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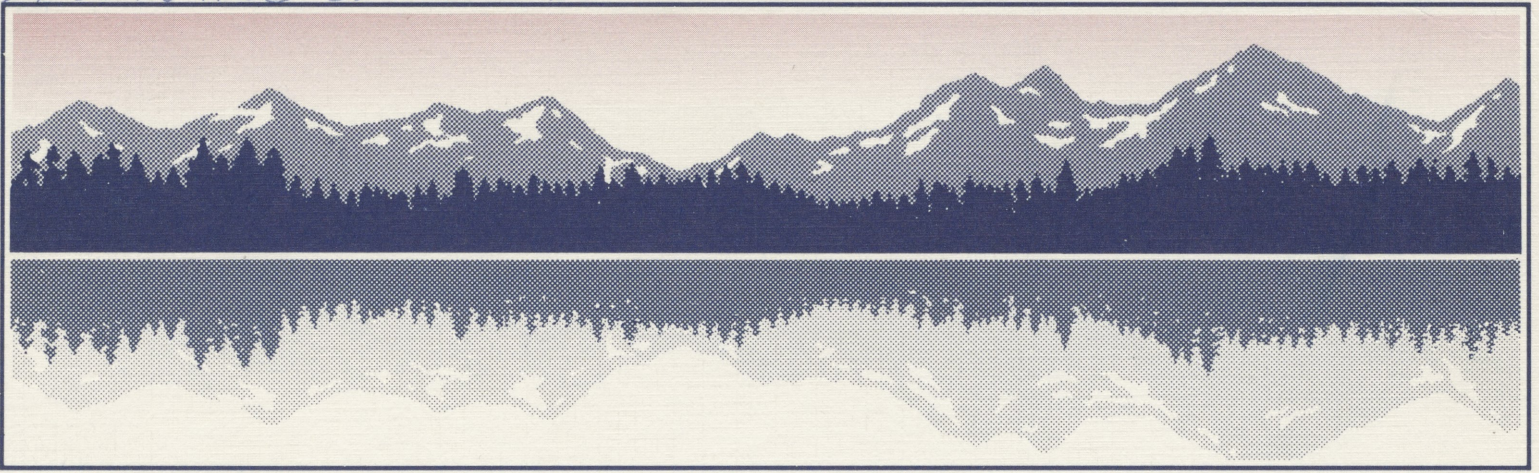
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Economic conditions



WITHDRAWN

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**EFFECTS OF UNDEREMPLOYMENT
ON HOUSEHOLDS IN THE RURAL NORTHWEST**

by

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In past months, reports on employment numbers and on unemployment rates have been glowing. The easy interpretation, obviously, is that we no longer need to be as concerned with employment issues. However, these reports are tempered by other stories which also reach the public. A newspaper headline in March (Spokesman-Review, Spokane, 1989) stated: "It's the best of times for some, the worst of times for others." Another headline (Daily News, Pullman, WA) pointed to questions about a specified group: "Underemployed women 'saturate' some rural areas." A 1985 study by the Ways and Means Committee of the Washington State House of Representatives indicated that a decline in wages and the rise of low-wage jobs may now pose a more serious problem, at least in the state of Washington, than unemployment. These, and other, employment difficulties need to be included under the broad definition of underemployment.

Underemployment is an interesting phenomenon to study from a historical perspective. In 1936, Joan Robinson denied that underemployment could exist in any traditional economy. This view is especially relevant when considering underemployment in rural areas, since she said: "An economy consisting of self-supporting families working their own land always enjoys full employment, since each individual is free to work as long as he considers the reward he obtains a sufficient inducement for his efforts" (Robinson, 1936; 225-27). We may question whether this is really an accurate view and actually, at that time, critics did reply that social factors in agriculture, and especially in subsistence agriculture, did operate to distinguish underemployment.

It should be further pointed out that Robinson did not totally ignore the existence of underemployment. She identified "disguised underemployment" in the industrial society and saw it as the adoption of inferior occupations.

Renewed interest in underemployment was not seen until recessionary periods in the 1970s. This has been further accentuated in the 1980s by the growing recognition of inequality in incomes. In considering distribution of income by quintiles, it can be seen that these income shares have been fairly stable over time. However, there was a modest movement toward greater income equality in the 1950s and 1960s and a reversal of this trend in the 1970s and early 1980s. Latest figures (Appendix 1) show a postwar extreme in inequality of shares of income at the top and bottom of the distribution, with the share of the middle quintile at a postwar low. (Sawhill, 1988)

It is even more revealing to consider average real incomes within each quintile and the top 5% of the population. (Appendix 2) The bottom quintile has had no real income growth since the late 1960s (in 1986 dollars, the mean income in the lowest quintile was \$8,181 in 1969 and \$8,033 in 1986). For the second quintile, real income growth in that time period totaled about 4% (less than 0.2% per year). In contrast, the average real income of the top 5% grew by more than 30% (or 1.6% per year).

In relating these figures to underemployment, Sawhill identifies 16.7% of the poverty groups as being underemployed, due to unemployment or inability to find sufficient work. Another 12.4% are identified as working full-time at a job which does not pay enough to allow the worker to move above the poverty level.

