

SUBMISSION FROM ALAN FELSTEAD

In this short submission, I want to make two points:

1. The concept of 'underemployment' can be measured in a variety of ways. This needs to be fully reflected in the evidence the Committee reports and, in particular, any recommendations about data the Scottish Government needs to collect and analyze in the future.
2. The evidence base on 'hours-constrained' underemployment in Scotland is very strong, but it is decidedly weak on 'skills underutilization'. This severely hampers a full understanding of the phenomenon and its impact on the Scottish economy.

Hotlinks have been added to relevant reports written by the author. These can be found underlined at the end of this submission.

Concept and Measures

The concept of 'underemployment' refers to a situation where the quality or quantity of employment is lower for those in work than some standard point of comparison. However, the way in which the concept is operationalized varies considerably. Indeed, some have suggested that 'there are almost as many operational definitions of *underemployment* as there are researchers studying the phenomenon' (Friedland and Price, 2003: 33; original emphasis). Nevertheless, the concept of underemployment challenges the conventional idea that employment is a dichotomy between working, on the one hand, and not working, on the other (i.e. being unemployed). Indeed, alongside announcements on unemployment it is now commonplace for statistics on underemployment also to feature in labour market commentaries. This is a recognition of the fact that the unemployment 'figures mask a more complicated picture, with underemployment on an upwards trend' (Murdo Fraser MSP and Convenor of the Economy, Energy and Tourism Committee in the Call for Evidence, 17 December 2012).

Notwithstanding the variety of operational definitions, underemployment has commonly been used to describe the inadequacy of employment either in terms of:

- hours of work falling short of those desired (employment which is hours-constrained); or
- workers' skills being under-used at work (employment which underutilizes workers' skills).

Both measures of underemployment are referred to in the Committee's Call for Evidence (as 'visible' and 'invisible' underemployment).¹ However, the Call gives greater emphasis to hours-constrained underemployment with less attention given to skills underutilization. This is despite the fact that skills underutilized has attracted significant attention in recent policy debates in the UK, with Scotland, in many

¹ I have chosen to avoid using these terms since neither is more visible than the other. I would urge the Parliamentary Inquiry to do likewise. Data on both – as outlined in this submission – are available, but they are much weaker for skills underutilization than they are for hours-constrained underemployment (or what the Inquiry refers to as 'invisible' and 'visible' underemployment respectively). In principle, both can be made visible.

respects, leading the way with the establishment of the Skills Utilisation Leadership Group. At the UK level, too, skills underutilization has featured in recent policy discussions with the UKCES stating that ‘the future employment and skills system will need to invest as much effort on raising employer ambition, on stimulating demand, as it does on enhancing skills supply’ (UKCES, 2009: 10).

Given the level of public investment in skills development, it is easy to see why there has been considerable interest in minimizing levels of skills underutilization. Wasted skill resources can have negative consequences for the individual both in terms of pecuniary and non-pecuniary benefits (such as job satisfaction and well-being), for the employer’s business and for the national economy. We, therefore, need to assess the scale of the problem, identify where skills underutilization occurs and then set about minimizing its occurrence.

The substance of the Call for Evidence, therefore, appears rather imbalanced by giving emphasis to one measure of underemployment over another which also has significant economic impacts that should not be neglected.

Patchwork of Evidence

The hours-constrained version of underemployment is currently well served by data taken from the Labour Force Survey (LFS). This is a quarterly sample survey of almost 60,000 households and 150,000 people, with 50,000-65,000 economically active respondents aged 16 and above at the time of interview. A number of survey questions have been added over the years which capture hours-constrained underemployment. Furthermore, a number of internationally agreed protocols have been established on how to use data from a series of questions to produce precise estimates (ILO, 1998). Based on these sources and protocols, hours-constrained underemployment has been tracked for the UK (e.g., Tam, 2010; Felstead, 2011) and more recently for Scotland in response to the Committee’s Call for Evidence (Bell, 2013).² With such large samples, robust Scottish level analysis of this type is possible.

