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UNDEREMPLOYMENT AND THE UTILIZATION  
OF LABOR IN RURAL AMERICA

by

Daniel T. Lichter

WAITE MEMORIAL BOOK COLLECTION  
DEPT. OF AG. AND APPLIED ECONOMICS  
1994 BUFORD AVE. - 232 COB  
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UNDEREMPLOYMENT AND THE UTILIZATION OF LABOR  
IN RURAL AMERICA

PREFACE

The period since 1970 has been marked by rather remarkable and sometimes unanticipated demographic and economic changes in rural America. The shifting fortunes of rural workers have been one particular source of concern for rural policy makers. The results presented in this report provide a vivid reminder that rural workers, especially blacks and women, face unique problems in the labor market--problems not fully revealed in traditional measures of labor force performance. Specifically, [this report has three main objectives: (1) to highlight trends in underemployment over the 1970-85 period, (2) to document demographic and economic sources of excess underemployment in nonmetropolitan areas, and (3) to identify the characteristics of rural workers most "at risk" of underemployment. As a labor force concept, underemployment refers broadly to inadequacies in employment, and includes the jobless, involuntary part-time workers, and the "working poor." Indeed, a disproportionate share of rural workers experience forms of labor-market distress often masked by conventional labor force measures.]

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## UNDEREMPLOYMENT AND THE UTILIZATION OF LABOR IN RURAL AMERICA

### Introduction

The currents of demographic and economic change in nonmetropolitan America have shifted substantially since 1970. The rural employment and population turnaround, which generated considerable optimism in the early 1970s, was replaced in the late 1970s and early 1980s with new concerns about decreases in employment and population growth and the sluggish farm economy (Beale and Fuguitt 1986; Bluestone and Daberkow 1985). Indeed, nonmetropolitan unemployment rates, which had been lower than the metropolitan rates for much of the 1970s, exceeded metropolitan rates in the 1980s (U.S. Departments of Agriculture and Labor 1986). These demographic and employment shifts have revived longstanding interests in the economic viability of rural America and the dying small town.

Renewed public policy concerns about the economic wellbeing of rural America are buttressed here with new evidence about the changing fortunes of rural workers. Unfortunately, conventional measures of economic hardship, such as the unemployment rate, camouflage existing spatial inequalities and often minimize the extent of employment-related hardship faced by America's rural workers, particularly women and minority groups. This report presents a comprehensive indicator of rural labor market-related distress or underemployment which is especially sensitive to the changing economic conditions in rural America. As a labor force concept, underemployment refers broadly to inadequacies in

employment or employment-related hardship, including joblessness, involuntary part-time employment, and the "working poor."

This report, which uses data from the 1970-85 March annual demographic files of the Census Bureau's Current Population Survey (CPS), has three objectives.<sup>1</sup> First, it presents new evidence on changes in the extent and nature of underemployment in nonmetropolitan areas of the United States during the 1970-85 period. Second, this report describes the most significant rural demographic and economic conditions responsible for excess underemployment in the rural labor force. Third, it identifies population and labor force groups at greatest risk of experiencing employment-related problems in rural areas.

#### Measuring Employment Hardship in Rural Areas

In the past, the officially defined unemployment rate has often been used as a measure of economic hardship and employment marginality in nonmetropolitan areas. Many argue, however, that this economic indicator inaccurately represents rural labor-market conditions (Briggs 1981; Marshall 1974; Tweeten 1986). Not only are rural unemployment rates seriously underestimated (Korsching and Lasley 1986), but the prevalence of other forms of underemployment in nonmetropolitan areas, such as "discouraged workers," those employed part-time involuntarily, and the working poor, typically exceeds that found in metropolitan areas (Deavers and Brown 1980; Lichter 1987).

From a rural policy standpoint, the inability of the unemployment rate to adequately gauge local or regional

labor-market conditions may hinder the accurate programmatic targeting of economically distressed areas (Horne et al. 1974). As a result, nonmetropolitan and rural areas may not receive their fair shares of monies with which to solve economic and employment-related problems. This perceived inequity is founded on the growing sentiment that underemployment indicators should be developed and used in formulas that determine the allocation of federal funding (Briggs, 1986; Tweeten 1986). Indeed, the inability of the unemployment rate to accurately gauge spatial differences in employment marginality is a political issue of great importance to many rural jurisdictions that must compete with urban areas for federal monies.

Despite widespread agreement about the need for measures of rural "underemployment," research on the development of such indicators has languished. In part, this reflects the inadequacy of current data, particularly for rural areas. But more importantly, it is due to conceptual ambiguities about what constitutes underemployment. As described in this report, the Labor Utilization Framework (LUF) represents a potentially useful scheme for measuring rural underemployment. The LUF was initially developed for and applied to developing countries by Hauser (1974), and has recently been extended to the U.S. labor force by Clogg and Sullivan (Sullivan 1978; Clogg 1979; Clogg and Sullivan 1983). To date, however, applications of the LUF to rural areas have been rather limited.

The forms of underemployment included in the LUF are distinguished here as follows:<sup>2</sup>

1. The sub-unemployed, a proxy for "discouraged workers."
2. The unemployed.
3. The underemployed by low hours, or involuntary part-time employed.
4. The underemployed by low income, or "working poor."
5. The underemployed by occupational mismatch, or the "overeducated."

