be easier to give up. Overqualified employees tend to be unhappy with company-provided rewards (Johnson & Johnson, 2000; Johnson et al., 2002) and tend to be under-rewarded, as compared to people who are at the same skill level (Mavromaras et al., 2007). As such, they do not have much to sacrifice by leaving. Indeed, they would be avoiding the wage and reward penalty they are incurring in their current jobs. Moreover, overqualified employees may compare themselves with people at the same education or skill level who are working in different organizations and think that better jobs are available for people who are at their own skill level.

### **Do the Underemployed Actually Leave Sooner?**

While many studies have established that underemployment is related to expressed intentions to leave one's job, studies examining the relationship between underemployment and actual turnover are few and far between. In the studies that do exist, underemployment is conceptualized as surplus schooling, or possessing education that goes beyond job requirements. For example, Hersch (1991) found that surplus education was positively related to the likelihood of changing jobs within a year. Verhaest and Omeij (2006) studied over 2,000 Flemish individuals, first

upon graduation, and then after 3 years. In their study, they found that overeducation was positively related to the probability of leaving one's first job. Similarly, Alba-Ramirez (1993) studied over 60,000 individuals in Spain and found that overeducated individuals had a significantly higher turnover rate and over 16% shorter average tenure in their jobs compared to those who were not overeducated. Similar to the results observed for overeducated employees, Mavromaras et al. (2007) studied the effects of being overskilled. They showed that in panel data from Australia, 16% of those who were overskilled left their jobs, while only 10% of those who were adequately skilled left.

While these studies suggest that overeducated individuals may have shorter tenure, other studies challenge this finding. In Taiwan, Hung (2008) found that in a sample of over 1,600 individuals, overeducated employees (those who possessed education levels one standard deviation above the average level of education in their field) had longer job tenure. Similarly, using data from 12,000 individuals in Germany, Büchel (2002) showed that those who were overeducated had longer firm tenure.

The studies we have reviewed here suggest that being underemployed may expose organizations to higher turnover risk. However, there are important limitations of this accumulated body of research. First, studies showing higher (as opposed to lower) job tenure for underemployed individuals suggest that the effects of underemployment on turnover are not a given, and there may be conditions under which these employees do not turn over. Moreover, these studies all rely on large samples of panel data, studying individuals working in a multitude of different organizations, industries, and positions. As a result, these studies suggest, for example, that a college graduate working in a restaurant is more likely to leave compared to a college graduate working in an accounting firm. However, as Büchel (2002) reasoned, these studies do not directly show that a college graduate working in a restaurant is more likely to leave compared to a high school graduate working in the same restaurant. Unless we can demonstrate that the turnover rate of underemployed individuals is significantly higher than those who are not underemployed working in the same organization, the existing results have limited value for organizations making human resource decisions based on these findings.

In a recent study, Erdogan and Bauer (2009) studied the relationship between perceived overqualification and actual turnover in a clothing retailer in Turkey. Their results showed that there was no main effect of perceived overqualification on actual voluntary turnover. Instead, psychological empowerment acted as the moderator of this relationship. Specifically, those who felt overqualified were more likely to leave compared to those who did not feel overqualified only when they did not feel empowered. Psychological empowerment encompasses feelings that one has control over one's immediate environment, as well as having the ability to influence what goes on within the organization (Spreitzer, 1995). Feelings of empowerment appeared to neutralize the negative effects of felt overqualification on actual voluntary turnover. These results suggest the importance of conducting single company studies as well as the importance of examining moderators of the underemployment to turnover relationship, as it seems that conditions created within the organization may constitute motivation for underemployed individuals to stay.

A surprising finding in the underemployment literature comes from the panel studies conducted in Australia (Mavromaras et al., 2007; McGuinness & Wooden, 2009). In addition to showing a higher voluntary turnover rate for overskilled individuals, these studies also showed that overskilled individuals had higher involuntary turnover rates. In fact, being overskilled increased the expectation that one would lose one's job. Even more surprising was the finding that in their next jobs, these individuals were still overskilled – only 20% of them held new jobs for which they were not overskilled. Similarly, Verhaest and Omeij (2003) found that only 18–40% of those who were overeducated in their first job (depending on how overeducation was measured) were no longer overeducated in their subsequent jobs. In other words, even if underemployment is the reason employees are choosing to leave, leaving does not seem to solve the problem as these individuals are not very likely to improve their situation and avoid being underemployed in their next jobs.

These findings introduce additional research questions that have not yet been addressed and are difficult to explain using the theoretical mechanisms presented earlier. In fact, all these explanations provide a better rationale for voluntary as opposed to involuntary turnover. Moreover, based on explanations such as fit, relative deprivation, return on investment, and job embeddedness, we would expect improvement in the employment situation of individuals following their turnover, which has not been borne out by empirical findings. One plausible explanation may be that overskilled individuals may have difficulty forming high quality relationships with those around them, leading to interpersonal conflicts. According to the similarity-attraction paradigm (Byrne, 1971), people are attracted to others who are similar to them. The attraction-selection-attrition (ASA) framework (Schneider, 1987) also suggests that employees tend to be more likely to leave organizations when their own attributes are not aligned with those of the organization. As a result, employees who are different from others they work with may have difficulty forming attachments, potentially leading to voluntary as well as involuntary turnover. More research is needed to further establish the relationship between underemployment and involuntary turnover and explore the causal mechanisms for this link.

## **Potential Moderators of the Underemployment–Turnover Relationship**

To date, researchers have tended to focus on the main effects of underemployment on outcomes, with few studies examining the conditions under which the underemployed are more or less likely to leave their jobs. Future research would benefit from an examination of the moderators of this relationship to delineate the conditions under which underemployed individuals actually do leave their organizations. In this section, we propose several potential moderators of the relationship between underemployment and actual turnover in the hope that these ideas stimulate future research.

## *Psychological Contract Violation*

A psychological contract encapsulates individual beliefs about what the employment relationship entails. In other words, the psychological contract a person has with the organization encompasses expectations about job content, psychological as well as the physical environment in which the job would be performed, and rewards that will be obtained while the person is employed in an organization (Rousseau, 1989). If an individual's initial expectations about the employment relationship are not met, individuals experience psychological contract violations. Psychological contract violations have been shown to be related to intentions to leave (Dulac, Coyle-Shapiro, Henderson, & Wayne, 2008). Feldman and Turnley (1995) proposed that underemployment would lead to perceptions of psychological contract breach, which should lead to employees feeling pessimistic about their jobs and careers.

While underemployed individuals may experience psychological contract violations more frequently than the adequately employed, this may not always be the case. In fact, underemployment may be a situation that is obvious to the individual before he or she accepts the job offer, or it may be a condition that is not immediately apparent but is realized once the person starts working for the organization. In some cases, it is also possible that when the person is first hired the individual is not actually underemployed, but underemployment may occur later, after the person works for the company for several years. For example, this would be the case if the employee remains in the same position for an extended period of time with little change in the job duties. Even though newcomers may not feel overqualified when they first start a new job, if the job stays the same despite gains in skill and experience levels, they are bound to start feeling overqualified as time passes.

It is our contention that the degree to which underemployment represents a breach of the psychological contract will determine whether underemployment leads to actual voluntary turnover. For example, in some cases, individuals may be completely aware that the job they are considering requires less education, skills, and experience than they possess and still be attracted to the job offer based on other considerations such as stability or flexibility. In this situation, underemployment would not lead to a psychological contract breach, and perceptions of underemployment or actual underemployment would not lead to higher turnover. On the other hand, if the person thinks that the job will be more complicated than it really is and discovers that this is not true after starting one's employment, or the person starts the job with an inflated assessment of how the extra skills will be valued within the organization but then is disappointed, the likelihood of turnover as a result of underemployment will increase.

*Proposition 1:* Psychological contract violations will moderate the relationship between underemployment and voluntary turnover such that, for those who experience psychological contract breach, the relationship between underemployment and turnover will be stronger.

### ***Pay for Performance***

Until recently, the relationship between underemployment and job performance had received scant attention (see Bashshur, Hernández, and Peiró, this volume, for a review). The small but growing literature in this area suggests a positive relationship. King and Hautaluoma (1987) studied government workers and found that overeducated employees were rated by their supervisors as having greater ability to work independently, being less likely to cause trouble to the organization, and demonstrating lower rates of absenteeism. Similarly, Fine (2007), in a study of training cadets from a leadership development camp in South East Asia, showed that perceived overqualification positively predicted both supervisor and manager ratings of performance. Fine and Nevo (2008) studied customer service representatives and showed that perceived overqualification was positively related to supervisor ratings of performance. Finally, in their study of overqualification, Erdogan and Bauer (2009) found that retail employees in Turkey who perceived themselves as overqualified had higher sales volume than those who did not.

Given their potentially higher level of performance in their current positions, underemployed individuals may have an incentive to stay in organizations to the degree to which their high performance is recognized, appreciated, and rewarded. We contend that pay-for-performance reward systems, as well as the degree to which the organization rewards and recognizes high performers, will serve as a motivator for underemployed individuals to remain in the organization.

*Proposition 2:* The degree to which performance is rewarded in an organization will moderate the relationship between underemployment and actual turnover, such that the relationship between underemployment and voluntary turnover will be weaker in organizations where performance is formally rewarded.

### ***Expectations About Improvement in One's Situation***

Another potential determinant of whether underemployed workers will stay in their organization is their perception about how permanent the underemployment situation is likely to be (Feldman, this volume). In organizations that emphasize internal promotions of individuals and in companies where people are hired for a career path as opposed to a specific job, underemployed individuals are less likely to believe that their situation is permanent. While they may be currently underemployed, this will likely change in the future and there will be benefits to staying in the same organization and demonstrating one's ability and willingness to perform higher-level jobs. In contrast, if the person perceives that the path to advancement is blocked, the person will likely feel that his or her only option for remedying the situation is to quit one's job.

In some cases, having surplus education, skills, and experience for the lower-level position may increase the likelihood that one will be overqualified for the current position, but also increase the chances of a promotion to a higher position

in the future. For example, McMillan, Seaman, and Singell (2007) discussed the situation of police officers in the UK. They noted that individuals with a university degree may accept the job of a patrol officer for which they are overeducated, in the hopes that they will be promoted to the position of a detective in the future. In these cases, being overqualified should not necessarily lead to high turnover, given that employees would expect that their situation will improve in the future. Therefore, we propose the following.

*Proposition 3:* The degree to which individuals expect an improvement in their situation of being underemployed will moderate the relationship between underemployment and actual turnover, such that expectations of improvement will weaken the relationship.

The three moderators we have proposed up to this point are based on the idea that even when underemployed, employees may not always want to leave the organization because being underemployed may not always make an organization unattractive. However, it is also plausible that even when underemployment leads to a desire to leave, it may not always lead to actually leaving the organization because the underemployed may find it particularly difficult to leave their jobs. The next two moderators will underline factors that may erode an underemployed person's ability to change jobs with ease.

### ***Confidence About Finding a Better Job***

A potential and unfortunate side-effect of being overqualified for one's job is the inadvertent loss of skills. One's education, experience, and skills may become outdated and hence a person may become less marketable the longer he or she remains underemployed. This likelihood has been recognized by past researchers. For example, Verhaest and Omey (2003) contended that overeducated individuals may feel trapped and discouraged and may stop searching. These individuals, even when they may be unhappy with their employment situation, may find it difficult to leave, and therefore turn to psychological coping mechanisms to deal with their dissatisfaction with their jobs.

In addition to potential skill loss, individuals may feel that their likelihood to find a job is limited due to unfavorable employment conditions. In a recession, many employees are likely to find themselves in jobs for which they are overqualified due to the scarcity of alternatives. At the same time, employees will be more risk averse and may be happy that they have a job, regardless of the level of fit between their skills and the job's demands. In contrast, when the labor market is doing better and unemployment is low, employees may be more willing to take risks and more likely to be in search of jobs that will make them happy. In other words, the situation of the economy, general unemployment level, and confidence level of the workforce may affect a person's likelihood of leaving his or her job due to underemployment. Finally, individuals may feel that they are not likely to find a better job due to the geographic location they are living in. For example, if an individual is underemployed because he or she followed a relocating spouse to a rural area, the person's



confidence in finding a job better suited to his or her skills and qualifications may be slim.

Regardless of what the reason is, when underemployed individuals feel that their likelihood of finding a better job is low, they are less likely to engage in active search behaviors and instead employ more psychological coping mechanisms, leading to a lower likelihood of actually changing jobs. In contrast, if the economic climate is favorable, if the person managed to keep one's skills up to date, and if the individual displays confidence that he or she is marketable, the relationship between underemployment and turnover will be stronger.

*Proposition 4:* Employee confidence in being able to find a better job will strengthen the relationship between underemployment and turnover.

### ***Stigmatization***

Underemployment influences many different employee groups such as expatriates (Kraimer et al., 2009), immigrants (Aycan & Berry, 1996), older workers (Allan, 1990), downsized employees (Feldman & Leana, 2000), and recent college graduates (Nabi, 2003). It is our contention that not all underemployment is equal, and underemployed individuals from some of these populations have a greater likelihood of being stigmatized as a result of being underemployed. For example, employees returning to the workforce following employment gaps may encounter stereotypes regarding how committed they are to their profession. Older workers who hold positions for which they are underemployed may encounter age discrimination, while immigrants who are underemployed may be regarded as lacking critical skills such as language proficiency. The degree to which the underemployed employee is a member of a stigmatized population will diminish one's chances of leaving in response to underemployment, as these individuals are likely to experience difficulties in finding their next job in the labor market.

*Proposition 5:* The relationship between underemployment and voluntary turnover will be weaker for those underemployed who belong to stigmatized populations, such as immigrants or older employees.

### **What are the Career Trajectories of the Underemployed?**

In addition to studying the relationship between underemployment and actual turnover, there are a number of studies examining the career trajectories of the underemployed. Instead of leaving their jobs, underemployed individuals may move within the same organization and experience advancement in their careers. As we noted earlier, sometimes a position for which one is underemployed may be one's gateway to an industry or to a higher-level job for which one is adequately qualified. As a result, voluntary turnover is not necessarily always the response to being underemployed.

There is some evidence that underemployed individuals advance more rapidly within their organization than do the adequately employed. For example, Sicherman (1991) showed that overeducated individuals were more likely to move up the career ladder in their occupations. Dekker, de Grip, and Heijke (2002) studied over 4,000 individuals in the Netherlands and showed that being overeducated was related to upward mobility. Similarly, Hung (2008), reporting on analyses based on a Taiwanese sample, showed that the overeducated (those who possessed one standard deviation higher education than the average education of people at the same level) were more likely to be promoted within their company and held higher expectations of being promoted. Finally, McMillan et al. (2007) revealed in a UK sample and Rubb (2006) in a US sample that promotion opportunities were better for the overeducated.

On the other hand, Büchel and Mertens (2004), using panel data from Germany, showed that the overeducated were less likely to move to a higher-level position with higher human capital needs. One explanation for these inconsistent findings may be the differences in national labor environments. A study comparing German and British panel data has shown that German employees have lower rates of job and occupational change compared to British (Longhi & Brynin, 2010). To the degree to which the labor market is highly structured as it is in Germany, one's entry-level job may limit a person's options for what the next job could be.

One limitation of existing studies conducted on the relationship between underemployment and career trajectories is that they all have focused on overeducation, which is a specific type of underemployment. Findings involving the construct of overeducation may not necessarily generalize to other types of underemployment, such as being overqualified more broadly or being involuntarily employed in part-time or temporary work. Additionally, overeducated employees may not always be underemployed in terms of skill; in other words, while they may have surplus education, they may not have surplus skills (or may even lack essential skills) relative to the position. Moreover, overeducation is a phenomenon most likely encountered by younger workers (Alba-Ramirez, 1993), which limits the generalizability of the findings from the overeducation literature to other populations. One final limitation of these studies worthy of attention is that these studies relied on panel data, making it difficult to make inferences about whether the underemployed would be more or less likely to advance in an organization compared to individuals who are not underemployed and working in the same organizational context.

## **Potential Moderators of the Underemployment–Career Advancement Relationship**

As with effects of underemployment on turnover, it is our contention that the relationship between underemployment and career trajectory of the individual will be situational. In the following section, we will discuss potential moderators of the relationship between underemployment and career prospects.

### ***Relationships with One's Manager***

Past research identified a person's relationship with one's own manager as critical to one's advancement in an organization (Wayne, Liden, Kraimer, & Graf, 1999) as well as satisfaction with one's career (Erdogan, Kraimer, & Liden, 2004). By serving as a mentor to their employees, managers may play a key role in helping employees navigate the political climate of an organization. Moreover, managers play a critical role in clarifying expectations, defining performance, and providing employees with resources that will make them more effective. To the degree to which underemployed employees build effective relationships with their managers, their qualifications, performance, and potential should be more visible to upper managers. When managers believe that an employee with whom they have a high-quality exchange is currently overqualified for their job, faster advancement can result. In fact, a high-quality exchange with one's manager is a route to high impact and high influence within an organization (Sparrowe & Liden, 2005). However, those underemployed individuals who do not have a high-quality exchange with their managers may realize that their advancement in the organization is blocked.

We feel that the relationship between an individual and his or her immediate manager will be a critical moderator because there are reasons to expect that underemployed individuals may vary in their ability to build a high-quality relationship. Underemployed individuals who behave in prosocial ways (e.g., demonstrating high levels of performance and citizenship behaviors, helping others, and making suggestions for improvement) and show willingness to utilize their skills and experience in a way that will benefit the organization may form higher-quality relations with their managers (Bauer & Green, 1996). On the other hand, if they behave in ways that will alienate the manager, such as making it clear that they see their current position as a stepping-stone, it will be more difficult for them to build a trust-based relationship with their manager, which would affect their career prospects within the organization. Therefore, we propose the following:

*Proposition 6:* The quality of the relationship between employees and their immediate managers will moderate the relationship between underemployment and career advancement such that, having a high-quality relationship will increase the possibility of upward mobility for the underemployed.

### ***Social Skills***

Social skills are specific skills that aid individuals in their relationships with others. These skills include the ability to read others, display effective impression management behaviors, and modify one's behavior to fit with the demands of the situation. Those who possess social skills control their own actions in a social situation and handle interpersonal interactions competently (Ferris, Witt, & Hochwarter, 2001). Employees who have high levels of social skills experience advantages in their career mobility and other outcomes. For example, Ferris et al. (2001) showed that individuals with high mental abilities had higher salaries when they were also

socially skilled. In addition, social skills are critical to one's job performance in settings where individuals receive low levels of support from their organizations (Hochwarter, Witt, Treadway, & Ferris, 2006).

We contend that the career advancement of the underemployed will depend on the degree to which they are in possession of social skills. Underemployed individuals need to navigate a number of roadblocks during their employment. Once they are hired, their excess qualifications may threaten those around them, such as their colleagues and supervisors. Their choice to work in a job that does not require their skill level may prompt questions regarding how committed they are to their profession, how interested they are in advancement, or whether they have unknown defects that led them to accept a position for which they are overqualified. All these potential issues may serve as barriers in an underemployed individual's career trajectory.