However, the LFS’s coverage of skills is limited to collecting data on qualifications and formal training, and therefore does not provide information on skills underutilization. For such information, we have to turn to surveys like the Skills Survey series (Felstead *et al.*, 2007). This provides data on what skills workers use at work, the usefulness of their qualifications to get and do the job, and the nature of the job as measured by the time it takes to learn and train. While this evidence provides a unique picture of national level trends in skills underutilization, its usefulness is somewhat limited for Scotland given the much smaller sample sizes of the British sample and its relative infrequency.

Nevertheless, the 2006 Skills Survey was boosted in Scotland where the sample size was more than tripled. Furthermore, the survey was extended to cover the Highlands and Islands for the first time (Felstead and Green, 2008). Frequently this area of the UK is largely excluded from the coverage of many surveys since for

² www.dailyrecord.co.uk/news/politics/underemployment-in-scotland-1525304;
www.scottishtimes.com/poverty_scotland_expert;
www.scotsman.com/the-scotsman/politics/hidden-scourge-of-under-employment-in-scotland-1-2721329

market research purposes the border of Britain lies south of the Caledonian Canal, hence excluding *most* of the Highlands and Islands from coverage.

Based on this unique 2006 data source, it was revealed that:

- Scotland in 2006 had been more successful than the UK as a whole in raising the proportion of its population who were highly-qualified. In 2006, 37.3% of those in Scotland possessed degree-level qualifications compared to 32.8% of those in the UK. At the other end of the scale, both economies had low proportions of people who had no qualifications to their name – in both cases, this category accounted for about one in ten people in 2006 (9.8% in Scotland and 9.4% in the UK).
- However, in proportionate terms Scotland had *fewer* jobs requiring degrees on entry. So, in 2006 there was a ten percentage point qualification gap in Scotland compared to a gap of three percentage points in the UK as a whole. At the other end of the scale, the Scottish economy had proportionately *more* jobs that did not require qualifications on entry (31.6% compared to 28.2% in the UK). So, Scotland had a 22 percentage point gap between the demand and supply of jobs/people in the ‘no qualifications’ category compared to a gap of 19 percentage points for the UK as whole.
- In 2006, almost two-fifths of respondents reported that their highest qualification was above that required for entry (i.e. they were ‘over-qualified’). This was broadly in line with the UK figure (Felstead and Green, 2008; Felstead, 2007).

These were challenging findings since they suggested that the Scottish education and training system had been successful in developing the skills and qualifications of the workforce, but that the level of skills demanded by employers had not kept pace with this increased supply. Based on this evidence the Scottish Government launched the *Skills for Scotland: A Lifelong Skills Strategy* in 2007 and renewed in 2010. It highlighted the importance stimulating demand for skills from employers and improving the utilization of skills in the workplace.

The sample size was boosted for Scotland in 2006 via funding from Future Skills Scotland (as part of the Enterprise Networks). The aim was to provide a baseline against which to track skills underutilization over time (along with changes skills, training and the quality of work). However, funding for a similar boost in 2012 was not forthcoming from Scottish Government. Despite policy interest in this area which has been rekindled by this Parliamentary Inquiry, our ability to track skills underutilization (and other features of the labour market) in Scotland has unfortunately been compromised by this decision.³ In 2006, 2000 respondents out of the 7,787 respondents were living in Scotland, the boost funding adding significantly to the numbers of interviews. In 2012, the number of respondents was much lower – 207 out of a total of 3,200 were living in Scotland.⁴ This is the lowest number of respondents to the survey since 1992 and follows immediately

³ The survey also collects data at a British-level on *inter alia*: the skills content of jobs; the amount and nature of training and learning at work; job control; insecurity and fear at work; work intensification; and job-related well-being. Six separate reports on each of these themes will be launched at two events in London – one on 24 April 2013 and the other on 20 May 2013.