Over the years, the interest of economics in underemployment in developed countries has been seen primarily in Marxist thought. Marx saw underemployment as common during depression, but thought that it was not merely transitory (as was generally assumed) but was an indicator of something that would continue. Marx wrote that the magnitude of underemployment would increase with industrialization because a "reserve army" of unemployed would bid down wages for scarce jobs. This idea is very interesting to contemplate in today's economy.

We have seen, and continue to see, the concept of underemployment identified by varied terms. These include "unemployment" (Marx); "half-employed hands" (Marx and Durkheim); "working poor" (Ricardo); and "disguised unemployed" (Robinson). Added to these are more recent terms such as "mismatched," "underutilized," and "discouraged workers."

Definitions of underemployment are still difficult to obtain. This does not mean that definitions are unavailable but rather that they are incomplete, diverse and frequently incompatible.

I have chosen to utilize one of these definitions in most of my work. Clogg (1979) focuses on a broad definition. This may be most applicable to public policy considerations since it alerts all to different forms of underemployment.

Clogg has identified five forms of underemployment:

1. Visible underemployment:
 - a. actually unemployed;
 - b. marginally economically active workers and subemployed workers;
 - c. involuntary part-time employment which characterizes a worker who, although at work, is working less than a full-time workweek because of economic reasons.
2. Invisible underemployment:
 - a. underemployed by low income; these workers may be working full-time but their wages may not be sufficient to provide them with adequate income;
 - b. mismatched workers; occurs when workers are fully employed (as regards time spent in work) but are inadequately employed because of skill attainments; this accumulated fund of human capital is greater than skill requirements of their jobs.

(Under this broad definition of underemployment, figures given by Sawhill (1988) and mentioned earlier would identify 29.1% of the poverty group as underemployed. Other figures estimate that between 13 and 20% of the working-age population are underemployed.)

Sullivan (1978) listed four conditions, any one of which is sufficient to make workers or jobs marginal:

1. disabilities that, objectively or subjectively, make one less competitive in a labor market;
2. descriptive characteristics that carry low status, such as non-white race, female, elderly;
3. achieved characteristics that are inferior to other workers' achievements, especially years of schooling;
4. structural characteristics of worker's occupation or industry that make it unstable, irregular, or less competitive.

Several of these groups are often referred to as "discouraged workers." Schiller (1984) talks about the indirect effects of sub-employment on these discouraged workers. When unemployment rates are high in a given area, job seekers are likely to become frustrated in seeking employment. Jobs are few and limited numbers get them; this further erodes confidence. He also points out that the concept of discouraged workers is especially relevant to labor force participation of wives and mothers. When underemployment rates are high, the chances of these women getting a job becomes even worse.

Although a simple listing of data is not always advisable, it may be worthwhile when we consider underemployment:

1. Two-thirds of discouraged workers in 1983 were women; most of the remainder were teen males.
2. In 1985, 9.1 million poor adults worked; of these 2 million were employed full-time.

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3. Of the employable poor in 1984, about 50% were employed; over half of the unemployed were keeping house (mainly women) and over 20% were not working because they could not find work.
4. In 1970s one new job in five was low-paid; in 1980s three new jobs in five are low-paid. (Low-paid is defined as half of the median wage.)
5. Since 1979, part-time work has increased at twice the rate of full-time work.
6. About one-third of all new jobs are now part-time.
7. Of those who hold part-time jobs, three-fourths want full-time jobs.
8. More than half of the new jobs created between 1979-1984 paid less than \$7,000/year (full-time). (During this time, poverty level for a family of four was \$10,989, while a low-minimum adequacy budget for this type of family was \$20,207.)

In summarizing these assorted facts, those who now are most likely to be underemployed include: single mothers, minorities, workers from working class backgrounds, lower white collar workers, and young adults.

Over-all problems which stem from underemployment are numerous and can be viewed from the perspective of individuals, families and/or households and from the perspective of society as a whole.

Briefly summarized, problems at the micro-level include:

1. insufficient income (and all accompanying financial problems);
2. lessened benefits (health insurance, retirement benefits, etc.; a question must also be asked as to whether voluntarily, and even involuntarily, underemployed are always aware of all the short and long term implications of this);
3. less job satisfaction;
4. lowered self-esteem;
5. high percentage of family break-ups (resulting not only in personal problems but in economic difficulties for families and the whole society);

At the macro-level, problems include:

1. lowered level of job involvement;
2. higher turnover;
3. lower productivity;

These three concerns ultimately affect the quality of goods produced; this is an issue which has reached increasing attention in the U.S. economy.

The social and personal significance of these problems have been discussed by researchers in a number of disciplines. Sullivan (1978) has discussed these within two categories of underutilization:

1. Private underutilization, which affects loss of time, income or talents of individuals.
2. Social underutilization, which refers to the loss to society which results from underutilized workers.

All of these problems impinge on the concept of human capital and point to what is perhaps the most serious result of underemployment: the underutilization of our most vital national resource human capital.