Social skills may allow an underemployed individual to avoid creating situations that are perceived as threatening by one's colleagues. Those underemployed with high social skills may therefore be equipped to navigate the social landscape of the organization, communicating to others that they are interested in and capable of advancing in the organization, and that their commitment to the organization and its members is real.

*Proposition 7:* Social skills will moderate the relationship between underemployment and career advancement such that, for individuals who have high social skills, there will be a stronger positive relationship between underemployment and career advancement.

## ***Career Advancement Goals***

Not all underemployed employees will have an interest in furthering their careers. While some individuals have high growth needs, others may join an organization to satisfy more physiological and social needs. The presence of long-term career aspirations when a person accepts employment in a position for which one will be underemployed will determine the degree to which underemployed individuals will demonstrate career advancement in the future. The importance of career goals for individual career advancement has been confirmed in past research (Abele & Spurk, 2009). Moreover, ambition is an important determinant of career advancement and success (Jansen & Vinkenbug, 2006), indicating that individual differences in how one approaches career management, how motivated one is to advance, and how conscientious a person is in planning one's career will determine the likelihood that underemployed individuals will advance in their careers.

Those who have higher career advancement goals may take a position for which they are underemployed with strategic objectives in mind, such as a desire to advance to a higher-level position or a desire to move into a new industry. In contrast, those who have lower levels of career advancement goals may take positions for which they are underemployed for less strategic reasons, such as a desire to remain employed or to escape an unpleasant work environment in their former workplace. We contend that the degree to which underemployed individuals have

ambitious career advancement goals will determine the likelihood that they advance in their careers.

*Proposition 8:* The relationship between underemployment and career advancement will be moderated by the degree to which individuals have high levels of career goals such that, for those who have high levels of career goals, there will be a more positive relationship between underemployment and career advancement.

## Conclusion

In this chapter, we have reviewed the literature on underemployment and its relationship with individual turnover and career advancement. The accumulated body of literature, while small, suggests that underemployed individuals tend to display higher intentions to leave. The reasons for a higher desire to leave one's job include poor person–job fit, the experience of relative deprivation, low job embeddedness, and a desire to receive greater return on investment on one's hard-earned skills, education, and other qualifications. Yet underemployed individuals do not necessarily always leave their organizations at a higher rate than individuals who are not underemployed. Past research has shown that psychological empowerment is one mechanism that may be used in retaining the underemployed as productive and loyal workers of an organization. We propose that other reasons the underemployed may stay in their jobs will include whether underemployment constitutes a breach of the psychological contract, the degree to which the organization practices pay for performance, and the employee's expectations of improvement in his or her situation.

We also reviewed the literature on underemployment and career trajectories. To date, research generally shows that the underemployed individuals may in fact advance faster in their professions. We theorize that the tendency to advance when one is underemployed will depend on one's relationship with organizational members, social skills, and career goals.

As can be seen, whether underemployed individuals leave their jobs at a higher rate is anything but a simple research question. The existing literature on this topic is small, growing, and seems to indicate that the answer is not necessarily yes. While the underemployed often express an intention to leave, whether they actually leave or not may depend on their personality, the organization in which they work, and labor market conditions, among many other contingencies. More research attention is needed to explore the conditions under which underemployed workers do or do not stay and advance. Findings regarding these relationships will clearly have significant policy implications for organizations.

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# Chapter 12

## The Family and Community Impacts of Underemployment

David S. Pedulla and Katherine S. Newman

**Keywords** Underemployment · Families · Communities · Scarring · Mobility

The consequences of underemployment do not end with the individual. Families are affected when a parent is forced into reduced working hours. Marital strain, difficulties with children, changing relationships with extended family and friends, and material hardship can all follow from underemployment. Communities also suffer when a plant closing forces an entire group of residents into jobs well below their education level. Accordingly, underemployment may impact crime rates and political participation, and put a drain on both material and social resources at the community level.

This chapter explores the family- and community-level impacts of underemployment. We begin by discussing how to best operationalize the concept and then provide a critical review of the literature on how families are impacted by underemployment. We then turn to the community level and conclude by advancing some ideas on how we might deepen the literature on this topic.

### Operationalizing Underemployment

#### *Underemployment as a Discrepancy or Deviation*

We argue that underemployment is best understood as a “discrepancy or deviation” (Feldman, 1996, p. 390) when examining its family- and community-level consequences. It is a relative construct that relates one’s current employment status to how it could be, should be, or has been. For an individual worker, the deviation can be from her previous labor market experiences, from the average education or status for her current employment position, or from her own desires and expectations. Because underemployment is fundamentally a relative, not an absolute, concept, it is best understood in relation to some other (usually more desirable) employment status.

Four primary categories of underemployment stem from this definition: hours, income, skills, and status. *Hours underemployment* captures those workers who

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are involuntarily working in part-time or contingent work positions because they are not able to obtain the number or consistency of working hours that they seek. *Income underemployment* describes those workers whose current wages are significantly lower than at their previous job. *Skills underemployment* identifies a mismatch between a worker's formal education or labor market experience and her current job. Here, a worker's human capital level significantly exceeds the average or necessary human capital for her current employment position. Finally, workers should be considered *status underemployed* if they are working at a job that has significantly lower prestige than one would predict given their social class background.

An important difference between underemployment as a discrepancy or deviation and other definitions of underemployment is that it excludes certain classifications of workers, such as the "working poor," from its definition (Jones Johnson & Herring, 1993). Without knowing more about the individuals who are working and poor, for example, one does not know whether it is possible for things to be otherwise for those workers. Thus, there may or may not be a discrepancy or deviation. There are certainly many skills, hours, and income underemployed workers who would fall into the "working poor" category. However, these workers would be considered underemployed because of the discrepancy between their desired hours, skills and experience, or past income, not because they are working and poor.

Our preference for the aforementioned operationalization is important when examining family and community outcomes because it provides clear comparison groups for the analysis. Skills underemployed workers can be compared to workers who do not have a skills mismatch. Skills and status underemployed workers can also be compared to themselves before they were skills or status underemployed by using longitudinal analysis techniques. Workers who are income underemployed can be compared to themselves before their wages were reduced. While not our definitional preference, some of the empirical literature that we draw on in the sections on material hardship, crime, and political participation includes the working poor when defining underemployment.

Our approach also leads researchers to focus on a worker's *pathway* into underemployment, which is vital to understanding underemployment's consequences. There are multiple routes to this end, and each one has a distinct impact on individuals, families, and communities. The consequences of underemployment that arise from downward mobility, for example, are distinct from those that come about due to poor opportunities for new labor market entrants. While both of these types of underemployment could be considered "skills underemployment," their consequences for workers' families and communities are going to differ because of the road that led to this employment status.

### ***Bringing Status into the Conversation***

While the literature frequently addresses the consequences of skills, hours, and income underemployment, the status dimension is often missing. Social status, which is a central concern for sociologists, has important consequences for

inequality along dimensions of race, gender, health, and economic well-being, which makes status underemployment a unique category worthy of inquiry in and of itself. For example, controlling for demographic characteristics and other forms of underemployment (including income underemployment), status underemployment is related to a higher prevalence of chronic disease and lower functional health (Friedland & Price, 2003).

The general dearth of research that examines status underemployment is likely closely related to the difficulty in operationalizing the concept. Researchers such as Friedland and Price (2003), however, have convincingly operationalized status underemployment. They regress Duncan's Socioeconomic Index (SEI) score on educational attainment (and educational attainment squared), and then use the regression coefficients to predict the expected SEI score for all workers in their sample. Any worker with an actual SEI score that is more than one standard deviation below her predicted SEI score is determined to be status underemployed (Friedland & Price, 2003). From here, it is easy to create a variable for status underemployment that can be used in quantitative analysis as an independent (or dependent) variable. While there are other possible ways to construct a status underemployment variable – such as including additional predictor variables in the initial regression of SEI on educational attainment – the basic concept of examining the discrepancy between actual and predicted “status” should be used by researchers in future analyses examining the consequences of underemployment, particularly for families and communities.

## **Underemployment and the Family**

The consequences of underemployment extend beyond the individual worker to impact the social worlds in which he or she participates. In particular, underemployment ripples outward and impacts the well-being of the other family members and the relational dynamics among them.

### *The Couple*

Unemployment and underemployment can place a serious strain on relationships between adult partners and can even be negatively associated with marital union formation. In their review of the literature on the relationship between inequality and family structure, McLanahan and Percheski (2008) summarize the findings of the key literature on the relationship between male unemployment, and to some extent underemployment, and marriage and divorce. They argue:

What is most striking about this literature is the consistency of the empirical findings; all of the studies show that male unemployment or underemployment has a large negative effect on union formation and stability. Given the consistency of the empirical evidence and the strong theoretical argument for a causal effect, we find this argument convincing. (McLanahan & Percheski, 2008, p. 262)

Thus, there is important theoretical and empirical evidence that unemployment and underemployment have negative consequences on couples' relationships.

Underemployment has also been linked to psychological difficulties, which can have negative consequences for couples. Using longitudinal data analysis techniques to control for psychological health and many other background variables, researchers have found that underemployment by hours and income is associated with increased levels of depression (Dooley, 2003). When one partner in a couple is dealing with depression, there is reason to believe that it affects the other partner as well, straining the couple's relationship and the entire family (Liem & Liem, 1988).

We also know that unemployment and financial strain increase family stress and harm the family environment. Being out of work and anticipating being let go because of a plant closing are both correlated with higher levels of spousal conflict (Broman, Hamilton, & Hoffman, 1990). Moreover, controlling for whether a worker was unemployed, employed, or anticipating unemployment, families that reported financial hardship had statistically significantly higher levels of conflict between partners as well as between parents and children (Broman et al., 1990).

Using longitudinal data on families in the greater Boston area, Liem and Liem (1988) found that male unemployment is associated with higher levels of divorce and separation, and an overall worse family climate (Liem & Liem, 1988). Their use of longitudinal data also enabled them to look at the possibility of reverse causality, and they conclude that change in paternal emotional well-being is likely driving the worse family climate, not the other way around (Liem & Liem, 1988). Using data from the Panel Study of Income Dynamics, Kalil and Wightman (2010) also found that paternal job loss is associated with higher levels of conflict within the home. The impact of underemployment upon the family environment has not been as clearly delineated as it has been for unemployment, but there is reason to believe that similar relationships may hold.

The increased idleness that hours underemployment creates can also negatively impact a couple's relationship. When a full-time worker moves to only working part-time, there may be many idle hours to fill. Determining how to fill those new hours of "forced" freedom can create tension between partners. Should that time be designated to caring for children, performing household chores, or searching for additional work? For men, increased responsibility for household work can be a status deflation all by itself, potentially requiring renegotiation of the allocation of household work to avoid any threats to the man's masculinity (Brines, 1994). Negotiating the allocation of the underemployed person's free time can be a complicated relational project requiring effort by both partners and potentially resulting in additional relational strain. Over the duration of unemployment, there seems to be an increase in unemployed men's involvement in performing household tasks, but couples do not report changes in their beliefs about which partner should be responsible for household tasks and child care (Liem & Liem, 1988). If the same holds for underemployment, the disjuncture between belief and behavior may create additional tension in the relationship.

Underemployment may also necessitate the return of the second partner to the labor market. If a husband who is the sole income earner in the household becomes

hours or income underemployed, for example, his wife may need to begin working in order to bring the household income up to a sustainable level. The consequences of the second partner entering the labor force are twofold. First, a change in the proportion of income that a partner contributes to the household likely has important consequences for the bargaining power of the partners within the household (Bittman, England, Folbre, Sayer, & Matheson, 2003). Changing bargaining power may add new challenges to the relationship as partners figure out how to navigate this new terrain. Second, when a spouse enters the labor force, he or she has less time in the home to do the household work that he or she was previously performing. This creates a void in the completion of household tasks, which may require additional negotiation and task reassignment among the couple, creating further stress and strain.

The past decades have seen a dramatic increase in the proportion of dual-earner households (Hochschild & Machung, 1989; Jacobs & Gerson, 2001). Since both partners are already working in many families, adding a partner to the labor market is not an option for these families. Two main alternatives open to these couples are decreasing their expenditures or incurring debt. Both of these options are clear family stressors that can increase strife between partners, adding challenges to an already difficult moment.

Another option for dealing with hours or income underemployment is for the underemployed individual to take a second job. In 2009, 7.3 million workers in the USA held more than one job, and the rate of multiple jobholding – the proportion of total employment made up of multiple jobholders – was 5.2% (Hipple, 2010). The most recent survey data on the reasons people work multiple jobs, which were collected in 2004, indicates that economic reasons are the most common driving force behind working multiple jobs. Of those working multiple jobs, 63.7% said that they worked more than one job either to meet expenses, pay off debt, or earn extra money (Hipple, 2010). The additional income provided by a second job may serve to reduce the economic hardships associated with particular forms of underemployment. However, working a second job also means that one has less time with one's family and less time to connect with family and friends, potentially increasing family stress and social isolation.

Empirically, Zvonkovic (1988) examines how rural couples adjust to income underemployment by comparing 25 couples where the husband had lost more than 20% of his income with 88 couples in which the husband was continually employed at a steady income level. Relying on this small sample, she found that underemployed couples have a more negative sense of their marriage than the couples where the husband has been steadily employed (Zvonkovic, 1988).

Of course, not all couples are the same, and positive pre-existing dynamics between a couple may act as a protective force against the negative consequences of underemployment (Komarovsky, 1940). And, being married actually plays a role in buffering an individual from the depressive consequences of underemployment (Dooley, 2003). Underemployed couples that score high on a marital relationship scale are also better at adjusting cognitively to underemployment, have fewer reported health problems, and receive higher levels of supportive contact with

friends and relatives (Zvonkovic, Guss, & Ladd, 1988). In an ethnographic study of a rural California community that was economically decimated by the closing of the logging industry in its area, Sherman (2009) explores how families respond to rising underemployment. She found that in instances when men are able to adopt “flexible” gender ideologies – sharing earning responsibilities and participating jointly in completing household tasks – the couples have a higher likelihood of long-term stability than couples where the man is constrained to a “rigid,” traditional gender construction (Sherman, 2009). Thus, underemployment likely strains a couple’s relationship, but the consequences of underemployment are moderated by the dynamics of the couple’s relationship itself.

### *The Children*

Children also face adverse consequences of their parent’s underemployment. A reduction in income or, at least, a reduction in income security, can produce changes felt by the entire family, but are likely to create a unique impact on children. Children may be uncomfortable with the new material differences between them and their friends. The reduction in family income may impact children’s social lives by limiting their access to the newest clothes or making it difficult to participate in certain activities with their friends, which may have become too expensive for their family’s new restricted budget. In addition to placing stress on children, these material difficulties may breed resentment among the children, placing significant tension on the relationships between them and their parents. On the other hand, if parents decide to continue paying for expensive items and activities to maintain the outward appearance of economic well-being, other severe long-term economic consequences, such as high levels of debt, may follow (Newman, 1988).

Underemployment can also impact the parenting of mothers and fathers. Fathers facing financial loss can become more irritable, thus affecting the extent to which children see their father as a role model, companion, or confidant. Although they draw on a relatively small sample, Harold-Goldsmith and her colleagues (1988) found that unemployed fathers reported higher levels of involvement in childrearing and child care and availability to their children compared to their employed counterparts. However, the ratio of nurturing behaviors to total behaviors was lower among unemployed fathers (Harold-Goldsmith et al., 1988). The same researchers found that fathers with a negative picture of their family’s overall financial situation were more available to their children, but similar to the unemployed fathers, they had a lower ratio of nurturing to overall behaviors compared to fathers with more positive views of their financial situation. Additionally, children whose fathers reported a grim family financial situation initiated fewer interactions with their fathers (Harold-Goldsmith et al., 1988). At its most extreme, unemployment and economic hardship can be associated with child abuse and neglect (Gillham et al., 1998; Steinberg, Catalano, & Dooley, 1981).

Children who experience the loss of status that flows from underemployment may also feel increasing concerns about being able to achieve economic and employment security when they reach adulthood (Newman, 1988). Watching their

parents struggle through employment uncertainty may leave a lasting impression on children. For example, a daughter who watches her mother work hard and then, all of a sudden, sees her mother's work hours cut for no apparent reason may experience a reduced sense of agency or optimism about the concept of working hard to produce success in the labor market. Similarly, a boy who watches his father with a college degree work as a retail associate at a department store may not see a need for a college education, thus opting out of a human capital investment that could have a significant economic return.

Additionally, children are sometimes forced to find employment themselves to support their family that is struggling with underemployment. For downwardly mobile middle-class families, the movement of children into the labor market can have two important consequences. First, it breaks the standard American middle-class expectation that the flow of economic resources will go from parents to children. Children become breadwinners, forcing a renegotiation of commonly held understandings of family economic relations. Second, children moving into the labor market can have similar consequences as an adult partner moving into the labor force. As a child, particularly an adult child, begins contributing to the household income, he or she may want to have input into how the family's finances are spent and managed, which can create tension and difficulty between parents and children (Newman, 1988).

### *Friends and Extended Family*

The experience of underemployment may move beyond the immediate family and have an impact on one's friend and extended family networks and increase social isolation. For example, workers who move from unemployment to underemployment may feel like they have already drained the support that friends can provide, which may lead to increasing social isolation and withdrawal (Borgen, Amundson, & Harder, 1988). Other researchers have found that increased withdrawal and isolation can develop among workers who have been laid off (Leana & Feldman, 1992). For some of the underemployed, such as former business executives, isolation may be made worse by the fact that shared leisure activities such as golfing or dining at fancy restaurants are no longer affordable (Newman, 1988), further isolating them from their social networks.

Tension between friends and extended family members can also arise around the provision of emotional and financial support. For example, if the in-laws of an underemployed husband provide financial support, he may feel that they doubt he can adequately provide for his family. The in-laws may not intend to convey that sentiment, but the mere act of providing financial support may be interpreted by the husband in that way. Negotiating these exchanges can strain relationships between the couple and their parents as well as create friction within the couple itself over how and when to accept assistance (Zvonkovic et al., 1988).

An exploratory, qualitative study on young men who had recently graduated from college reveals the severe strain that underemployment can place on relationships with family and friends. For those recent college graduates, problems adjusting to a

challenging labor market would get in the way of conversations at gatherings with family and friends because others grew tired of hearing about the difficulties of being underemployed. “As a result,” Borgen and his colleagues (1988) write, “they avoided the topic, withdrew from conversations, and again increased their isolation and loneliness” (p. 155). Some respondents also reported outright avoiding friends because they were embarrassed about their low-prestige jobs. Successful friends were particularly avoided on account of potential embarrassment (Borgen et al., 1988). Reducing interaction with one’s social network can have severe consequences for the activation of social capital for underemployed workers. It is precisely one’s successful friends and family members who are likely to be in positions to mobilize connections and to assist a jobseeker in moving beyond underemployment (Smith, 2007). Thus, the loss of social capital that can come with the embarrassment of underemployment may serve to perpetuate one’s labor market position.