⁴ www.cardiff.ac.uk/socsi/ses2012

on from the 2006 survey when ten times (2000) as many Scottish respondents were surveyed.

Nevertheless, the results for Britain tracking change over the last quarter of a century in terms of skill utilization, skill demand and the quality of work will be published in April/May 2013. In the absence of funding, trend analysis for Scotland is not planned, but is possible. However, the results so produced will be less robust than they would have been had a funding boost been secured, but at least there will be some. Even that cannot be said for the OECD's new adult skills survey which was carried out last year across 23 countries. Known as the Programme for the International Assessment of Adult Competences (PIAAC), it is the OECD's adult equivalent of the well respected Programme for International Student Assessment (PISA).⁵ PIAAC has been mentioned by previous witnesses to this Parliamentary Inquiry as a possible source of data on adult skills and skills underutilization ([Session 4, 16 January 2013](#)). However, it should be pointed out that only England and Northern Ireland took part in PIAAC, and so no Scottish data there will be available from this source.⁶

Summary

Even though the Call for Evidence recognizes that the recession has led to an increase in 'people taking part time jobs or work that does *not utilise all the skills they have*' (my emphasis), the Call gives more emphasis to the former than the latter. However, both in different ways are a cost to the Scottish economy and its people. Furthermore, the data resources (on which robust evidence is inevitably based) give emphasis to hours-constrained measures of underemployment and skills underutilization is neglected. Surveys to measure skills underutilization are less frequently carried out – usually on a five yearly cycle. As part of a long-term labour market information (LMI) plan, a commitment needs to be made to boost them for Scotland. On this basis, a rounded and robust picture of themes such as underemployment, in both of its forms, can be provided to Scottish policy-makers in the future rather than inferring from evidence collected for Britain as a whole or different parts of the UK.

References

Bell, D (2013) 'Submission from David Bell' to the Economy, Energy and Tourism Committee, 1st Meeting, 2013 (Session 4), Wednesday, 9 January 2013, Inquiry into Underemployment in Scotland.

Bell, D, Blanchflower, D (2011) 'Underemployment in the UK in the Great Recession', *National Institute Economic Review*, 215: R23-33.

[Felstead, A \(2007\) 'How "smart" are Scottish jobs? Summary evidence from the Skills Surveys, 1997-2006', *Futureskills Scotland Expert Briefing, Glasgow:*](#)

⁵ PISA has been carried out every three years with the latest taking place in 2009. It assesses how far students near the end of compulsory education (at the age of 15) have acquired the knowledge and skills considered essential for full participation in society. In all sweeps of the survey, the domains of reading, mathematical and scientific literacy are covered.

⁶ www.bis.gov.uk/assets/biscore/economics-and-statistics/docs/b/12-p131a-bis-economic-and-social-research-plans-2012-13, pp23-24.

Future Skills Scotland.

Felstead, A (2011) 'Patterns of under-utilization in the recession', *Skills in Focus*, December, Glasgow: Skills Development Scotland.

Felstead, A and Green, F (2008) *Skills at Work in Scotland, 1997 to 2006: Evidence from the Skills Surveys*, Glasgow: Scottish Enterprise.

Felstead, A, Gallie, D, Green, F and Zhou, Y (2007) *Skills at Work in Britain, 1986 to 2006*, Oxford: ESRC Centre on Skills, Knowledge and Organisational Performance.

Friedland, D S and Price, R H (2003) 'Underemployment: consequences for the health and well-being of workers', *American Journal of Community Psychology*, 32(1/2): 33-45.

ILO (1998) 'Report I: underemployment', presented to the 16th International Conference of Labour Statisticians, Geneva, 6-15 October.

Tam, H (2010) 'Characteristics of the underemployed and the overemployed in the UK', *Economic and Labour Market Review*, 4(7): 8-20.

UKCES (2009) *Ambition 2020: World Class Skills and Jobs for the UK*, Wath-upon-Deane: UK Commission for Employment and Skills.