A two-part research survey of 550 respondents in eight economically unstable rural counties in Washington was done in 1985 and in late 1986. (Price and Dunlap, 1988). The major focus was on socio-economic stress, not underemployment. However, results pointed to many employment related issues which directly involve underemployment. Of more than 20 types of potential stressors which were indicated, three of the four which ranked highest in importance focused on economic concerns.

Since communities which were studied were economically unstable, this is not altogether surprising. It does, however, point out the overwhelming concern with these issues even in the face of other problems. (For example, problems with drugs, major disagreements with spouse and/or children were among the problems identified as frequently present, but still less important than the economic problems.)

Of special interest was the fact that young adults (defined as ages 18 to 21) experienced especially high levels of stress related to employment questions. This tends to support the contention that underemployment is a special problem for the young in rural areas, as well as in urban areas. In this study, the young adult sample also pointed to the need for more and better employment services, training and retraining centers. Frequently, past studies have concluded that rural residents are reluctant to utilize community services, especially if they are government sponsored. However, recent studies, as well as the study discussed here, show little such reluctance, especially when these services focus on economic concerns.

It is generally recognized that there are special difficulties in working with unemployment problems in rural areas. It would seem to follow logically that this is true also for underemployment, especially since, in general, unemployment has received far greater attention than has underemployment.

Some specific rural-oriented concerns can be identified:

1. A certain degree of seasonal work can be associated with rural industry. This, alone, leads to underemployment for certain workers.
2. Lack of diversified opportunities may result in mismatched workers. These are people who take any job in order to be employed, but can be contributing at a much higher level if the opportunity was available; for example, wives and workers at a beginning stage of their careers would fall into this category.
3. A large number of people have, over the past two decades migrated to rural areas for reasons related to "quality of living." Frequently these are quite highly educated but find it difficult to find jobs to match their skills. A question of underutilization of human capital may exist here.

What can be done to help with problems of underemployment in rural areas? Very little attention has been paid to this issue.

It is interesting to compare suggestions given by Ferman in 1969 with those listed by O'Toole in 1981. Although Ferman focused more on the rural community, both sets of suggestions have a great degree of comparability. Both pointed to greater labor market information and support programs of technical assistance for potential employees and employers. Expansion of the labor market in private and public sectors was also listed by both authors. However, in the 1981 paper, O'Toole cautioned that many jobs created in short term expansions are temporary. This, of course, then leads to short term employment and to long term underemployment.

Ferman, in 1969, pointed to the need to focus on problems of mobility, such as transportation of workers to available jobs or moving workers out of the affected rural area. The latter suggestion, of course, can lead to a variety of other types of problems.

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In contrast, O'Toole, in 1981, indicated the importance of reducing racial discrimination (for which there is occasionally an inaccurate perception that it is not important in the rural northwest) and controlling immigration (which is often seen as relevant in the rural northwest, but which also is a multi-faceted issue).

In summary, underemployment is an issue which receives very little concern; however, it covers a multitude of emerging problems which can not be ignored. Also, not to be ignored, is the fact that it appears to exist not only in urban areas (where it is somewhat more visible) but also in rural areas (where it tends to be more invisible). The broad scope and the personal and societal effects of underemployment need to be recognized and dealt with more specifically in private and public sectors.

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APPENDIX 1

PERCENTAGE SHARE OF MONEY INCOME RECEIVED BY EACH QUINTILE AND TOP 5 PERCENT OF FAMILIES,
RANKED BY INCOME, SELECTED YEARS, 1954-86

| Year | Percentage Distribution of Aggregate Income | | | | | |
|------|---|-----------------|-----------------|-----------------|------------------|---------------|
| | Lowest Quintile | Second Quintile | Middle Quintile | Fourth Quintile | Highest Quintile | Top 5 Percent |
| 1954 | 4.5 | 12.1 | 17.7 | 23.9 | 41.8 | 16.3 |
| 1959 | 4.9 | 12.3 | 17.9 | 23.8 | 41.1 | 15.9 |
| 1964 | 5.1 | 12.0 | 17.7 | 24.0 | 41.2 | 15.9 |
| 1969 | 5.6 | 12.4 | 17.7 | 23.7 | 40.6 | 15.6 |
| 1974 | 5.5 | 12.0 | 17.5 | 24.0 | 41.0 | 15.5 |
| 1979 | 5.2 | 11.6 | 17.5 | 24.1 | 41.7 | 15.8 |
| 1980 | 5.1 | 11.6 | 17.5 | 24.3 | 41.6 | 15.3 |
| 1981 | 5.0 | 11.3 | 17.4 | 24.4 | 41.9 | 15.4 |
| 1982 | 4.7 | 11.2 | 17.1 | 24.3 | 42.7 | 16.0 |
| 1983 | 4.7 | 11.1 | 17.1 | 24.3 | 42.8 | 15.9 |
| 1984 | 4.7 | 11.0 | 17.0 | 24.4 | 42.9 | 16.0 |
| 1985 | 4.6 | 10.9 | 16.9 | 24.2 | 43.5 | 16.7 |
| 1986 | 4.6 | 10.8 | 16.8 | 24.0 | 43.7 | 17.0 |

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APPENDIX 2
MEAN INCOMES OF POPULATION QUINTILES, 1954-86