Underemployment can also bring the extended family, particularly adult children, under one roof. As recent research in the USA and abroad has documented, there has been a dramatic rise in “accordion families,” those families that must accept adult children back into the parental fold when the children cannot earn enough – due to hours, skills, or income underemployment – to remain independent (Newman, in press). When adult children continue to live with their parents, their psychological, social, and economic development may be stunted and the relationships they have with their parents affected in multiple ways.

### ***Material Hardship***

Underemployment is generally connected with income loss or earnings reductions, which can produce material hardship including increased food insecurity, residential instability due to the inability to afford one’s mortgage or rent, loss of assets, and increasing debt. Researchers have found that food insecurity, which may follow from reduced earnings, is associated with decreased dietary intake for adults, psychosocial problems for children, a paradoxical increase in body weight for women, lower self-reported health, as well as negative social consequences for the family (Stuff et al., 2004; Hamelin, Habicht, & Beaudry, 1999). Beyond food insecurity, underemployment may increase residential instability, which can be associated with lower school achievement for children (Astone & McLanahan, 1994; Haveman, Wolfe, & Spaulding, 1991). Difficulties in making new friends for children and increased distance from existing social networks may also link residential mobility to negative outcomes for families.

Eamon and Wu (2011) examine how underemployment, defined as involuntarily working part-time or earning less than 125% of the federal poverty line, relates to the material hardship of single-mother families. To conduct their analysis, they utilize data from the 2004 panel of the Survey of Income and Program Participation. They found that underemployed single-mother households, compared to fully employed single-mother households, have higher odds of bill-paying



hardships, health hardships, and housing hardships, even after controlling for key covariates (Eamon & Wu, 2011). Their findings provide important insight into the ways that underemployment is associated with increased material hardship for a population that is already vulnerable to economic difficulties.

The spatial concentration of underemployment has also been shown to be associated with child poverty. Friedman and Lichter (1998) use 1990 US decennial census data to examine the relationship between county-level hours underemployment for men and the county-wide rate of child poverty. They narrowly defined underemployment as the proportion of all men in a county who were over the age of 16 who worked less than 35 hours per week and/or completed less than 27 weeks of work during 1989, the year under investigation. In a multivariate analysis controlling for key covariates – such as region and the proportion of black residents in the county – the authors found a strong positive association between the proportion of the male population that was underemployed and the proportion of children living in poverty (Friedman & Lichter, 1998).

Underemployment can also have an impact on a family's assets and debt levels. When income is tight, savings are often the first thing to go. Families also often draw down their savings and other assets to weather economically difficult times (Yeung & Hofferth, 1998). Thus, underemployment's impact on assets is twofold: it keeps families from saving and it forces families to spend down their savings and assets. Another strategy to deal with economically difficult times is to go into debt. When times get tough, families may max out credit cards or take out a second mortgage on their home in order to maintain a satisfactory level of consumption. For the downwardly mobile underemployed, there is additional pressure to maintain some outward semblance of middle-class consumption, even if the income to afford such a lifestyle is not available. Thus, debt may accumulate to combat the social isolation that can arise from underemployment. Additionally, if a family with an underemployed member faces a serious illness requiring significant medical bills or a second partner loses a job, there can be severe consequences beyond the accumulation of debt. Families can face foreclosure or even need to declare bankruptcy.

### *Different Types of Families*

The above commentary and extant empirical literature on underemployment mainly focuses on two-parent, married, heterosexual couples with children, which ignores important variation in family structure. Single-parent households, households with cohabiting parents, childless households, and gay and lesbian households collectively make up a large percentage of American families. There is currently limited empirical evidence on how family structure variation may moderate the consequences of underemployment, but we know that it is critical for understanding many other sociological patterns and it stands to reason that family structure is likely to influence the impact of this one as well.

The strain on a couple that results from underemployment clearly would not apply for single-parent households. However, the consequences for children may

be exacerbated when the parent in a single-parent household is underemployed. Additionally, if underemployment plays a role in increasing the social isolation experienced by individuals, then it may have a disproportionately negative effect on single mothers. As Schein's (1995) qualitative interview-based research indicates, social support plays a vital role in improving the lives of poor single mothers and their children.

Gay and lesbian families might also experience different consequences of underemployment. Newman (1988) found that downwardly mobile single gay men tend to fare better than their heterosexual counterparts because of the greater class diversity of their largely gay social networks. It is possible that the social position of gay families may also change their experiences of underemployment when compared to heterosexual, two-parent families. Additional empirical work is needed to examine how variation across these different family forms moderates the consequences of underemployment.

## **Underemployment and the Community**

The consequences of underemployment extend beyond individuals and their families. Entire communities suffer when it spreads. We begin by analyzing the ways that neighborhoods or geographic units may be impacted by underemployment and then move on to discuss how it shapes the experience of cohorts – generations who share the experience of entering the labor market and moving through their life trajectories at the same time.

### ***Neighborhoods***

There is limited empirical research that directly tests the impacts of underemployment on neighborhoods and communities. However, we draw on insights from the limited research that does exist and the literature on related topics – notably the unemployment literature – to argue that underemployment likely has important consequences on crime rates and political participation as well as the resources – material and social – of a community.

### **Crime**

The effect of unemployment on crime has been of great concern to criminologists, sociologists, and economists alike. The exact causal relationship between these two phenomena is difficult to estimate, however, because of potential confounding factors and issues of reverse causality. Higher crime rates may produce higher unemployment – for example, through the difficulties that ex-offenders face in finding work (Pager, 2003) – just as unemployment may increase the crime rate (Raphael & Winter-Ebmer, 2001). While difficult to test empirically, the impact of unemployment on crime seems to be much more likely for property crime than for violent crime (Chiricos, 1987). Looking at longitudinal state-level aggregated data

on unemployment and crime, Raphael and Winter-Ebmer (2001) found that a 1% decrease in unemployment is associated with a one to 5% decline in property crime. This finding holds across model specifications, including models using fixed effects and instrumental variables strategies (Raphael & Winter-Ebmer, 2001).

There is empirical evidence that a relationship may also exist between underemployment and rates of property crime. Drawing on state-level data from 1977 to 1980, Allan and Steffensmeier (1989) found that earnings underemployment – here, sub-poverty-level wages – was associated with higher arrest rates for property crime offenses for young adults (ages 18–24). Hours underemployment was also correlated with higher property crime arrest rates for young adults (Allan & Steffensmeier, 1989). Although their findings are limited to young adults, the authors provide important evidence that there may be a link between underemployment and crime.

Employment volatility is closely aligned with underemployment in the form of downward mobility. When people lose their jobs and suffer from either skills underemployment or involuntary part-time work, social control may diminish in neighborhoods and communities (Bausman & Goe, 2004). Employment volatility, however, is not reflected in the unemployment rate, which means that examining the relationship between unemployment and crime misses the important ingredient of employment instability. Using aggregated county-level data from 1980 to 1983 – a period with a significant amount of economic volatility – Bausman and Goe (2004) found strong support for their hypothesis that economic volatility is positively associated with property crime.

### **Political Participation**

Political participation is also likely affected by economic hardship and insecurity. The exact relationship, however, is difficult to identify. Theoretically, the association could go in either direction. Unemployment and economic marginalization may produce political mobilization to redress grievances or may lead people to withdraw from the political sphere altogether. Some researchers have found that individuals with low incomes are less likely to register to vote (Piven & Cloward, 1988) and are less engaged in citizen activity (Verba, Schlozman, Brady, & Nie, 1993). Similarly, Rosenstone (1982) found that considering one's self worse off financially, being unemployed, or being poor were all associated with lower odds of voting (Rosenstone, 1982). There is, however, also social scientific research that shows that there is no relationship between unemployment and political participation (for a discussion of the literature, see Rosenstone, 1982). Comparative research demonstrates that the mobilization and withdrawal consequences of material hardship generally cancel each other out, and hence produce a null aggregate effect of unemployment on political participation (Blais, 2006). Yet the impact on individuals, and the trajectory of their participation over the life course, is another matter.

Although most research in this area focuses on unemployment, there is some evidence to indicate that underemployment is associated with different forms of

political participation. Herring and Jones-Johnson (1990) use the National Survey of Black Americans to examine variation in types of political participation across six types of underemployment: discouraged workers who have dropped out of the labor market, the unemployed, involuntary part-time workers, those intermittently employed in temporary or seasonal jobs, workers who have jobs that leave them below the poverty line, and skills underemployed workers. In general, they found that African-American workers who are underemployed are more likely than those with adequate employment to withdraw from political participation altogether. Interestingly, workers employed in an intermittent manner did not differ from the adequately employed, while the skills underemployed were actually less likely to drop out politically than the adequately employed (Herring & Jones Johnson, 1990).

While Herring and Jones Johnson's (1990) analysis provides some initial insight into the relationship between underemployment and political participation for one subpopulation, additional empirical work is needed to test the robustness of their findings. If their findings hold, it would be sobering since most forms of underemployment are associated with higher risk of dropping out of the political process, which may, in turn, reduce the responsiveness of elected officials to local concerns.

### **Resource Drain**

Increases in crime and decreases in political responsiveness, combined with the economic, familial, relational, and psychological strains of underemployment, can drain a community's resources. As other authors in this volume have outlined (see [Chapter 9](#), this volume), there can be severe psychological and health consequences of underemployment at the same time that health insurance becomes harder for workers to access. With nowhere else to turn in the midst of health and psychological crises, the underemployed may end up relying heavily on emergency room medical care or other free community resources. This places a significant burden on taxpayers and medical professionals alike. Thus, large increases in demand on their services from the underemployed – due to economic recession or large-scale downsizing – may place an unmanageable strain on these service providers.

The resource drain on a community need not only be material. Social resources such as collective efficacy may also be depleted. Collective efficacy is defined by Sampson, Raudenbush, and Earls (1997) as: “social cohesion among neighbors combined with their willingness to intervene on behalf of the common good” (p. 918). Empirically, researchers have found strong negative associations between collective efficacy and the rate of violence within communities (Sampson et al., 1997), which has important implications for community well-being.

As previous sections of this chapter have outlined, underemployment may increase an individual's social isolation and thus affect the social cohesion among neighbors as well as neighbors' willingness to intervene in the social sphere. We also know that hours underemployment is not evenly spread throughout the income distribution. In March of 2009, more than 20% of the workers in the lowest decile of

household income were hours underemployed, whereas only 1.6% of the workers in the top decile faced this problem (Sum & Khatiwada, 2010). Given the residential concentration of poor and African-American residents in the United States (Massey & Denton, 1993), these communities are likely most affected by hours underemployment. Thus, high rates of geographically concentrated underemployment may negatively impact a community's collective efficacy and therefore have important consequences for the overall functioning and safety of the community.

### *Cohort Effects*

Neighborhoods are not the only types of communities that can be impacted by underemployment. Cohorts, defined as groups of individuals who share a particular set of experiences during a given period of time, are analytically useful communities to study in relationship to underemployment. A cohort enters the labor market at the same time, which means that those workers are impacted by the same macroeconomic conditions and share a common economic experience as a community. In the case of unemployment and underemployment, cohorts of workers can be gravely impacted when they enter the labor market in a time of economic recession, or, even worse, a depression. The “scarring” caused by this difficult labor market entry can have durable consequences for the entire cohort of labor market entrants as well as their families and communities.

There is clear evidence in the social science literature that job displacement and unemployment seriously scar the future trajectories – specifically wage trajectories – of individual workers. Ruhm (1991) estimated that displaced workers suffered approximately 16% wage penalties at the time of re-employment, compared with similar workers who were continually employed. And, significant wage penalties still existed 4 years after displacement, which was the entire length of time under investigation in the study (Ruhm, 1991). Additionally, in a comparative analysis of advanced industrialized countries, Gangl (2006) found consistent negative wage effects of previous unemployment across countries.

But, what happens when unemployment and displacement are not just individual experiences, but rather structural attributes of the macroeconomy? To address this issue, social scientists have studied what has happened to cohorts of workers that have entered the labor market during times of economic distress. Analyzing a rich longitudinal data set, Kahn (2010) examined the outcomes of college graduates who entered the labor market before, during, and after the recession of the early 1980s. She found that, even 15 years later, the workers who entered the labor market in the recession continued to face significantly lower wages (Kahn, 2010). Researchers have found similar outcomes analyzing the Canadian labor market. Oreopoulos, von Wachter, and Heisz (2008) found that graduating from college in a recession was associated with an initial loss of earnings of approximately 9%. The consequences are cut in half at the 5-year mark and generally disappear for workers after 10 years in the labor market (Oreopoulos et al., 2008). However, they found that college graduates with the lowest predicted earnings have larger and more persistent earnings

losses, which can have important consequences for earnings inequality (Oreopoulos et al., 2008).

Scarring is produced by biographies that are deemed deviant or suspect: long periods of unemployment or underemployment, where one holds jobs with fewer responsibilities, lower status, fewer hours, and lower earnings than one's education and background would predict. These work history markers signal red flags to future employers, harming the career trajectories of an entire group of workers. When communities of young people are scarred in this manner, their partners, children, and communities suffer.

### *Community Types*

Just as different family types may moderate the relationship between underemployment and a family's outcomes, so too might different community forms shape the consequences of underemployment. Communities can vary by the types of people who live in them as well as the sets of institutions and organizations that are present. These community-level attributes will certainly impact how underemployment plays out.

A recent report explores the prevalence and consequences of underemployment for military wives (Lim & Shulker, 2010). Matching the military wives in their sample with similar wives from the general population (using the Current Population Survey), researchers found that hours and skills underemployment are much more prevalent among military wives when compared to similar civilian wives. Military wives are significantly less likely to have adequate full-time employment than their civilian counterparts. But, interestingly, this does not seem to be associated with higher levels of dissatisfaction with "life as a military spouse" (Lim & Shulker, 2010). It is unclear exactly why, but it is likely that there is something about the community structure of military wives that plays a role in this process of maintaining life satisfaction in the face of underemployment.

It is easy to imagine other community characteristics that may moderate how underemployment influences the outcomes of individuals. The racial make-up, level of social cohesion, concentration of religious institutions and individuals, median income, and level of income inequality could all play important roles in shaping the consequences of underemployment. Additional research on community-level moderating forces would greatly enrich the underemployment literature.

### **Future Research on Underemployment, Families, and Communities**

Underemployment, like unemployment, can have severe consequences for families and communities. Unfortunately, the empirical research on how underemployment shapes family- and community-level outcomes is not fully developed. We know far less than we need to know about the strength and nature of the associations discussed

in this chapter, not to mention the factors that moderate and mediate the relationship between underemployment and family and community well-being.

Advancing scientific knowledge about the family and community impacts of underemployment will require four areas of focus. First, researchers need to take seriously the idea that underemployment, above and beyond unemployment, is a subject worthy of study. This chapter, hopefully, provides adequate support for the proposition that variation across types of underemployment – skills, hours, income, and status – is important in shaping people’s lives. Underemployment can destabilize the relationships between parents, isolate families from their social networks, and drain the resources of a community, among other things.

Better data are also needed for researchers to analyze the consequences of underemployment. While some longitudinal data sets allow for the exploration of individuals moving in and out of underemployment and the consequences those changes have on their well-being, additional longitudinal data would be helpful. Since the pathways into underemployment are important in shaping its consequences, panel data is necessary to understand the complete picture of underemployment’s consequences. Additionally, using firm downsizing and plant closings as quasi-natural experiments have provided valuable insights into the effects of unemployment and should be similarly used to examine the impact of underemployment.

Additional research is also needed to identify how an individual’s family and community environment shapes the consequences of underemployment. Basic analyses that look at how family structure – single parent, cohabiting partners, and gay and lesbian families – moderates underemployment’s impacts would be valuable. Also, multilevel analyses that exploit variation in community-level variables, while examining how underemployment impacts families, would greatly increase our understanding. Comparative, cross-national research on underemployment is also one potential strategy that could provide useful insights in this area.

Finally, identifying the mechanisms through which underemployment operates on families and communities is necessary to capture its full effects as well as to develop comprehensive public policy interventions to combat underemployment’s negative consequences. Does underemployment impact families through increasing stress, producing idleness, reducing self-esteem, or through some other set of factors? Do communities suffer when underemployment is high because of residents’ reduced incomes, loss of health insurance and other benefits, lower levels of social cohesion, or some other mechanism altogether?

## Conclusion

While there is more research needed before strong public policy recommendations can be made to address the negative consequences of underemployment, there are a few policy interventions that would likely support families and communities experiencing underemployment. First, it is imperative that unemployment insurance benefits adequately support workers through the process of rematching to the labor market to ensure that new employment opportunities are a “good match” for that

worker's education, experience, and training. Second, decoupling certain benefits such as health insurance from one's employer could assist in keeping underemployment from rippling outward and negatively impacting other family members in unnecessary ways. Third, it is imperative that job retraining programs are designed to ensure that displaced workers are able to develop the skills necessary to connect to the labor market at a level that exceeds underemployment.

Underemployment – in terms of skills, hours, income, and status – can have a severe, negative impact on families and their communities. However, more research is needed to more fully identify the scope and nature of these consequences. Uncovering the dynamics of the relationship between underemployment and family and community outcomes needs to be a priority for social scientists concerned with labor markets, inequality, and poverty.

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**Part IV**  
**Directions for Future Research**  
**and Management Practice**

# Chapter 13

## Directions for Future Underemployment Research: Measurement and Practice

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**Keywords** Institutional responses · Measurement · Methodology · Overqualification · Underemployment · Volition

The last decade has seen noticeable growth in research on the underemployment phenomenon – when an individual is employed in some way that is insufficient relative to some standard – and the problems associated with it. This research comes from a variety of areas, most notably economics, sociology, and the organizational sciences (i.e., industrial-organizational psychology and management). For example, the academic database PsycINFO returned 97 sources with the underemployment keyword between the years 2000 and 2009, up 76% from the previous 10-year span. Very recently, economic woes in most developed nations and across the globe have also brought underemployment into public consciousness. Various media outlets continue to give attention to overqualification and related problems of insufficient employment (e.g., Hemming, 2010; Korkki, 2010; Luo, March 2010; Reingold, February 2009; Schieffer & Besner, 2009). This increased interest from both scholars and the popular press is notable in that, until recently, the underemployment problem has been overshadowed by the unemployment problem (Dooley, Prause, & Ham-Rowbottom, 2000; Feldman, 1996), especially in the media.

This increase in attention, and the diversity of viewpoints from which underemployment is investigated, represent both a boon and a challenge. The various approaches to studying the phenomenon allow for ultimately greater insight than could be gained from any single paradigm or research strategy. However, as many others have noted (see, for example, Chapters 2 and 3, this volume), underemployment means different things to different scholars, practitioners, and agencies. Overqualification, for example, has been included in many definitions of underemployment (e.g., Feldman, 1996; Maynard, Joseph, & Maynard, 2006) but not in others (Dooley & Prause, 2004), and unemployment has been subsumed as a dimension of underemployment in some approaches (e.g., Ruiz-Quintanilla & Claes, 1996), including the Labor Utilization Framework (e.g., Clogg & Sullivan, 1983). As a result, measurement practices vary widely.

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This chapter has three main goals. First, it examines how large a problem underemployment is for various stakeholders (i.e., workers, families, organizations, and societies). Second, it highlights pressing needs in the measurement of underemployment and future empirical research on the topic. Last, it considers the effectiveness of various individual and organizational responses to the underemployment problem.

## The Scope of the Problem

The question “How big a problem is underemployment?” is really (at least) two questions in one. First, how widespread is underemployment? Second, how serious are the consequences of underemployment? Definitive answers to these questions are hard to come by, in part due to variations in conceptualizing and operationalizing underemployment (in the case of the former question) and in prioritizing the needs and goals of those affected (in the case of the latter). While evidence ultimately points to underemployment being a pervasive and important problem, we seem to have much more evidence of the negative consequences for employees than for organizations, communities, or societies.

Estimates of the prevalence of underemployment vary widely depending on who is sampled, where, and when. Even more problematic are the widely acknowledged differences and difficulties in compartmentalizing and measuring underemployment (McGuinness, 2006; Chapter 2, this volume). While there will never be a single, definitive answer to the question “What percent of the workforce is underemployed?” the myriad attempts to answer the question provide us with some fairly reliable estimates.

First, underemployment is quite widespread, particularly when measured broadly and/or subjectively. Most estimates tend to suggest that somewhere between 1 out of 8 workers and 1 out of 3 are underemployed (e.g., Cable & Hendley, 2009/2010; Mavromoras, McGuinness, O’Leary, Sloane, & Fok, 2010; McGuinness, 2006; Tipps & Gordon, 1985; Vaisey, 2006), though some of these figures are based on only one or two dimensions of underemployment. Not surprisingly, underemployment rates tend to be worse when the labor economy is suffering, and a given year’s unemployment rate reliably predicts the following year’s overqualification rate (Vaisey, 2006).

In terms of the seriousness of the consequences of underemployment on individuals, O’Toole and Lawler (2006), in their assessment of the current American workplace, identify three basic human needs that good work can help to meet, namely, financial security, the opportunity to do important work and grow professionally, and meaningful relationships with others. Based on this framework, the evidence so far suggests that the needs of the underemployed are going at least partially unmet. In fact, in one case (underpayment), underemployment is by definition a job that does not meet one of these needs (financial security). Thus, underemployment can have trickle-down effects upon the employee’s family, making it more

difficult to pay bills, secure adequate housing, and stay healthy (Eamon & Wu, 2011; Chapter 12, this volume). Similarly, one of the commonly used scales of perceived overqualification contains a subscale aimed at measuring the absence of opportunities for growth in a worker's job (Johnson, Morrow, & Johnson, 2002), and other research on the topic has found that perceptions of overqualification are associated with negative job attitudes, including satisfaction with work and coworkers (e.g., De Witte & Lagrou, 1990; Feldman, Leana, & Bolino, 2002; Johnson & Johnson, 2000; Maynard et al., 2006; Saks & Ashforth, 1997).

Moreover, while contingent workers are not underemployed by definition, they are at increased risk for underemployment and may have particular difficulty meeting their needs (see Chapter 8, this volume). For example, an employee who accepts work on a contractual basis because permanent work is unavailable may not be able to fully utilize her skills and work experiences, and contingent workers have a harder time establishing social relationships at their organizations with more "core" employees (Boyce, Ryan, Imus, & Morgeson, 2007). What is perhaps worse is that various dimensions of underemployment tend to be positively related (e.g., Maynard et al., 2006; McKee-Ryan, Virick, Prussia, Harvey, & Lilly, 2009). In other words, someone who is underemployed in one way (e.g., involuntarily part-time) is at increased risk for other types of underemployment (e.g., overqualification).

How serious are the consequences of underemployment for organizations and societies? We have much less empirical evidence to go on here. For organizations, based on current findings, we can posit that organizations with large numbers of workers who feel underemployed are more likely to be comprised of dissatisfied and less strongly committed employees, and, by extension (though we have less data on this), face problems such as higher turnover and less citizenship behavior. In a study of telephone companies, Tsang (1987) found that overeducation was negatively associated with organizational-level productivity. From a human capital perspective, there has long been concern about unemployment and underemployment in that their prevalence serves as an index of how poorly a nation is utilizing its potential workforce. Certainly, more underemployed workers in a society is bad news for the quality of life of its individuals, families, and communities in terms of material comforts, physical health, and psychological well-being. There is also some evidence of links between levels of youth underemployment and both substance abuse and crime (see Chapter 4, this volume, for a review), and other social concerns such as poverty and intergroup relationships.

As Wilkins and Wooden (Chapter 2, this volume) note, a separate problem is *labor hoarding*, when organizations retain staff in times of reduced organizational work demands. The extent of labor hoarding is not captured by unemployment or underemployment statistics. Interestingly, while this may be an efficient strategy for organizations to save on personnel costs when the next wave of higher demand arrives, by definition it leads to skill underutilization for individuals (likely perceived as overqualification) and societies.

## Future Empirical Research Needs

In the following section, I outline several directions for future research on underemployment. These recommendations stem from notable current gaps in whom and where we study, how we conceptualize and operationalize underemployment, and what methodological and analytical strategies we take to answer our research questions.

### *Explore Underemployment in Developing Nations*

Underemployment is a global problem and is not restricted to wealthy, highly educated nations (e.g., Ray, 1998). However, most research on underemployment focuses on the problem in developed nations, particularly in North America, Western and Northern Europe, and Oceania. In fact, it appears we know much more about the underemployment experiences of immigrants (e.g., de Anda, 1994; de Jong & Madamba, 2001; Li & Campbell, 2009; Slack & Jensen, 2007), expatriates (e.g., Bolino & Feldman, 2000; Lee, 2005), and refugees (e.g., Beiser, Johnson, & Turner, 1993) in Western societies than we do of native workers in non-Western societies, especially developing nations. The tendency for the social sciences to construct and test theories based on the experiences of a small minority of the world population (Arnett, 2008) is mirrored in the scholarship on underemployment.

As such, it is not clear that our knowledge of the underemployment phenomenon is generalizable to very different cultures, labor economies, or social structures. To truly understand underemployment, we need to expand our sampling of human experience. While there are certainly challenges with doing research abroad or in developing nations (e.g., LoSchiavo & Shatz, 2009), there are also likely unrealized opportunities for collaborative, applied research with national and international agencies studying the problem. The new field of humanitarian work psychology (Berry et al., 2011), with its notable focus on poverty reduction, seems particularly relevant to this charge.

Despite the dearth of research in this area, developing nations in particular may have higher levels of underemployment. Reasons for this vary from high fertility rates that outpace job growth (with the resulting unemployment having a trickle-down effect upon underemployment) to economic structures which discourage entrepreneurship (Sadie, 2003). Almost by definition, many working adults in poorer nations are underemployed according to a Labor Utilization Framework-based measure of underpayment (i.e., earning an income of less than 125% of the poverty line, Clogg & Sullivan, 1983; Dooley & Prause, 2004).

These countries are likely to struggle with several dimensions of underemployment in particular. For example, Görg and Strobl (2003) reports a mean rate of involuntary part-time employment of 3.7% for developed nations and 6.1% in developing nations, while Sackey and Osei (2006) demonstrated that poverty rates and part-time employment rates in Ghana were strongly and positively associated across numerous

industries ( $r = 0.76$ ). In addition, the more informal nature of many developing nations' labor markets (Görg & Strobl, 2003; Jayne, Villarreal, Pingali, & Hemrich, 2005) may provide plentiful job opportunities for citizens, but those opportunities are often unstable or primarily seasonal in nature (e.g., tourism or agriculture). For example, research has shown that farmworkers in places such as Mexico (Izcara Palacios & Andrade Rubio, 2007) and India (Sen & Shah, 1983) struggle with the vulnerability of irregular and unreliable employment. Such intermittent jobs have been classified as underemployment in some models (Feldman, 1996).

The limited evidence we do have suggests that underemployment may have some similar effects on workers from different nations or cultures. Unemployed and underemployed individuals in Brazil (de Almeida Filho, 1981) were found to have greater symptoms of mental distress than adequately employed workers. Studies in other countries have found similar effects on psychological well-being (e.g., Izcara Palacios & Andrade Rubio, 2007). However, there are reasons to suspect that there are also factors unique to developing nations which might affect the exact nature of the underemployment problem itself and potential remedies to it.

First, as mentioned above, the labor markets in these countries are often informal in nature, with personal connections and under-the-table work playing an important role. Even so, in poor areas, having connections may be more useful in escaping unemployment than in finding adequate employment (Newman, 2000), and part-time work may be relatively more common in such situations (Görg & Strobl, 2003; Sackey & Osei, 2006). In small, rural communities, the notion of "job search" may not apply, as all adults in the community may be aware of every opportunity for work and what is required to obtain such employment (Bryne & Strobl, 2001).

Second, employment opportunities may be limited based upon class, race, gender, or other demographic factors. This can stem directly from severe occupational segregation, or more indirectly through the denial of, or at least restrictions to, educational access (Meow, 1983). The expectations of those who experience inequality and limited opportunity may be low to modest, and in these cases, underemployment may have its greatest effects on tangible outcomes (e.g., poverty and poor physical health) rather than on intangible ones (e.g., low job satisfaction).

Third, when adequate employment is hard to obtain for a nation's highly educated workers, there is a risk that they will emigrate elsewhere, where professional jobs are more plentiful (Carr, Inkson, & Thorn, 2005). This well-documented phenomenon, long ago dubbed *brain drain* (though Carr and colleagues argue for the term *talent flow*), is made possible by the increasing global mobility of professionals (Sullivan & Arthur, 2006; Carr, 2010). Such mobility may be beneficial to the individual and his or her family, but may be regarded as a net loss for the home country, unless the individual eventually returns home with any accrued education, experience, or skill (known as *brain gain*; e.g., Chen, 2009).

Baruch, Budhwar, and Khatri (2007) demonstrated that brain drain may be particularly likely among those who obtain their advanced degrees in higher education institutions abroad (often in the USA, Canada, or northern Europe). In their study, international students' intent to remain in the host country was negatively associated with the strength of the labor market at home; those with fewer prospects upon



graduation made plans to stay abroad for the foreseeable future. The broader point is that in developing nations, emigration may be seen as a particularly attractive strategy for avoiding or escaping underemployment, and the decision to relocate has wide-ranging effects for both individuals (Maynard, Ferdman, & Holmes, 2010) and societies (Chen, 2009).

### ***Utilize More Diverse Research Strategies, Especially Qualitative Methodologies***

Nearly all underemployment research is survey based, either from large-scale national surveys or from smaller, individually crafted ones (the latter coming primarily from scholars in psychology and management). This makes sense, given that underemployment is a practical problem with a strong subjective component. Alternative approaches are surprisingly rare, however.

For both practical and ethical reasons, it is hard to conceive of truly experimental designs, as useful as they might be for determining causality. However, it might be possible to do some experimental and quasi-experimental research on the topic. With regard to overqualification, for example, one could envision an experiment in which participants obtain some skill via a training program, and then are placed in a time-limited work environment which either does or does not effectively utilize that skill. Results indicating differences in attitudes and withdrawal behavior would provide strong evidence for direct paths between skill utilization and various outcomes – evidence we currently do not have. We also could learn a great deal from quasi-experiments which examine changes in attitudes after “naturally occurring” changes in people’s jobs (e.g., pay cuts, shorter hours, and demotions).

More common, but still underutilized, are qualitative approaches to studying underemployment. In reviewing Burris’s (1983a) book based upon a qualitative analysis of clerical workers’ underemployment experiences, Brint (1985) identified it as “the first study of underemployment based on in-depth interviewing rather than survey-based statistical analyses” (p. 619). A quarter century later, the existing research on underemployment is still very much quantitative in nature (a notable exception here is the work of Katherine Newman; e.g., Newman, 2000). Such research has certainly led to important findings about both straightforward and complex relationships with various antecedents and outcomes. Moving forward, however, we need to better balance our current quantitative emphasis with more empirical work of a qualitative nature, as some of the most pressing questions identified by current scholars in underemployment, including the authors of this volume, are well suited to such a strategy.

Our tendency to utilize quantitative rather than qualitative approaches in studying underemployment is perhaps not surprising. First, with the exception of sociology, those disciplines most interested in the problem – in other words, labor economics and the organizational sciences – have adopted scientific inquiry approaches that are predominantly quantitative. Second, as mentioned earlier, underemployment is often studied with large-scale labor surveys such as the Current Population

Survey (CPS; Slack & Jensen, 2007) and the National Longitudinal Study of Youth (Dooley & Prause, 2004), which are comprised primarily of predefined, closed-ended questions. Third, many dimensions of underemployment may appear on the surface to lend themselves to simple measurement resulting in easy-to-analyze, easy-to-interpret numerical data.

It is now widely acknowledged, though, that measurement of underemployment is anything but simple (see, for example, [Chapter 2](#), this volume). Further, qualitative approaches are helpful in providing insight into understudied or poorly understood topics, as well as generating rich, contextualized data regarding the subjective realities and interpretive processes of individuals (Brint, 1985). A review of existing qualitative research on underemployment reveals that the vast majority of such work has been conducted to better understand specific populations' experiences of underemployment. These populations include high school and college graduates (Borgen, Amundson, & Harder, 1988; Mann, Miller, & Baum, 1995); recently laid-off employees (Vickers & Parris, 2007; Zvonkovic, Guss, & Ladd, 1988); clerical workers (Burris, 1983a, b); employees in rural areas (Gringeri, 2001); and immigrants, migrants, and ethnic minorities (Este & Tachble, 2009; Li & Campbell, 2009; Ngo & Este, 2006; Pio, 2007). Qualitative approaches have also been utilized to understand hiring managers' perceptions and predictions of overqualified applicants and employees (e.g., Bills, 1992; Maynard, Taylor, & Hakel, 2009). Nearly all of these studies have gathered data via semistructured interviews.

It appears from this review that qualitative research strategies are underused not only relative to quantitative strategies, but also in terms of the types of questions which they tackle. Particularly valuable would be systematic investigations of the psychological processes of situation evaluation, attribution, meaning-making, and strategy formation and implementation that the underemployed engage in. Consider, for example, the following sampling of research questions for which a qualitative strategy would be helpful:

- We know little about the standards of comparison that employees are using when they come to the conclusion that they are underpaid, overqualified, or otherwise mismatched in their current job ([Chapter 3](#), this volume). Common referents for judging their situation might include one's coworkers, peers with similar work or educational backgrounds, or one's own past situation in previous years or at other jobs. When do employees use these various standards, and do particular standards tend to produce distinctive reactions?
- While several authors have discussed the importance of attributional processes to understanding reactions to underemployment ([Chapter 9](#), this volume; Feldman, 1996), little actual work in this area has occurred. For example, under what conditions do underemployed workers tend to make internal versus external (or stable vs. unstable, or global vs. specific) attributions about their work situation? How do such attributions relate to the meaningfulness of one's underemployment experience as part of his or her career narrative (past, present, and future)?
- How do individuals experiencing difficulties finding adequate employment respond to the situation? Surprisingly few studies have systematically examined

the conditions under which underemployed workers (or applicants facing potential underemployment) utilize various coping strategies, both in terms of adjusting one's strategy for addressing the problem and managing stress and various negative emotions (Leana & Feldman, 1995). What sorts of proactive steps do the underemployed take (e.g., job crafting; Wrzesniewski, & Dutton, 2001), and how effective do they seem to be, both practically and emotionally?

Research questions such as these lend themselves to inquiry via qualitative methods because they get at internal processes which are difficult to tap with closed-ended survey items. Combined qualitative–quantitative approaches (e.g., including more open-ended items within a structured survey) as well as the utilization of less typical qualitative data sources (e.g., archived posts on relevant job search electronic forums) would also help supplement existing strategies.

### ***Improve Measurement of Key Constructs***

Other authors in this volume (e.g., Chapters 2 and 3) have outlined the central issues associated with measuring the underemployment construct. Stated simply, measurement has long been recognized as thorny because underemployment is (a) multidimensional (and scholars don't always agree about what those dimensions are), (b) relevant both as an "objective" indicator and as a subjective experience, and (c) of importance to researchers in a variety of disciplines. In this section, I focus specifically on two aspects of measurement as it relates to subjective perceptions of underemployment, namely the issues of volition and self- versus other-based perceptions of underemployment.

#### **Measuring Volition**

There is growing agreement among those who study underemployment that choice matters. Some conceptualizations of underemployment are based on the argument that certain work situations (e.g., part-time or temporary work) should only be considered underemployment if they are involuntary due to insufficient alternatives (e.g., Feldman, 1996). In essence, the inadequacy of the employment does not reside in the situation itself, but in the mismatch between the employee's desired work situation and his or her actual one. Empirical evidence does suggest, for example, that part-time and temporary workers report more positive job attitudes and lower turnover intentions when they also report desiring that type of employment (versus preferring a full-time or permanent position; Maynard & Joseph, 2008; Maynard, Joseph, & Maynard, 2006; Maynard, Thorsteinson, & Parfyonova, 2006). As a result, it seems appropriate to measure both the employee's work status as well as the voluntary or involuntary nature of that status.

But how does one measure free choice? A dichotomy that separates the voluntarily underemployed from the involuntarily underemployed is overly simplistic. Some have argued that major life decisions such as accepting insufficient employment always entail some element of active decision making, even if the end result

is an unpleasant, dissatisfying work situation (e.g., Agustín, 2007). From this perspective, it is unclear under what conditions one could be said to be employed in a certain way *against his or her will*. On the other hand, there is evidence that employees occasionally feel as though presumably voluntary decisions, such as choosing to engage in citizenship behavior (McAllister, Morrison, Kamdar, & Turban, 2007) or accept expatriate work assignments (Haour-Knipe, 2000), were not theirs to make. There is also the issue, of course, of how much employees use cognitive dissonance reduction strategies to distort their perceptions of free choice even in the short run.

A second issue is that volition has been more regularly applied to the time-based dimensions of underemployment (i.e., part-time and temporary work) than to underpayment or overqualification. A frequent assumption in the literature is that employees would always prefer to be paid more, and would always prefer to utilize their skills, experience, and formal education. If all underpayment and overqualification are involuntary, measurement becomes simpler. Nonetheless, there are certainly individuals who work in jobs or occupations which pay much less than they could otherwise earn because the work calls to them (e.g., Holland, 1996; Wrzesniewski, McCauley, Rozin, & Schwartz, 1997). Further, there are others who take seemingly simplistic jobs relative to their education and experience, perhaps as a mid-career shift away from a more challenging (and stressful) work life (e.g., Feldman, 2002; Meir & Melamed, 2005). In both cases, the person's work values seem to be steering him or her toward career choices that might otherwise seem unlikely. Unfortunately, researchers have yet to examine employee reactions to underemployment in light of their work values, as is discussed in more detail below.

### Measuring Perceptions of Underemployment

While investigations of subjective underemployment are quite common, particularly with regard to the overqualification dimension (e.g., Erdogan & Bauer, 2009; Johnson et al., 2002; Maynard et al., 2006), the literature is deficient in that those perceptions come exclusively from the employee himself or herself. No research has examined the perceptions of others in the organization such as supervisors, peers, or subordinates with regard to a target employee's underemployment. This is perhaps understandable, given that one's subjective experience is likely to be a stronger predictor of affective and behavioral responses than any other underemployment measure. However, as a result of this reliance on a single data source, we do not know the extent of agreement or disagreement between self-ratings and other-ratings of underemployment.

Self-perceptions of overqualification might not align with the perceptions of others. Some have argued that individuals are more likely to see themselves as more overqualified than their superiors do and as more overqualified than their peers in the same situation (Erdogan, Bauer, Peiró, & Truxillo, 2011). Research in social cognition has long identified a positive bias when it comes to rating oneself (e.g., Taylor & Brown, 1988). Studies of rater agreement and rater bias with regard to job performance have borne this out. For example, a recent meta-analysis by Heidemeier and Moser (2009) found that self and supervisor ratings of task performance are only

modestly related ( $r = 0.22$ ) and that self-ratings were a third of a standard deviation higher than supervisory ratings. Similarly, in a study involving organizations in six countries, Atwater, Waldman, Ostroff, Robie, and Johnson (2005) found that among self, peer, and subordinate ratings of performance, self-ratings exhibited the least agreement and the greatest leniency relative to the other two sources.

Consider the plausible situation that an employee feels that his education, experience, and skills are not being adequately utilized on the job, while his supervisor does not believe that the employee is overqualified. Based on past research, we would expect the employee to be dissatisfied with his work, and that he might consider looking for another job. This might be puzzling to a supervisor who does not see any problems in terms of person–job fit. Any possible steps to discuss or address the problem (e.g., fostering empowerment; Erdogan & Bauer, 2009) would not be taken due to a lack of awareness about the employees' perceptions. Similarly, interpersonal conflict in a workgroup might result if one member of the group feels that he or she is overqualified (especially relative to the rest of the group) and this perception is not shared by others. Indeed, hiring managers who were interviewed about the consequences of hiring overqualified applicants suggested that such individuals would have difficulty working well with peers (Maynard, Taylor, & Hakel, 2009).

### ***Integrate Dispositional Constructs into Underemployment Research***

Feldman (Chapter 14, this volume) identifies personality theory as helping explain relationships between objective and subjective underemployment. Although personality variables, and dispositional variables more broadly, have yet to play much role in the investigation of underemployment, they may affect whether people become underemployed, how it affects them, and how they respond to it. In addition to core personality variables such as the Big Five traits, two other stable individual characteristics are worth incorporating into future research investigations: work values and core self-evaluations.

#### **Work Values**

Research in industrial-organizational psychology has shown that both employees and organizations benefit when the employee holds values that are congruent with his or her work situation (e.g., Edwards & Cable, 2009; Schleicher, Hansen, & Fox, 2011). Much of this research has focused upon the degree to which an employee's preference for organizational values (e.g., altruism, aggressiveness, autonomy, and team orientation) are actually reflected in his or her organization's culture (e.g., O'Reilly, Chatman, & Caldwell, 1991). More closely related to the underemployment problem are work values, which instead focus on the desired outcomes an individual hopes to derive from one's job. Dimensions of work values include security, skill utilization, and independence (e.g., Meyer, Irving, & Allen; 1998).

Unfortunately, little existing research has focused on this latter conceptualization of values as it relates to underemployment. Following the logic from other research on value congruence, however, we could posit that the potentially negative impact of underemployment depends upon how much friction an individual experiences when his or her work is inconsistent with personal work preferences. For example, the skill utilization dimension of some models and measures of work values seem particularly relevant to perceived overqualification, whereas security lines up with time-based dimensions of underemployment. Dowling and O'Brien (1981) found that both employment and further education increased the desire for skill utilization, thereby heightening the experience of underemployment when it arises.

Vocational psychologists also stress the importance of career choices that are consistent with one's work values and preferences (e.g., Holland, 1985). In a similar vein, image theory (Beach & Mitchell, 1998) posits that alternative job opportunities are evaluated against one's current job in several domains. One of these is the value image – the extent to which a person's values match the job characteristics (Harman et al., 2007). We can find other organizational examples illustrating the importance of considering the match between disposition-based preferences and work situations in the psychological distress literature (Creed, Lehmann, & Hood, 2009), the equity sensitivity literature (Miles, Hatfield, & Huseman, 1989; Taylor, Klumper, & Sauley, 2009), and the organizational justice literature (e.g., Restubog, Bordia, & Bordia, 2009).

### Core Self-Evaluations

Research on both unemployment (e.g., Cottle, 2001) and underemployment (e.g., Johnson & Johnson, 1996) has underscored the central importance of self-esteem and related variables in understanding the experience of not having sufficient work. An emerging construct in industrial-organizational psychology not yet studied in relation to underemployment is *core self-evaluations (CSE)*, which aggregates self-esteem with other established self-oriented social cognitive variables (i.e., locus of control, generalized self-efficacy, and neuroticism; Judge, 2009). Research has demonstrated that measures of core self-evaluations more consistently predict important outcomes (e.g., motivation, performance) than do the individual traits that CSE is based upon (Judge & Hurst, 2007). The concept of core self-evaluations has the potential to emerge as crucial to our understanding of underemployment relationships in many ways.

First, it may act as an antecedent, affecting the likelihood that someone will end up being underemployed. For example, both experimental and correlational research has found that individuals with higher core self-evaluations tend to select jobs with greater complexity, which are in turn associated with greater job and task satisfaction (Judge, Bono, & Locke, 2000; Srivastava, Locke, Judge & Adams, 2010).

Second, core self-evaluations may act as a moderator of underemployment relationships, though the direction of such moderation is as yet unknown. For example, CSE has been shown to have a negative association with psychological distress

(Creed et al., 2009) and burnout (Best, Stapleton, & Downey, 2005). These findings suggest that core self-evaluations could possibly serve in a buffering capacity, as has been shown with work stressors more generally (Harris, Harvey, & Kacmar, 2009). On the other hand, Bipp (2010) found that, in two samples, individuals with high levels of CSE also rated intrinsic job characteristics such as opportunity for growth, use of one's knowledge, and task variety as more important to them. Taken together, these findings suggest that high CSE employees may be more sensitive to underemployment.

Third, core self-evaluations may influence the strategies that the underemployed take to deal with the problem and the tenacity with which they pursue those goals. In a 10-year longitudinal study of the unemployed, Wanberg, Glomb, Song, and Sorensen (2005) found that CSE predicted job search intensity, while a meta-analysis of CSE revealed a positive association with problem-focused coping (Kanmeyer-Muller, Judge, & Scott, 2009). An integration of these findings suggests that employees with positive self-concepts who face underemployment may be more bothered by it (as it might be incongruent with their work needs), but also may be more resilient to it and respond more proactively and effectively.

Finally, Judge (2009) argues that there is some reason to expect that core self-evaluations, while generally stable, may shift over time. While little research on the long-term psychological effects of prolonged underemployment has been conducted, long-term unemployment is associated with poorer health (e.g., Dooley et al., 2000; Freidl, Fazekas, Raml, Pretis, & Feistritz, 2007; Kessler, Turner, & House, 1988; Pohjola, 2002) and psychological well-being (e.g., Brenner & Levi, 1987; Cottle, 2001). Similarly, being underemployed for an extended period of time may begin to negatively impact a worker's self-concept.

### *Examine Nonlinear Relationships Where Appropriate*

By and large, researchers have studied the consequences of underemployment (e.g., job attitudes, performance, and mental health) with models that assume that these relationships are linear. In other words, even when measuring underemployment as a continuum (rather than simply comparing the "underemployed" to the "non-underemployed"), researchers' hypotheses implicitly assume that each unit increase in underemployment is associated with a given size effect which is consistent across the entire continuum. As a result, we know little about the presence of any existing nonlinear effects where the impact of increased underemployment accelerates or decelerates.

There are theoretical reasons to expect that this blind spot in our research strategies may lead us to miss important findings. While small levels of underemployment may have proportionate effects on attitudes and behavior, various models suggest that when a discrepancy is high enough, additional psychological forces come into play, opening the door for exceptionally strong emotions or significant actions. For example, according to attribution theory (e.g., Weiner, 1995), an outcome which violates our expectations prompts a cognitive appraisal of the reasons for that outcome.

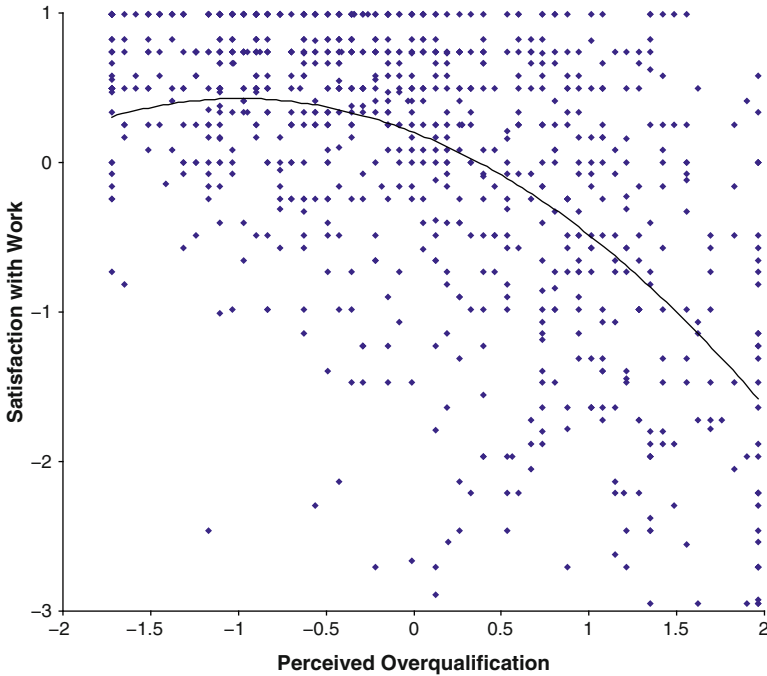
Similarly, threshold models (e.g., Rigotti, 2009) posit that each worker has a point beyond which cues in the workplace enter his or her consciousness and influence his or her job attitudes. Finally, the unfolding model of turnover (Lee et al., 1999) highlights instances where single events called shocks may trigger employee actions aimed at leaving the organizations. Thus, we might expect the relationship between underemployment and its consequences to be curvilinear in nature, such that extreme mismatch between the employee and his or her work situation is likely to have disproportionately severe outcomes. Additionally, if each individual has a different set of thresholds for various affective or behavioral responses, a nonlinear relationship is likely to emerge when analyzing these responses across individuals.

To illustrate this, I reanalyzed a data set from Study 3 of Maynard, Joseph, and Maynard (2006), which focused on relations between different dimensions of underemployment and various job attitudes among a sample of nonfaculty employees and alumni of a midsized public college in the northeastern USA. Among the original findings, perceived overqualification was found to be significantly associated with lower levels of job satisfaction and affective commitment, as well as higher levels of turnover intentions. These were all linear relationships.

Currently, I ran a hierarchical regression, regressing work satisfaction (the outcome variable) on demographic control variables in the first step (i.e., age, gender, and years of education), perceived overqualification in the second step, and the product of overqualification with itself (i.e., overqualification squared) in the third step to test for a quadratic effect (Keith, 2006). The overqualification measures were centered by subtracting each score from the mean of the variable (Cohen, Cohen, West, & Aiken, 2003). Consistent with the results from the original analyses, the main (linear) effect of perceived overqualification predicted work satisfaction above and beyond the control variables,  $\Delta R^2 = 0.30$ ,  $p > 0.001$ . A quadratic trend, undetected in the original set of analyses, emerged in the third step,  $\Delta R^2 = 0.03$ ,  $p > 0.001$ . A scatterplot depicting this nonlinear relationship is shown in Fig. 13.1. Similar trends were also found for the data from Study 1, as well as for other outcomes such as overall job satisfaction, affective commitment, and turnover intentions. This illustration suggests that it is worthwhile to consider theory-based hypotheses of nonlinear underemployment relationships in our future research.

There are other underutilized regression techniques that may help us better understand underemployment relationships. In the last decade, person–environment fit theory (Edwards, 1991; Kristof, 1996) has been identified as a useful framework for examining underemployment (Chapters 3 and 14, this volume; Johnson et al., 2002; Lee, 2005; Maynard et al., 2006) where objective underemployment is measured as the difference between an employee’s current employment situation (e.g., number of hours worked, amount of education) and some standard. However, as Edwards (1991, 2002) argues, both difference in scores and direct assessments of fit (e.g., through self-report of perceived fit) suffer from several methodological limitations and problems, and has recommended polynomial regression analysis and response surface methodology as techniques for avoiding these problems while enhancing the explanatory power of our statistical models. Despite Edwards’ compelling arguments to this effect, underemployment researchers have not thus far





**Fig. 13.1** Scatterplot illustrating the nonlinear relationship between perceived overqualification and work satisfaction

*Notes:* Controlling for employee age, gender, and years of education.  $N = 899$

explored this analytic approach, perhaps due to the more complicated nature of these analyses. While polynomial regression is neither uncommon nor insurmountably difficult (Cohen et al., 2003), response surface methodology is relatively new to the social sciences, and practical resources (such as sources and software written specifically for use by nonstatisticians) would be extremely valuable.

## Organizational Responses to Underemployment

Like any social problem, underemployment cannot be solved with a single strategy. The task before us, then, is to identify responses which can make a positive impact for employees, organizations, and other stakeholders. Here I utilize a three-pronged organizing theme to analyze possible responses to the problem of underemployment. First, there are attempts to curb “objective” underemployment itself, essentially by increasing the match between employees and the kind of work situations they are well suited for and desire. A second approach focuses instead upon managing or improving the work-related perceptions of those employees who feel underemployed. Third, when it is not possible or practical to reduce objective or perceived underemployment, attempts can be made to prevent or alleviate the negative outcomes that have been identified with insufficient employment. Of

course, it is also possible to adopt a strategy that combines multiple approaches, though identifying and implementing a successful intervention limited to just one of these is likely to be challenging enough.

In this final section, I outline specific examples of each approach that organizations and individuals may take to combat underemployment within the workplace (see [Chapter 14](#), this volume, for a discussion of broader interventions such as governmental programs and outplacement services). We will see that previous attempts to address the effectiveness of interventions in ways which are measurable are few and far between, particularly in comparison to the effort put into measuring and tackling unemployment (e.g., Howell, 2010), and that new and as-yet-untried solutions may be needed.

### *Reducing the Extent of Underemployment*

Given the practical realities that constrain payrolls and lead to greater use of contingent workers, it may be very difficult to reduce the number of workers who are employed on a low-wage, part-time, or temporary basis. Even the (slightly) more modest task of better matching employees to the types of job situations they desire in terms of hours and permanency is likely to be challenging, because there are just not enough full-time, permanent jobs for those who desire them. There is some evidence that part-time workers may be well positioned to negotiate idiosyncratic deals (or “i-deals,” Rousseau, Ho, & Greenberg, 2006) with their organizations to enhance the nature or flexibility of their jobs (Hornung, Rousseau, Glaser, Angerer, & Weigl, 2010). While this might not solve the problem of insufficient hours (Osterman, 2010), such arrangements can potentially improve person–job fit in other ways.

On the other hand, organizations may have more leeway to tackle the problem of overqualification. In a qualitative study where hiring managers were interviewed about their practices regarding overqualified applicants, most indicated that they would shy away from hiring applicants who seemed to be overqualified. However, some managers reported looking for ways to hire such applicants, either through adjusting the nature of the job or by locating more appropriate employment opportunities elsewhere within the organization (Maynard et al., 2009). Interestingly, the latter group of managers all worked at large, private organizations with the size or flexibility to accommodate highly skilled applicants who do not quite fit the positions they are applying for.

For underemployed workers already in the workforce, promotions or engaging new work assignments can shift the nature of one’s job so he or she is no longer overqualified, but such opportunities may be limited. Organizations may also attempt to build in more challenging work that better utilizes employee talents through job redesign (Hackman & Oldham, 1980). When possible, such efforts at increasing job characteristics such as the meaningfulness of one’s work to others and the variety of tasks one engages in may positively impact job attitudes and other outcomes. Employees themselves have been shown to create improvements in their own job situations. The aforementioned idiosyncratic deals negotiated between employee and employer can also increase job complexity. Similarly, employees

may engage in job crafting (Wrzesniewski, & Dutton, 2001) by adjusting the way that they approach their work in order to better align the job to their skills and preferences.

There may be boundary conditions on the effectiveness of these strategies, however. For example, Fried, Grant, Levi, Hadani, and Slowik (2007) suggest that the exact response to changes in job features (or the likelihood that the employee herself will proactively pursue such changes) will depend upon the career stage of the employee, while Erez (2010) has highlighted the importance of considering culture when implementing job redesign strategies. In terms of employee-initiated changes, Berg, Wrzesniewski, and Dutton (2010) found that low-rank employees faced different challenges than high-rank employees in perceiving and acting upon opportunities for job crafting. Along the same lines, Hornung et al. (2010) noted that idiosyncratic deals may be more plausible in organizations with less rigid or hierarchical occupational structures and less plausible for underemployed workers with lower amounts of social capital.

### ***Reducing Perceptions of Underemployment***

In many cases, it might not be possible to reduce an employee's "objective" level of underemployment. Because perceptual measures of underemployment are likely to be more proximal determinants of the outcomes described in this volume (McKee-Ryan et al., 2009), a secondary approach would be to target these employee perceptions instead. For example, if employee perceptions of overqualification are inconsistent with supervisor or peer perceptions, performance reviews and training programs may be opportunities for supervisors to highlight how the employee's skills and background are being utilized to a greater extent than previously thought.

In some cases, employees may feel underemployment acutely because of heightened and perhaps unrealistic career or job expectations going into the job. Realistic job previews (RJPs) may be useful tool for organizations in this regard, as they lower expectations about a particular job by painting a realistic, often less-than-rosy picture of job duties and the work context (Phillips, 1998). Along the same lines, expectation-lowering procedures (ELPs) attempt to dampen unrealistic expectations in terms of pay, promotion, or work, but without regard to the particulars of a given job (Buckley, Fedor, Veres, Wiese, & Carraher, 1998). A field experiment with telemarketers demonstrated that a combined RJP-plus-ELP approach increased retention rates as compared to RJPs or ELPs alone (Buckley et al., 2002). To date, no research has examined the links among RJPs, ELPs, and perceptions of underemployment; and ELPs in particular have not been studied beyond the two studies cited here.

A different approach would be to target other job perceptions which might then reduce the sting of being or feeling underemployed. For example, Grant and Sonnentag (2010) found that, among those with low intrinsic motivation, perceiving one's job as having a positive prosocial impact buffered against emotional exhaustion. Since underemployed workers may find it difficult to keep motivated when they

find their jobs to be insufficient in some way, organizations may help increase positive work-related emotions by highlighting and celebrating the beneficial impact of the work the underemployed are performing on behalf of the organization, its clients or customers, or the wider society. This would help employees feel that they are doing meaningful work, one of the three core employee needs identified by O'Toole and Lawler (2006).

### ***Reducing the Costs of Underemployment***

In addition to attending to the nature of the work itself, more attention might be given to how rewarding workplace relationships might mitigate some of the costs of underemployment. Morgensen and Humphrey's recent research on work features (Humphrey, Nahrgang, & Morgeson, 2007; Morgeson & Humphrey, 2006) suggests that the social characteristics of one's job are just as important as job characteristics in this regard (Oldham & Hackman, 2010). For example, in the Humphrey et al. (2007) meta-analysis, social characteristics (i.e., interdependence, social support, interaction outside of work, and feedback from others) contributed between 17 and 40% of explained variance in various job attitudes and turnover intentions above and beyond motivational characteristics of the job. Although these social features are relatively distinct from the task features used in defining underemployment, enhancing these features may help compensate for the lack of challenging work. This strategy also has the advantage of not requiring as many resources or as dramatic structural changes to implement effectively. Moreover, there is some existing evidence which suggests that providing more emotional support to overqualified employees can reduce negative physical health outcomes (Johnson & Johnson, 1997). As such, future research should investigate the role that positive social work features may play in buffering against the psychological costs of underemployment.

Another potentially helpful intervention for reducing the negative effects of underemployment is employee empowerment. Erdogan and Bauer (2009) found that empowerment moderated the impact of perceived overqualification upon job satisfaction, intentions to quit, and voluntary turnover behavior. While promising, more research on the empowerment of underemployed workers is needed to more firmly establish the nature and boundary conditions of this strategy. For example, we do not know whether similar positive results would be found with involuntarily part-time or temporary workers. Empowerment might also be more effective in some cultures than others (Robert, Probst, Martocchio, Drasgow, & Lawler, 2000).

### **Conclusion**

The increasing interest among scholars in various disciplines in understanding the underemployment phenomenon is both encouraging and timely, given the prevalence and seriousness of the problem for individuals, organizations, and societies.

Among the most pressing needs for future research are broader investigations of underemployment in non-Western and developing nations, more diverse data collection techniques (particularly qualitative methodologies), and additional data analytical approaches (especially nonlinear analyses). In addition, greater attention needs to be paid to the conceptualization and measurement of employee volition, multisource measures of underemployment, and the roles which work values and core self-evaluations play in perceptions of underemployment and choice of coping strategies. Finally, much more work is needed on both individual and institutional responses to underemployment. The many suggestions for research and practice outlined here, in tandem with those offered by the other authors of this volume, should allow us to deepen our understanding of what it means to be underemployed and prepare us to better assist in the design, implementation, and evaluation of interventions aimed at combating underemployment in the future.

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# Chapter 14

## Theoretical Frontiers for Underemployment Research

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**Keywords** Underemployment · Person–environment fit · Relative deprivation theory · Attribution theory · Personality

As the chapters in this volume highlight, a great deal of important theoretical research has been conducted on underemployment in a wide variety of disciplines: industrial-organizational psychology, labor economics, social psychology, sociology, organizational behavior, human resource management, macroeconomics, industrial and labor relations, community psychology, and public policy. Each, in its own way, has contributed to the substantial body of knowledge we currently possess about underemployment. In this chapter, we identify three directions for theory development which we believe are the most important for future research and that have the greatest potential to integrate research from these numerous disciplines.

### Objective to Subjective Underemployment

First, it is critical to gain a better handle on how individuals' objective underemployment comes to be perceived and felt as underemployment (Ng, Eby, Sorensen, & Feldman, 2005). In previous research, scholars have made a clear distinction between *objective* measures of underemployment (e.g., jobs which do not require as much education as a person possesses) and *subjective* measures of underemployment, such as perceived overqualification (Feldman, 1996; Khan & Morrow, 1991). Over the past 30 years, researchers have made great headway in identifying the various ways in which objective underemployment (Brown & Pintaldi, 2006; Moen, Kain, & Elder, 1983; Tipps & Gordon, 1985; Zvonkovic, 1988) and subjective under-employment (Feldman, Leana, & Turnley, 1997; Prause & Dooley, 2001; Winefield, 2002) can be operationalized.

However, what has been lacking in this research stream – and what is clearly needed in the future – is greater theoretical attention on how individuals' objective underemployment status morphs into feelings and perceptions of underemployment (Dooley, 2003). Not everyone who is objectively underemployed feels he or she is

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faring badly in the labor market, and not everyone who acknowledges being objectively underemployed in some way (e.g., not working as many hours per week as they would like) experiences underemployment equally deeply (Fenwick & Tausig, 1994; Friedland & Price, 2003; McKee-Ryan, Song, Wanberg, & Kinicki, 2005).

In this chapter, we first propose that person–environment fit theory (Edwards, 1991; Kristof, 1996), relative deprivation theory (Crosby, 1976; Feldman, Leana, & Bolino, 2002), attribution theory (Kelly, 1972; Weiner, 1995), personality theory (Digman, 1990; Mischel, 1973), and conservation of resources theory (Bakker, Demerouti, & Dollard, 2008; Hobfoll, 1989) will all prove particularly helpful in understanding how objective underemployment comes to be viewed as subjective underemployment. Moreover, each of these theoretical perspectives shows promise for making differentiated predictions about the effectiveness of various institutional interventions in reducing underemployment.

## Behavioral Consequences of Underemployment

Second, while researchers have made great headway in understanding the affective and emotional consequences of underemployment (e.g., depression and anxiety; Maynard, Joseph, & Maynard, 2006), another major avenue for future research is deeper exploration of the behavioral outcomes of underemployment. We propose that this research on behavioral outcomes take a multifaceted approach by examining the strategies the underemployed use to: (a) exit underemployment, (b) ameliorate underemployment, and (c) perform their jobs at work.

The authors in this volume make a consistently compelling argument that underemployment has negative consequences for individuals' attitudes toward work, their emotional states, and their sense of optimism about the future (cf. Creed & Macintyre, 2001; Fryer & Winefield, 1998). What is less clear, though, is how individuals respond behaviorally to those circumstances. In terms of "exit strategies," the ones we expect will show the greatest potential for generating positive outcomes – and therefore the ones we examine most closely here – are external job search, internal repositioning strategies (e.g., getting transfers, promotions, or full-time positions), and going back to school (Feldman et al., 2002; 1997). The theoretical perspectives we identified earlier will also help us better understand which strategies underemployed workers pursue and how effective those strategies prove to be.

Relatively little research, though, has been conducted on how the underemployed perform on the jobs they hold. Here, then, we pay particular attention to the three major dimensions of job performance itself: in-role performance, citizenship performance, and counterproductive work behavior (Borman & Motowidlo, 1997; Rotundo & Sackett, 2002). Do the underemployed work hard to get out of their predicament, or do they use their predicament to get out of more work? Here, too, the theories identified earlier may prove useful in understanding how and why underemployment affects these three dimensions of job performance in different ways.

## Theoretical Explanations for Intervention Strategies

Third, it is important to examine the success (and failure) of various intervention strategies which have been used to reduce underemployment. Such interventions include, for example, extended unemployment benefits, government assistance in the way of tuition reimbursement or direct training, private sector or joint public–private sector outplacement programs, and school-based guidance and career counseling programs (Feldman et al., 2002; Leana & Feldman, 1992). While each of these interventions has its own advocates and has garnered some empirical support for its effectiveness, we know relatively little about why and when these programs will operate successfully (Ashenfelter, Ashmore, & Deschenes, 2005). To better understand the impact of these intervention strategies, then, we need to integrate the theoretical perspectives we discussed earlier and pay greater attention to the contexts in which these interventions are implemented.

As the authors in this volume have observed, underemployment occurs in a variety of different contexts (Kaufman, 1982; Newman, 1993, 1988; Winefield, Winefield, Tiggemann, & Goldney, 1991). It occurs when young adults do not finish school, but also when highly educated professionals get laid off. It occurs when young adults get little useful career guidance, but it also occurs when well-educated middle-aged adults lose their jobs and have trouble shifting gears. It occurs when workers with children make compromises to balance work and family, but it also occurs when single and married workers with no children escalate commitment to a poor career trajectory. And, while women, minorities, and older workers may be more vulnerable to becoming underemployed (Slack & Jensen, 2002), ironically they may be the most effective in dealing with its effects (Dooley, Prause, & Ham-Rowbottom, 2000; Leana & Feldman, 1995, 1992). Thus, the third goal of this chapter is to examine the theoretical bases of widely discussed intervention strategies and explore the situational determinants of their success.

## Moving from Objective to Subjective Underemployment

Scholars draw an important distinction between objective and subjective underemployment (Khan & Morrow, 1991). *Objective underemployment* refers to employment which is observably and verifiably inferior on some dimension(s). In some cases, underemployment is defined as employment in a field outside one's formal education or employment in a field which does not require as much education as an individual possesses. In other cases, underemployment is defined as employment which does not require as much skill and work experience as a person possesses (Brown & Pintaldi, 2006; Feldman & Turnley, 1994). In the case of laid-off workers, underemployment is often operationalized as re-employment at a lower rank or at a significantly lower salary (e.g., 20% or more) than in the previous job. And, in the case of recent school-leavers (graduates or drop-outs), underemployment is often defined as jobs which entail fewer work hours than individuals seek (Moen et al., 1983; Tipps & Gordon, 1985; Zvonkovic, 1988).

On the other hand, *subjective underemployment* refers to how individuals perceive their own employment situations and how they feel about them (Creed & Macintyre, 2001; Feldman et al., 2002; Prause & Dooley, 2001; Winefield, 2002). There is not perfect correspondence between the degree of objective underemployment and the degree of subjective underemployment (Stofferahn, 2000). The reason researchers care about subjective underemployment, even though it is less reliably measurable than objective underemployment, is that individuals' emotional reactions and behaviors are driven by those perceptions. Thus, to understand the variance in how the objectively underemployed react to their job situations, we need to understand why the underemployed react to their predicaments in different ways (Brown & Pintaldi, 2006).

While there are numerous theories which could be used to explore how and why objective underemployment morphs into subjective underemployment, here we focus on five which have particular potential in explaining this transformation process. These perspectives are person-organization fit theory, relative deprivation theory, attribution theory, personality theory, and conservation of resources theory, and we examine each of them in more detail below.

## Person–Environment Fit Theory

Person–environment (P-E) fit theory posits that the degree of congruence between organizational demands and personal characteristics positively influences the way individuals experience their work environments (Edwards, 1991; Kristof, 1996). There are several *dimensions* along which fit can be achieved. Fit can be achieved between an individual's skills and the organization's work demands, between an individual's values and the organization's values, between an individual's interests and the organization's culture, and between the individual's needs for full-time work and the organization's ability to provide it. Most fit researchers have investigated the extent to which individuals are similar to others in the workplace in terms of skills, interests, and values (supplementary fit), while some researchers have focused instead on how individuals fit into new work groups by bringing new sets of skills or different perspectives to their teams (complementary fit; Edwards, 1991; Kristof-Brown, Zimmerman, & Johnson, 2005; Ostroff, Shin, & Feinberg, 2002).

While this general approach of examining congruence is called person–environment (P-E) fit theory, researchers have pointed out there are different *levels* of fit as well (Lauver & Kristof-Brown, 2001). There is person–vocation (P-V) fit, which indicates the degree to which an individual has the requisite skills, values, and interests to succeed in the occupation. There is person–organization (P-O) fit, which is the extent to which the individual shares the values and cultural beliefs of the organization as a whole. There is also person–group (P-G) fit, which indicates the extent to which an individual is interpersonally compatible with his or her immediate colleagues. Last here, there is person–job (P-J) fit, which refers to the extent to which an individual's skills and interests are suited to the specific tasks

and demands of his or her position (Edwards, 1991; Ostroff et al., 2002; Vogel & Feldman, 2009; Werbel & Gilliland, 1999). It is our argument that the degree of poor objective fit sensitizes individuals to their underemployment predicament and leads them to experience that underemployment more intensely.

We propose that poor person–vocation (P-V) fit and poor person–job (P-J) fit will have the greatest impact on individuals’ self-perceptions of underemployment. It is hard for an individual to ignore the fact that he or she is employed in an occupation or job which is a poor fit; the mismatch of skills is readily and continually apparent. In contrast, although working in an organization or a group where values are not shared may be discomfiting, it may not evoke the same level of disengagement as poor P-V and P-J fit do. For example, in the case of poor P-G fit, people may attribute their discomfort to personality clashes rather than to inferior employment per se (Edwards, Cable, Williamson, Lambert, & Shipp, 2006; Feldman & Vogel, 2009).

For similar reasons, we might expect that poor skill fit will have a significantly greater impact on perceptions of underemployment than poor values fit does. Here, too, the key issues are immediacy and salience of the stimuli. Boredom with the work itself is experienced constantly, but the organizational values which employees find disagreeable are more distal and easier to repress. In sum, then, P-E fit theory has great potential to explain when and why individuals who are objectively underemployed will perceive and experience those jobs as inferior.

## Relative Deprivation Theory

In all underemployment research, whether on objective or subjective underemployment, it is critical to consider the referent to which the present employment situation is being compared (Bolino & Feldman, 2000; Lester & McCain, 2001). Relative deprivation theory is particularly relevant in this regard because it focuses on the discrepancies between, on one hand, what people have and, on the other hand, what they want, expect, and feel entitled to (Creed & Macintyre, 2001; Crosby, 1976; Sweeney, McFarlin, & Inderrieden, 1990). What is especially interesting about relative deprivation theory is that it not only deals with perceptions of underemployment relative to past jobs (as in the case of layoffs), but also addresses future expectations and entitlements (as in the case of new college graduates; Stofferahn, 2000).

Relative deprivation theory may be a particularly appropriate lens through which one can explore the underemployment experienced by new entrants into the workforce, be they graduates or “school leavers” (Feldman et al., 1997; Fine & Nevo, 2008; Jahoda, 1981; Prause & Dooley, 2001). Recent studies have examined the discrepancies between what new labor market entrants expect to earn versus what objective labor market statistics reveal about current salaries. In 2006, more than 40% of US teenagers expected that they would be making \$75,000 by the time they were 30. That same year (2006), the median salary made by a 30-year-old was \$27,000. The unlucky cohort that entered the job market in the 1981–1982 recession made roughly 25% less in their first year out of school than graduates who entered the job market in boom times, and these earning gaps persisted over a 10-year period



(Peck, 2010). Relative deprivation theory, then, suggests that younger workers will experience objective underemployment more intensely since their expectations and sense of entitlement are much higher (Naumann, Minsky, & Sturman, 2002).

Relative deprivation theory may also be especially helpful in understanding the experiences of two other groups of objectively underemployed workers. Laid-off executives react very negatively to being underemployed, despite the fact that their replacement jobs still pay way above average wages, require higher-level skills, and entail full-time employment (Feldman et al., 2002; Leana & Feldman, 1992). Relative deprivation theory would posit that, having invested more years in education and having become accustomed to social deference, laid-off executives will have a very high sense of entitlement relative to their less well-educated or successful peers. In contrast, groups which are historically disadvantaged in the marketplace (women, minorities, and older workers) tend to experience underemployment less negatively, and relative deprivation theory helps explain why. Even though women, minorities, and older workers tend to receive lower-quality replacement jobs after being laid off, their expectations of good outcomes are lower to begin with (Ali & Avison, 1997; Broomhall & Winefield, 1990). Hence, their subjective reactions to objective underemployment are less pronounced, too.

## Attribution Theory

A third theoretical perspective which might also prove helpful in understanding how objective underemployment gives rise to subjective underemployment is attribution theory (Kelly, 1972; Weiner, 1995). Attribution theory suggests that individuals try to make sense of new situations by assessing them on a variety of dimensions, such as how stable or unstable the change may be and how controllable or uncontrollable it is by individuals. Perhaps the most well-known set of dimensions in attribution theory are those put forward by Kelly (1972): intensity of the change (high vs. low), whether the change was due to the person's own behavior or external forces (internal vs. external), and whether the change is readily reversible (reversible vs. irreversible). How individuals make attributions about their underemployment strongly influences their perceptions and feelings toward their predicament (van Ham, Mulder, & Hooimeijer, 2001).

Attribution theory might be especially useful in understanding how macroeconomic and organization-wide events are filtered by individual workers. When the unemployment rate is high and layoffs are widespread, workers may not react as intensely to underemployment because they do not view it as a personal failing on their part. They may reason that the labor market is tight and good jobs are scarce, but any job is better than no job at all. In contrast, when an individual is the only one of a handful of people in his or her cohort who did not get a good job out of college or was terminated for poor performance, the individual is more likely to internalize that feeling more deeply (Feather & O'Brien, 1986; Leana & Feldman, 1992).

Another interesting issue to explore is how long individuals perceive that their underemployment will last. To the extent that individuals perceive that underemployment will be temporary in nature and more appropriate jobs will become available in the near future, affective reactions to underemployment may be muted – in much the same way that many college students react to summer jobs which are relatively menial in nature (Feldman et al., 1997). On the other hand, individuals who attribute their predicament to irreversible events are much more likely to perceive their underemployment as severe and their own situation as hopeless (Seligman, 1975; Sparr & Sonnentag, 2008). For example, as the US auto industry collapsed and workers were forced to leave highly paid manufacturing jobs for lower-paying service jobs, subjective perceptions of underemployment were strong; these workers had no illusion that the auto industry would return to its former glory (Leana & Feldman, 1995).

A third and final example using attribution theory addresses the reactions of historically disadvantaged groups to underemployment. In the case of middle-aged white men, subjective reactions to objective underemployment are likely to be strong because poor jobs are a major discontinuity in their career trajectories. However, women, minorities, and older workers may react less negatively to underemployment because they attribute at least part of it to their demographic status and discrimination in the labor market. Thus, for these workers, underemployment may represent “more of the same” rather than something profoundly different (Winefield, Tiggemann, & Winefield, 1987).

## Personality Theory

The fourth theoretical perspective we discuss is personality theory. While attribution theory takes a situational approach to understanding objective underemployment, personality theory focuses on *intra-individual* factors to explain subjective underemployment. Personality theory suggests that individuals have enduring predispositions to behave in consistent ways when faced with certain kinds of situations (George, 1990; Judge, Erez, & Bono, 1998; Mischel, 1973). How people respond to underemployment, then, is a function of how they respond to negative events in general rather than to the specific negative event of becoming underemployed.

In the case of the “Big 5” personality traits (Barrick & Mount, 1993; Judge et al., 1998), we would expect that neuroticism and openness to new experience would be most relevant to understanding subjective underemployment. Individuals who are high on neuroticism are particularly averse to negative stimuli and, as such, would be most likely to view underemployment in any form as quite dire. People who are closed to new experience have a particular aversion to new tasks and unfamiliar surroundings. As a consequence, because underemployment often forces major changes in their work lives, individuals who are closed to new experience are more likely to perceive underemployment as particularly unpleasant and react more negatively to it.

There are other personality traits which might also play a role in how objective underemployment becomes subjective underemployment. Individuals with low self-esteem are more likely to see themselves as unworthy of having good things happen to them and therefore may be more likely to view underemployment as further confirmation of their low self-image. In contrast, people with an external locus of control are more likely to view the bad things which happen to them as bad luck rather than as reflections of personal inadequacies (Judge et al., 1998; Ng & Feldman, 2010). Research on positive and negative affectivity suggests that the former is associated with less severe reactions to underemployment, while the latter is associated with more severe reactions to it (Johnson & Johnson, 2000). In recent years there has also been increased attention to the narcissistic personality, the sense of entitlement which narcissists bring to their environments, and narcissists' sense of grandiosity which leads them to feel they are more capable than they are (Morf & Rhodewalt, 2001; Twenge & Campbell, 2009). Consistent with relative deprivation theory, we expect narcissistic personalities will also experience underemployment more severely because it flies in the face of their unrealistically high self-images.

## Conservation of Resources Theory

The fifth theoretical perspective we examine here is conservation of resources theory (Bakker et al., 2008; Hobfoll, 1989, 2002). Conservation of resources (COR) theory suggests that individuals have a finite amount of resources (time, emotional energy, attention span, physical energy, and finances). Because individuals are basically hedonistic, they are motivated to acquire resources and protect them. Furthermore, people are highly motivated to avoid losing resources and will try to acquire excess resources to help protect themselves from any future losses. In terms of conservation of resources theory, then, underemployment is a major stressor. It not only takes away valuable resources (e.g., a challenging job that pays well) but also forces individuals to expend additional energy remedying the situation.

COR theory may be able to shed some light on how negatively individuals respond to underemployment (Halbesleben & Wheeler, 2008). For example, consistent with attribution theory, COR theory would predict that the greater the loss of resources (in terms of salary, hierarchical level, and job challenge), the more individuals will experience their underemployment as highly stressful. Conservation of resources theory might also prove useful in understanding demographic differences in reactions to underemployment. Employees with working spouses or partners might react less negatively to underemployment because there is a relatively lower percentage cut in family income, whereas employees with fewer savings or higher debt might react to underemployment more severely (Dreher & Cox, 2000; Heller & Watson, 2005).

Perhaps the most important contribution COR theory can make is helping us understand how the underemployed cope with their predicament. Unlike the other theories we described above, COR theory asserts that coping with underemployment is itself a resource-depleting activity. Finding new jobs in the external job

market, getting more training, and lobbying for better jobs or longer work hours takes time, concentration, focus, and energy (Seibert, Kraimer, & Liden, 2001). The fewer resources individuals have when they become underemployed (in terms of savings or other stresses in their lives), the more emotionally exhausted they will be and the less energy they will have to find satisfactory re-employment.

Moreover, even those individuals who have initially high levels of energy to search for new positions are likely to have their energy depleted the longer the search goes on and the less social support they receive (Hobfoll, 2002). Conservation of resources theory thus dovetails with learned helplessness theory (Seligman, 1975), which highlights that individuals who repeatedly receive negative feedback from their environments soon stop engaging in further efforts to change those environments.

## Behavioral Outcomes of Underemployment

The second important direction for future theoretical work on underemployment we address here is behavioral outcomes of underemployment. While previous research clearly demonstrates empirical relationships of underemployment with individuals' attitudes and emotions, there has been relatively little evidence presented on how underemployment affects the ways people behave at work. Although the negative consequences of underemployment for attitudes and emotions are certainly important in their own right, demonstrating that underemployment has consequences for job performance highlights the potential effects of underemployment on organizational functioning and demands for government assistance. Below, we consider three groups of behavioral outcomes in particular: symptom-focusing coping strategies, problem-focused coping strategies, and on-the-job performance.

## Problem-Focused and Symptom-Focused Coping Strategies

*Problem-focused* coping strategies consist of behaviors underemployed individuals use to exit or improve their current work situations (Folkman & Lazarus, 1980). Examples of problem-focused coping behaviors are conducting an external job search, going back to school to complete a degree or get additional training, and negotiating for better jobs or job conditions with the current employer (e.g., getting longer work hours, getting transferred or promoted into a more challenging assignment, etc.) There is evidence supporting the effectiveness of problem-focused coping strategies in helping underemployed individuals move into more suitable positions, although the magnitude of these effects is often low (Leana, Feldman, & Tan, 1998).

*Symptom-focused* coping strategies consist of behaviors underemployed individuals engage in to ameliorate their psychological distress or give vent to their frustration (Folkman & Lazarus, 1980). The symptom-focused coping strategies most frequently studied are cognitive reappraisal, seeking social support, and

engaging in destructive behaviors. The research on symptom-focused coping has examined the extent to which these behaviors blunt (or exacerbate) how intensely the underemployed experience negative emotions (Newman, 1988; Stack, 1982).

There has been some research conducted on behaviors which ameliorate individuals' anxieties, lift their spirits, or increase their levels of emotional support. The three strategies that are most frequently investigated in this regard are cognitive reappraisal (such as choosing different referent others or shifting more energy into nonwork domains), seeking social support, and engaging in self-destructive behavior (such as drinking and engaging in physical aggression; Leana & Feldman, 1995, 1992). These behaviors can be observed in both the workplace and life outside of work, however, and as such they may represent a change of approach to life in general rather than a change of approach to work per se (Dooley, 2003).

The cognitive reappraisal literature looks at the extent to which individuals try to reframe their perceptions of their situations in a more positive light (Cohn, 1978). For example, underemployed workers could change their referent others (e.g., instead of comparing themselves to classmates who have better jobs, they could compare themselves to their classmates who still do not have jobs) or shift their emotional energy into other life domains (e.g., instead of focusing on being underemployed, individuals could put more energy into their family lives; Lester & McCain, 2001; Stofferahn, 2000). The social support literature examines the ways in which getting encouragement and sympathy from others helps the underemployed deal with the stress of being overqualified and with the inevitable disappointments which occur during the job hunting process (Carlson & Perrewé, 1999; Jackson, 1988; Liem & Liem, 1988). The destructive behaviors most frequently examined in the literature are excessive use of alcohol, drug abuse, physical aggression (toward colleagues and supervisors), and suicide (Blakely, Collings, & Atkinson, 2003; Cunradi, Todd, Duke, & Ames, 2009).

The results of research on the effectiveness of symptom-focused coping strategies have been somewhat mixed. There is some legitimate debate as to whether symptom-focused coping strategies should be considered "behaviors." While shifting energy into other life domains could reasonably be considered a behavior, it is much harder to view changing referent others as such (Feldman & Turnley, 1994; Pearlin & Schooler, 1978). Many of the destructive behaviors investigated in the context of underemployment (such as excessive alcohol use) occur outside the workplace (Dooley & Catalano, 2003). Moreover, while seeking social support is largely symptom-focused in nature, this behavior is not without problem-focused elements; networking for jobs often occurs in the process of seeking social support, too (Feldman, 2000; Folkman & Lazarus, 1980; Leana & Feldman, 1992). To maintain consistency with previous research, here we will treat symptom-focused coping *in general* as behavior – although we acknowledge that some of the *specific* coping tactics which fall under this rubric are arguably not behaviors and/or do not occur exclusively within the work domain.

Before considering the predictors of coping behaviors, two other observations are warranted. First, in much of the previous research, problem-focused coping and symptom-focused coping are treated as two fairly distinct categories of behavior and

it is assumed that individuals rely primarily on one type of coping behavior or the other. In fact, the underemployed use multiple coping strategies at the same time; indeed, problem-focused coping and symptom-focused coping have been found to be positively related to each other (Pearlin & Schooler, 1978). Second, in much of the previous research, symptom-focused coping has been seen as fairly irrelevant to helping end underemployment, while problem-focused coping has been viewed as directly helping individuals obtain satisfactory employment. However, while symptom-focused coping behavior may not help individuals find better employment *directly*, it has been shown to facilitate finding better employment *indirectly* by re-energizing individuals during long and often disappointing job searches (Feldman et al., 1997, 2002).

## Predictors of Coping Behaviors

The theoretical perspectives we identified earlier have potential for helping researchers understand when and why the underemployed will choose various coping strategies. Below, we consider each of these various coping strategies in turn.

### *External Job Search*

Person–environment (P-E) fit theory would suggest that individuals will use this strategy when they are underemployed in their current positions (poor P-J fit) and organizations (poor P-O fit), but still perceive themselves as having good person–vocation (P-V) fit (Lauver et al., 2001; Ostroff et al., 2002; Vogel & Feldman, 2009). That is, underemployed individuals who believe they still have the skills and interests to succeed in their chosen professions will be most energized to locate better positions externally (Werbel & Gilliland, 1999). Attribution theory would predict that individuals will be most likely to engage in external job searches when they view their current situations as highly aversive, but believe they can reverse those situations if they put in enough personal effort (Winefield et al., 1987). Conversely, individuals who view their situation as hopeless are more likely to become “discouraged workers” who drop out of the workforce altogether (van Ham et al., 2001).

Conservation of resources (COR) theory might also be instructive here. There is certainly sufficient evidence to demonstrate that job hunting takes time, depletes energy, and is highly stressful. Thus, COR theory would predict that individuals would be most energized to search externally immediately after becoming underemployed, but the intensity of that search would decrease as time passed and resources were depleted. COR theory would also predict that individuals who have the most stress outside of work (e.g., marital problems) or the most stress at work (e.g., time demands) would engage in less external search, too, since their reserves of resources are already low (Halbesleben, Harvey, & Bolino, 2009).

Last here, personality theory would suggest that individuals who are open to change would be much more likely to search externally (Judge et al., 1998), while underemployed individuals who are not open to change would be reluctant to leave their current situations even though they are far from ideal (Wanberg, Glomb, Song, & Sorensen, 2005). We also predict that narcissistic personalities would be more likely to search externally when they felt underemployed. First, narcissists feel entitled to better positions and their self-images lead them to assume there are other employers out there who would very much desire to have their services. Second, narcissistic personalities seek out new audiences because they crave attention from as many people as they can reach. Consequently, narcissistic personalities find dealing with new audiences while job hunting (i.e., with potential employers) to be resource-enhancing rather than resource-depleting (Twenge & Campbell, 2009).

### *Obtaining More Education or Additional Training*

While individuals with high P-V fit are likely to search externally for better jobs, here we predict that individuals with low P-V fit are more likely to go back to school to complete their degrees, obtain further education, or get additional training. In cases such as these, individuals do not see themselves as underemployed relative to their educational attainments – without high school diplomas, for example, fast-food jobs may be realistic options – but do see themselves as underemployed in terms of their overall intellectual capacity. In other cases, individuals only discover after they have left school where their real skills and interests lie; it is only then that they feel motivated to obtain further education to pursue a more appropriate vocation. Interestingly, underemployed college graduates may be more reluctant to pursue additional education because they are pessimistic that further education would fix what their previous education did not (Feldman & Turnley, 1995).

COR theory might also be instructive here. Going back to school certainly requires financial resources, emotional energy, and intellectual attention. For those workers who have already started families and accumulated debt (e.g., housing, credit cards, student loans), going back to school for additional training is a formidable task; the individual's resources are already tapped and returning to school will consume even greater resources. For this reason, we might expect younger underemployed workers will be more likely to return to school, particularly if they can obtain at least some partial parental support (Dollard, Winefield, & Winefield, 1999). In a similar vein, COR theory would predict that, when older underemployed workers return to school, they do so on a part-time basis in order to save resources (time, energy, and money). On the other hand, we expect that underemployed adults in their 30s and 40s would be more likely to participate in shorter training experiences or certificate programs because their resources are already depleted and leaving the workplace altogether to get more education is often impractical.

Personality theory (Barrick & Mount, 1993; Judge et al., 1998) would suggest that self-esteem would be the most instrumental trait in motivating underemployed

individuals to get additional education. Returning to school as a nontraditional student can be intimidating, particularly if the individual had not been a successful student earlier in life. Underemployed individuals with high self-esteem are more likely to estimate they can tackle the challenges that lie ahead; self-esteem would also prove useful in buffering individuals during the inevitable setbacks that lie ahead. In addition, we predict that conscientiousness will be critical in determining whether this strategy will be successful. Going back to school – and balancing work and family responsibilities – takes a great deal of organizational and time management ability. Underemployed individuals who see themselves as conscientious are more optimistic that they can juggle all these demands and do so successfully. Moreover, conscientiousness is clearly instrumental in performing well in school and training settings.

### *Internal Mobility Strategies*

Another way in which underemployed workers can improve their situation is by obtaining better jobs with their current employers. These better jobs might include full-time hours, more challenging tasks, higher salary, higher rank, or more status.

Person–environment (P-E) fit theory would predict that individuals with high person–vocation (P-V) and high person–organization (P-O) fit but low person–job (P-J) and low person–group (P-G) fit would be most likely to use these coping tactics (Feldman & Vogel, 2009; Ostroff et al., 2002). In these cases, individuals feel attachment to their occupations and share the values and core mission of the organization as a whole, and thus they would like to stay with their current employers. At the same time, they feel underutilized and have no deep attachment to their current work groups (Bolino & Feldman, 2000).

Relative deprivation theory (Crosby, 1976) might also shed some light here. Hard empirical evidence on the following proposition is lacking, but it would be reasonable to predict that individuals who experience lower relative deprivation will be more likely to pursue intra-firm mobility strategies (Olson, Roese, Meen, & Robertson, 1995). If workers feel severely underemployed (or, in attribution theory terms, the intensity of underemployment is high), they will have little confidence that their current employers (who created or let this predicament continue) would remedy their situations (Vecchio, 1982). In contrast, if the degree of changes needed in the job are modest, workers may think that obtaining better positions from their current employers would be relatively easy (Feldman & Turnley, 1994).

The predictions of conservation of resources (COR) theory in this regard are somewhat equivocal (Hobfoll, 1989, 2002). On one hand, it could be argued that looking for better positions externally might be the most direct and the least resource-depleting strategy for ending underemployment. On the other hand, one could argue that upgrading current positions might be easier, that is, that it would be easier to fight than switch. Which of these predictions is true might depend upon the attributions which individuals make about their underemployment.



## *Cognitive Reappraisal Strategies*

Several theoretical perspectives could be used to examine when and why underemployed workers will use cognitive reappraisal to cope with their job situations. According to attribution theory, if individuals view their underemployment as severe and irreversible, they will be unmotivated to try problem-focused coping because they will view it as irrelevant. Under these conditions, underemployed workers may be more likely to use cognitive reappraisal (e.g., deciding to compare themselves to the unemployed rather than to the satisfactorily employed) as a way of coping with a seemingly permanent (and aversive) situation (Feldman, 1996; Feldman et al., 2002). Conversely, when underemployed workers make the attribution that their circumstances are not dire and are readily reversible, there is less need for them to change their perceptions of reality.

Personality theory is also useful in understanding the potential predictors of cognitive reappraisal strategies. For instance, we expect individuals who are high on agreeableness, high on positive affectivity, and low on neuroticism would be more likely to use cognitive reappraisal strategies (Digman, 1990; Johnson & Johnson, 2000; Judge et al., 1998). These individuals are less likely to view their circumstances in a negative light and are more motivated to try to make the best of nonideal situations. Interestingly, it has been argued that the use of cognitive reappraisal is a distortion of reality and, as such, may impede the ability of individuals to cope with their environments effectively. A strong counterargument can be made, though, that some cognitive reappraisal is actually functional and that a full dose of bad news, baldly delivered and incorporated into the self-image, actually undermines individuals' confidence and motivation to improve their circumstances (Johnson & Johnson, 2000; Kobasa, 1979; Layton, 1987).

In addition, we expect narcissistic individuals will use less cognitive reappraisal. Under the best of circumstances, narcissistic personalities have difficulty viewing themselves and their situations accurately (Twenge & Campbell, 2009). Consequently, they are much more likely to externalize the causes of their problems and blame their predicaments on others' lack of appreciation for their talents. Therefore, when faced with underemployment, narcissistic personalities are more motivated to find new, more appreciative audiences elsewhere rather than engage in any type of critical self-reappraisal (Morf & Rhodewalt, 2001).

## *Seeking Social Support*

Conservation of resources (COR) theory is the theoretical perspective which has been most frequently used in examining this coping mechanism. The weight of the empirical evidence certainly suggests that being underemployed is stressful and that seeking new positions is also stressful. The value of seeking social support thus lies in its role in replenishing individuals' resources (Carlson & Perrewé, 1999), which in turn helps sustain individuals' energy for dealing with their circumstances for a longer period of time or in a more focused way (Gal & Lazarus, 1975; Liem & Liem, 1988).

At the same time, it is important to note that seeking social support is itself quite energy depleting. Particularly for those individuals who do not have strong social support systems already, finding people to listen to one's problems can be awkward or uncomfortable. Further, the act of listening to those problems, especially over a long period of time, is energy depleting on the part of others in the social support network. As a result, the effects of seeking social support on coping with underemployment may lessen over time (Newman, 1993, 1988).

There may also be interaction effects of seeking social support with personality traits (Leana & Feldman, 1992). For instance, we might expect that individuals who are extraverted and agreeable would be more likely to have strong social support networks, would be more likely to tap into them for support, and would be more likely to receive such support. In contrast, individuals who are high on neuroticism might wear out their welcome much sooner. It is also possible that there are interaction effects of seeking social support with other symptom-focused coping strategies (Carlson & Perrewe, 1999; George, 1990). For example, individuals who receive social support might be more successful in cognitively reappraising their circumstances in a less negative light, since friends and relatives might help them frame their perceptions more positively. Similarly, individuals who receive social support might be less likely to use self-destructive behaviors because they have another outlet through which to vent their frustrations.

### *Destructive Behaviors*

The last type of coping strategy we consider here is destructive behavior (Blakely et al., 2003; Cunradi et al., 2009). As several authors in this volume have pointed out, increased alcohol use, drug use, and physical aggression are outcomes which have been associated with underemployment. Because the frequency of these behaviors in work settings is low and because these behaviors are influenced by nonwork factors (e.g., divorce) as well, it has been hard to demonstrate large, statistically significant relationships between underemployment and destructive behaviors (Cunradi et al., 2009). The main theoretical work which has been done on this relationship has linked underemployment to destructive behavior through the mediating effects of depression (Edmark, 2005; Hammarstrom & Janlert, 1997).

Conservation of resources theory can also be useful here. Over time, the negative effects of underemployment can be corrosive to the self-image, particularly when individuals feel highly frustrated and stuck in a bad situation. In cases such as these, underemployed workers may turn to increased alcohol or drug use to obliterate negative feelings or get a temporary lift in spirits. In effect, the removal of negative feelings, albeit transient, becomes a valued resource by the underemployed worker (Kaufman, 1982). Person-environment (P-E) fit theory and attribution theory might be helpful in understanding the targets of physical aggression. Aggression toward senior management and supervisors would be more likely to occur when P-O fit is very low, while aggression toward colleagues would be more likely when P-G fit is very low.

Last here, because these destructive behaviors are closely linked to depression, those personality traits which are linked to depression may be important predictors as well. Of the personality behaviors we discussed earlier, the ones which might be especially relevant here are self-esteem and neuroticism (Digman, 1990). Individuals who are low on self-esteem and high on neuroticism are more inclined to see themselves as people to whom bad things are likely to happen and deservedly so. As a result, they are more likely to fall into “loss spirals” in which problems become magnified and despair becomes greater (Hobfoll, 1989, 2002).

### ***Performance Behaviors***

While the efforts of underemployed workers to exit their jobs have received considerable attention in the literature, relatively little research has been conducted on how underemployed workers perform on the jobs they currently hold (Holtom, Lee, & Tidd, 2002). We believe this is an important avenue for future theoretical research. It will help us understand not only the strategies individuals use to exit underemployment but also how they behave until they are able to do so. Moreover, this issue has important practical implications as well. Perhaps one of the most frequently asked questions by managers regarding underemployment is this: Should I hire the overqualified? To date, there has not been much empirical evidence to answer that inquiry.

In examining this issue, we adopt Borman and Motowidlo’s (1997) tripartite typology of job performance. The first type is called *core task performance* (or in-role behavior). It refers to those behaviors which are essential components of a job, define the job’s contribution to the core mission of the firm, and/or comprise the most critical job responsibilities. The second type is *citizenship performance* (or extra-role behavior). It refers to those behaviors which are not technically required by formal job descriptions, but which advance the social cohesion and reputation of the firm as a whole (e.g., helping coworkers with their tasks, volunteering, sportsmanship, and promoting the organization to outsiders). The third type is *counterproductive work performance*. Counterproductive work performance refers to those behaviors which act against the organization’s interests, impede the organization’s work, or hurt the organization’s reputation. Withdrawal behavior (absence, lateness, and turnover) are all considered relatively mild forms of counterproductive work performance, while more severe forms of counterproductive behavior are embezzlement, theft, and sexual harassment.

### **Relationship of Underemployment to Job Performance**

When will the underemployed perform well on core task and citizenship behaviors and refrain from counterproductive behaviors, and when will they slack off? Here, too, the theoretical perspectives we introduced earlier in the chapter may prove useful.

### *Core Task Performance*

Most of the theoretical perspectives we consider here converge on the prediction that the underemployed will display satisfactory core task performance. The empirical research on this topic to date support that prediction (Bolino & Feldman, 2000; Fine & Nevo, 2008). According to person–environment fit theory, as long as the individual has sufficient skill to perform the job, there will be no reason to expect substandard performance on core tasks (Edwards, 1991; Kristof, 1996). That is, having more skill than is needed to perform a task does not imply that an individual will underperform to the point where performance is substandard.

Conservation of resources (COR) theory makes the same prediction. If individuals are overqualified for their positions, then performing basic tasks correctly would be even less energy-depleting; further, underutilized employees often plow that excess energy back into their jobs (Halbesleben & Wheeler, 2008).

It could perhaps be argued that relative deprivation theory would predict that individuals who feel in a position of inequity would withhold effort in order to re-establish a fair effort–reward balance with their employers (Vecchio, 1982). However, even assuming individuals who are overqualified do not put forth their greatest effort, it is unlikely the underemployed would withdraw effort to the point that core performance would be unsatisfactory. As dissatisfied as underemployed workers may be, at some point they realize that satisfactory performance is a basic requirement for not being terminated altogether (Feldman et al., 2002).

### *Citizenship Performance*

In contrast, the theoretical perspectives used here generally converge on the prediction that the underemployed will perform less citizenship behavior than the satisfactorily employed. To date, there has been little empirical research on this relationship. As relative deprivation theory suggests, though, individuals are likely to withdraw effort in cases where they feel their rewards are inequitable (either in terms of what they want or feel entitled to). As noted above, though, it is hard for underemployed workers to withdraw too much effort from core task performance because such behavior is likely to lead to outright dismissal. However, since citizenship behaviors are, by definition, discretionary and voluntary in nature, underemployed workers can more readily cut back on their contributions in this area (Feldman et al., 1997, 2002).

COR theory makes much the same prediction, but from a different perspective. Since individuals are motivated to accrue and protect resources, underemployed workers will not engage in as much citizenship behavior because their time horizons for remaining in those jobs are much shorter. Since people only have limited time and energy to spend, underemployed workers would use their excess resources toward finding new positions rather than escalating commitment to jobs which are unsatisfying. Further, underemployed workers would be less likely to expend

resources (like extra effort) on citizenship behaviors from which they expect to derive little future benefit (Dollard, Winefield, Winefield, & de Jonge, 2000).

The P-E fit literature also predicts that poor fit will be negatively related to citizenship behavior. Underemployed individuals who perceive they have a poor fit with their organizations or work groups would be less likely to engage in citizenship behaviors because they have fewer incentives to promote the organization to outsiders or ensure social cohesion (Feldman & Vogel, 2009). This will be especially true if individuals attribute their current state of underemployment to unfair or misguided treatment on the part of their employers. Attribution theory would make a similar prediction. Individuals who attribute their underemployment to their employers would see no reason to engage in extra effort on their behalf, but individuals who view their underemployment as reversible might engage in more OCB as a means of enhancing their image to employers.

### ***Counterproductive Work Performance***

Counterproductive work performance encompasses a variety of behaviors which operate against the best interests of the organization, ranging from the relatively mild (absence) to the very harmful (embezzlement) in nature. Whereas poor citizenship behavior refers to *nonperformance* of duties which could *help* the organization, counterproductive work behavior refers to *active engagement* in behaviors which *hurt* the organization (Rotundo & Sackett, 2002). Below we propose that underemployment will be differentially related to various counterproductive work behaviors.

First, we propose that underemployment will be significantly related to withdrawal behaviors, particularly turnover and absence. The relationship between underemployment and turnover is straightforward; we would expect that workers who are underemployed will exert greater effort to find new jobs and leave their employers behind (Feldman, 1996; Maynard et al., 2006). Fit theory and relative deprivation theory also support this prediction. Individuals with low person-organization fit will seek out positions which better suit their skills and abilities, while individuals who feel inequitably placed will look for positions which bring them greater rewards (Kristof-Brown et al., 2005; Vogel & Feldman, 2009).

Second, we propose that the underemployed will have high absence rates as well. There are two rationales for this prediction. The first is that underemployed workers will take more time off to engage in job hunting. The second is that the underemployed will have less need to worry about being able to catch up with any work they miss in cases where their underemployment is the result of overqualification. There is no strong theoretical rationale to make a prediction regarding the relationship between underemployment and lateness one way or another, although perhaps it could be argued that to the extent lateness reflects a disregard for colleagues and supervisors, there might be a slight positive relationship between the two variables.

However, we do not predict that the underemployed will have higher rates of destructive counterproductive behaviors like embezzlement or theft (Edmark, 2005). In part, the absolute frequency of these behaviors in organizations is very low.

Therefore, it is unlikely there would be many significant intergroup differences between the underemployed and the satisfactorily employed on behaviors with such a low base rate. Moreover, there is little evidence that the underemployed try to resolve their inequities by trying to lower the level of resources given to or held by others. In general, the weight of the evidence suggests that the underemployed try to reduce relative deprivation by increasing their rewards, not by taking away rewards from others.

There may be some interaction effects of underemployment with other variables, though, which might better predict more severe forms of counterproductive behavior. For example, individuals who are both underemployed and poor may be more likely to engage in petty theft from employers. Young workers who are underemployed may be more likely to engage in petty theft (food, supplies) or have friends clock in and out for them. Personality theory might suggest that individuals who are low on extraversion, high on neuroticism, and low on self-esteem may be more likely to engage in physical aggression against employers or family members they feel have mistreated them (Blakely et al., 2003; Cunradi et al., 2009). Even here, though, we would expect these relationships would be small in magnitude and modest in strength.

## **Institutional Intervention Strategies**

The third direction for future theoretical work we discuss here is institutional intervention strategies designed to help people avoid the occurrence of underemployment, mitigate its negative consequences, or facilitate individuals' exit from it. To date, there has been relatively little research in this area and much of what has been done has focused largely on how laid-off workers and "discouraged" workers exit unemployment.

In the previous section, we addressed strategies *individuals* might utilize to cope with underemployment. Here, we focus on *institutional* interventions aimed at assisting underemployed workers. The four intervention strategies we examine in detail are extended unemployment benefits, government assistance programs (e.g., job search centers and job retraining centers), school-based guidance and career planning programs, and private sector outplacement programs. In each case, there is some empirical evidence supporting the effectiveness of the intervention strategy, but that evidence is mixed and/or equivocal. In the section below, we describe these strategies in more detail and illustrate how the theoretical perspectives we use here could help us explain *why* and *for whom* these interventions are effective.

## **Four Interventions**

### ***Extended Unemployment Benefits***

As the most recent recession has reminded us, when unemployment rates are very high, it takes workers considerably longer to find re-employment (Schiller, 1989).

While underemployment is conceptually and empirically distinct from unemployment, unemployment rates do have some impact on the dynamics surrounding underemployment (Ashenfelter et al., 2005; Peck, 2010). When unemployment is high, it is more difficult for employees who are underemployed to find better jobs for themselves. There are simply too many applicants chasing too few jobs. High unemployment rates also have a negative impact on new entrants into the labor market, such as college graduates. Because the labor market is more crowded, they may have to take jobs which are beneath their skill levels and which offer salaries much lower than expected (Turnley & Feldman, 2000; Winefield et al., 1991).

The argument for extended unemployment benefits, then, is that they provide individuals with a larger financial cushion so they do not have to grab the first jobs to come along, especially if they entail significant underemployment. The extension of unemployment benefits has been tried in various circumstances and there is some evidence of success in that regard (Harrison & Bluestone, 1988). The counterargument to using extended unemployment benefits, of course, is that it creates some disincentives for unemployed workers to keep looking for employment, and there is some evidence to support this position as well (Zvonkovic, 1988).

### ***Government Assistance Programs***

Governments have been called on to provide other types of assistance to underemployed (and unemployed) workers. In some cases, that assistance comes in the form of job search centers and retraining programs to help underemployed workers find more suitable employment (Leana & Ivancevich, 1987). In other cases, governmental entities have provided financial incentives (e.g., tuition reimbursements or tax deductions) to cover expenses associated with furthering education (Ashenfelter et al., 2005). During the most recent recession, the US federal government tried to revive labor markets by providing funds for construction projects (thereby increasing employment opportunities) or by giving states money to keep government workers on the payrolls to prevent layoffs (Peck, 2010).

The argument made in favor of government assistance programs is that when large-scale unemployment or underemployment occurs in a locality (such as Detroit when the auto factories failed or in New Orleans after Hurricane Katrina), it takes governments with substantial resources to prevent communities from falling into loss spirals. There have certainly been government assistance programs which have accomplished those goals (Leana & Feldman, 1992, 1987). The counterarguments are that large government programs entail a great deal of waste (and therefore the “trickle-down” effect is smaller), some of the people who are eligible to collect benefits are not needy (the “free-rider problem”), and the assistance programs do not stimulate the economy as much as promised (the “multiplier effect” is smaller; Schiller, 1989).

### ***School-Based Guidance and Counseling Centers***

While the two interventions discussed above are aimed primarily at workers already in the labor market, school-based guidance and counseling centers are geared to prevent underemployment among new high school graduates, “school leavers,” and college graduates. The logic here is that young adults can avoid underemployment if they are initially guided into careers which fit their skills and interests. In addition, school-based guidance and counseling centers are proposed as an effective means for giving students realistic information about employment opportunities in various fields as well as the skills necessary for successful job searches (Betz & Voyten, 1997; Morrison, 2002).

While there is certainly some evidence that these programs can help young adults avoid underemployment, issues can be raised about the “hit rate” of such programs. With ratios of students to counselors being sometimes as high as 100:1, the quality of the counseling provided can be fairly questioned. In addition, objections have been raised about shifting scarce educational resources from mainline instruction to activities which are less central to schools’ core mission. There is also evidence that many college students, who are not forced to make appointments with these counselors, do not take advantage of their services (Betz & Voyten, 1997).

### ***Outplacement Programs***

Outplacement programs consist of structured activities aimed at assisting unemployed and underemployed workers obtain satisfactory employment (Scherba, 1973). These programs vary widely in format across providers, but frequently include self-assessment exercises, interview training, resume preparation assistance, and networking opportunities. Typically, these programs are run by private consulting firms which are hired by companies to help laid-off workers, but individuals in the open labor market are free to employ the services of outplacement firms directly as well. In still other cases, companies partner with local governments or community colleges to run outplacement centers (Leana & Feldman, 1992, 1987).

It is often difficult to get a firm handle on the effectiveness of outplacement programs. In part, the problem lies with the huge variance across outplacement programs. Outplacement programs can be as short as a day or as long as a year; they range in scope from minimal interview training and resume preparation to personal consultants who are actively looking for job leads for specific individuals. The evidence is not strong that outplacement programs “get” employees jobs, but the evidence is stronger that outplacement programs do keep individuals energized to start and continue their job hunting efforts (Feldman et al., 2002).

### **Effectiveness of Institutional Intervention Strategies**

Each of these institutional intervention strategies has shown some evidence of success in ameliorating or preventing underemployment, but we know relatively little



about why they work and under what circumstance they will work most (or least) effectively. In the section below, we address these questions in more detail.

### ***Extended Unemployment Benefits***

Probably the theoretical perspective which is most relevant here is conservation of resources (COR) theory. The most straightforward rationale is that unemployment benefits help individuals who are out of work sustain a scaled-down version of their standard of living over a longer period of time, with the result being that individuals can hold out for jobs which better fit their skills, needs, and values. It is also possible that, by providing the unemployed with greater financial resources, those individuals can devote more of their energy to job hunting rather than take temporary jobs which pay little but nonetheless use up considerable amounts of time and effort (Tilly, 1991; Turnley & Feldman, 2000).

However, for some individuals, extended unemployment benefits are unlikely to change their career trajectories. Individuals who attribute their job losses to major irreversible forces outside their control (e.g., individuals with low self-esteem and an external locus of control) are less likely to intensify their job search simply because they are getting extended unemployment benefits – and are more likely to become long-term “discouraged workers” who drop out of the workforce altogether (Seligman, 1975; van Ham et al., 2001; Winefield et al., 1991).

### ***Government Assistance Programs***

One possible reason why various government assistance programs might work is that they change (or soften) the attributions that people make about their underemployment. When workers see that there are more opportunities for them to get additional (or different) training or some government-initiated employment, they are likely to see their problem as less severe, irreversible, and totally out of their control – and therefore are more motivated to take advantage of these programs (Ashenfelter et al., 2005). Relative deprivation theory would make much the same prediction. That is, individuals who feel their employment situations do not provide them as many resources as they want or feel entitled to will be more likely to participate in these programs to get back into equity (Schiller, 1989).

A variety of personality traits might be associated with willingness to take advantage of government assistance programs as well. For example, we expect the unemployed and underemployed who are high on conscientiousness and openness to change will be both more likely to sign up for retraining and to complete it successfully. In contrast, we expect individuals who are low on agreeableness and low on extraversion will be less likely to sign up for such programs (out of skepticism or shyness), and will be more uncomfortable in group settings where such training takes place (Barrick & Mount, 1993; Judge et al., 1998).

## ***School-Based Guidance and Counseling Centers***

At least historically, the rationale for school-based guidance and counseling centers has been grounded in person–environment fit theory. The underlying philosophy of these centers is that individuals will be more satisfied with their vocations if they can discover where their skills, interests, and values match up with occupational demands. Moreover, individuals will be more effective in their jobs when their skills, interests, and values are congruent with those demands. In essence, then, the basic goal of school-based guidance and counseling centers is to help young adults avoid underemployment by working with them on thorough self-assessments and careful exploration of numerous potential occupations (Betz & Vuyten, 1997; Morrison, 2002).

As noted earlier, these guidance and counseling centers have had mixed success for a variety of reasons. In some cases, young adults are so low on conscientiousness and internal locus of control that they take no initiative to avail themselves of these services. In other cases, the students have what psychologists call “undifferentiated profiles,” that is, they are equally talented/untalented or interested/disinterested in so many different occupations that few obvious career paths emerge. In yet other cases, students are geared to maximize one type of fit over all others, with the result that young adults find themselves in vocations in which success will be very hard to achieve. For example, some counselors guide students to occupations for which they have “a passion,” but in which, unfortunately, they have little talent (Feldman, 2002; Ostroff et al., 2002).

There is also some evidence that young adults with certain clusters of skills and interests are more difficult to counsel than others. As one example, when students discover they have strong aptitudes and interests in mathematics, the set of occupations to which they are guided is relatively small in scope (e.g., engineering, medicine, physical sciences, and architecture). Moreover, all of these occupations require very similar types of academic preparation in the first 2 years of college, so even some transitions across these occupations would be relatively easy. In contrast, when students discover they have strong “people skills,” it is not clear in which direction they should be sent: sales, psychology, public relations, real estate, and so on. Their interests, in other words, do not lead to a coherent set of occupational choices (Feldman, 2002).

## ***Outplacement Programs***

The effectiveness of outplacement programs varies across different kinds of programs, programs of different lengths, and different target populations (Leana & Ivancevich, 1987; Scherba, 1973). The theoretical perspectives we described above can help us understand which outplacement programs will be most effective for different kinds of people.

COR theory suggests that programs which are longer and more comprehensive in nature would be more effective, both because they sustain individuals’ energy for

job hunting and because they provide more direct resources to the underemployed. We would also expect outplacement programs which utilize personal consultants for the underemployed would be more effective as well. There are at least two rationales for this hypothesis. First, personal consultants might provide greater levels of social support and therefore replenish an individual's resources more fully or for longer periods of time. Second, personal consultants might be more successful in helping individuals find jobs which are better fits to their skills, interests, and values. In contrast, when participants only receive short bursts of generic help (like interview and resume preparation assistance), the likelihood is lower that individuals will know how to deal with the challenges associated with their own personal job searches (Feldman et al., 2002).

Attribution theory may also explain which underemployed workers will avail themselves of outplacement services. We expect individuals who view their underemployment as less severe, less irreversible, and at least partially under their control would be more likely to avail themselves of outplacement services (Kelly, 1972; Weiner, 1995). For these individuals, participation in outplacement services will be seen as instrumental in changing their career trajectories. For similar reasons, we expect individuals who are high on openness to change to be more likely to take the advice given to them in outplacement seriously and use it to their advantage. In contrast, individuals who are low on agreeableness, high on neuroticism, and low on extraversion would be less likely to be effective in job hunting even after attending outplacement centers, since individuals with this cluster of personality traits do not typically perform well in job interviews (Werbel & Gilliland, 1999). Clearly, much more theoretical research is needed to understand the potential of these four institutional interventions to help underemployed workers.

## Conclusion

Over the past 30 years, there has been growing interest in underemployment, not only in terms of what causes it but also in terms of when individuals are most vulnerable to it, how they can best cope with it, and how institutions can help them regain their footing in the labor market. Empirical research documenting the extent of underemployment and its correlates, though, has outpaced theoretical research which addresses why underemployment occurs, why individuals differ in how they react to underemployment and cope with it, how the underemployed perform on their jobs, and why institutional interventions have had only mixed success in changing the career trajectories of the underemployed.

In this chapter, a variety of theoretical perspectives which we believe will prove most useful in understanding the dynamics that underlie underemployment have been highlighted. And, while we hope these theoretical frameworks will be useful in addressing a wide array of questions in the underemployment area, we are particularly hopeful that underemployment researchers will turn their attention, in particular, to understanding how objective underemployment becomes internalized as subjective underemployment, why various problem-focused and

symptom-focused coping strategies work (or fail) as they do, how underemployment affects job performance, and how institutional interventions can be better designed to help individuals ameliorate the negative consequences of underemployment and/or to exit from it quickly.

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