The LUF has a number of advantages over previous attempts to measure rural underemployment. First, the LUF is perhaps the most comprehensive scheme yet developed for measuring various forms of underemployment. In particular, it seems most sensitive to labor force conditions that have, at least in the past, differentiated metropolitan and nonmetropolitan workers (e.g., involuntary part-time employment and income inadequacy).

Second, underemployment is measured at the person-level, unlike the subemployment rate used by Marshall (1974) and others. As a result, economically distressed labor force subgroups (i.e., marginal workers) can be identified for special policy consideration. And, with the CPS data, the ability to aggregate person data to the area level (e.g., nonmetropolitan areas) remains intact.

Third, underemployment can be measured as a composite index or as a series of separate indicators. "Economic underemployment," for example, is a composite measure comprised of the sub-unemployed, the unemployed, and the underemployed by low hours and low income (Clogg 1979). This additive feature of the LUF is possible because the underemployment categories are



mutually exclusive and "ordered" by hardship. That is, labor force participants are counted only once in the scheme, with each evaluated first for sub-unemployment, then unemployment, and so on. Thus, for example, individuals are "at risk" of being classified as "underemployed by low income" only if they are not classified as underemployed by one of the categories found earlier in the framework. The LUF's flexibility as either a composite measure or a series of separate indicators is one of its important features. Although a composite measure has the chief advantage that accrues to most summary measures--simplicity--it may conceal the forms in which underemployment expresses itself. This is problematic because policy responses may differ depending upon which form of unemployment is most prevalent. Programs that address the problems of the "working poor" will undoubtedly be less effective in reducing the prevalence of "discouraged workers."

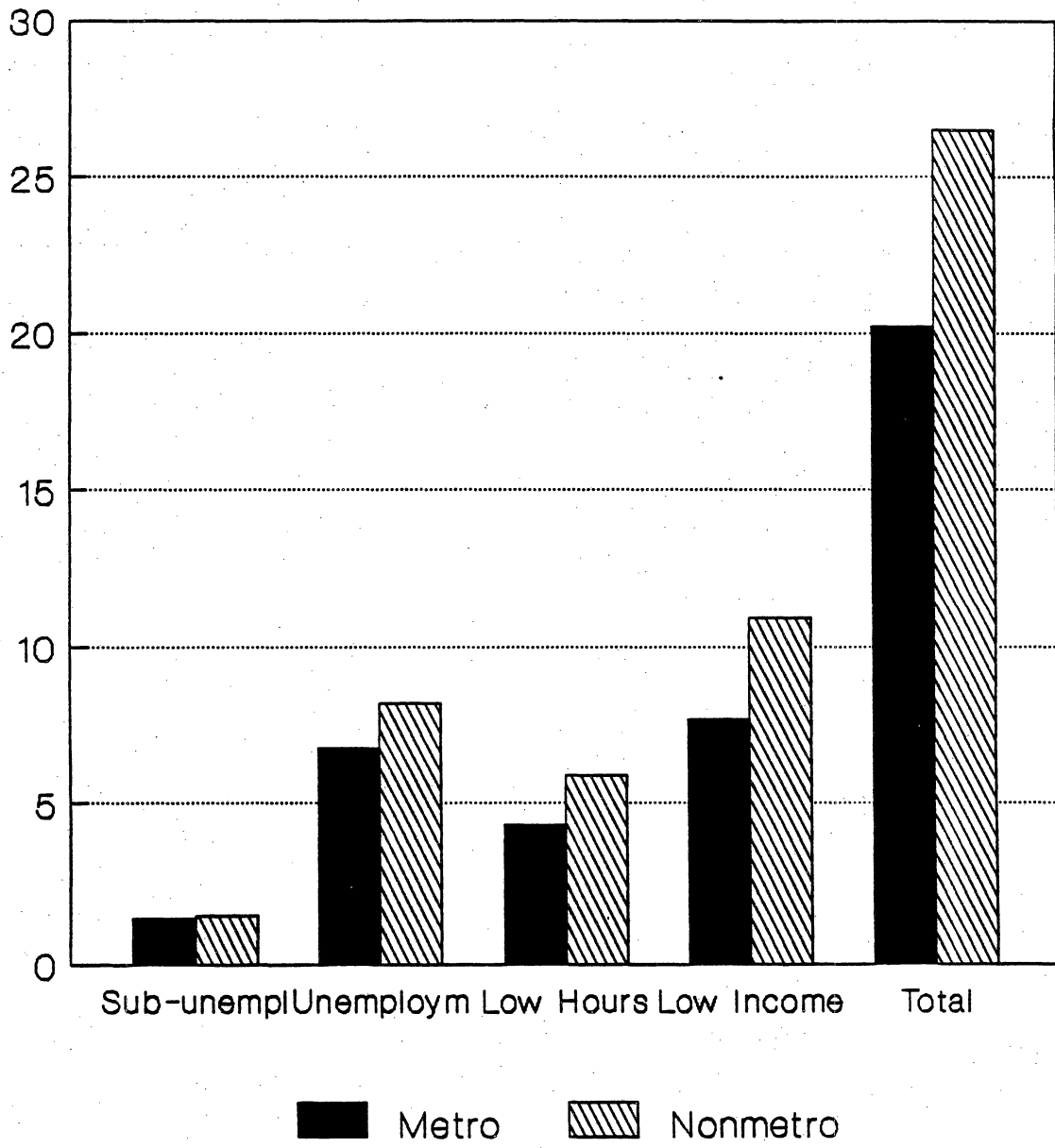
#### Monitoring Trends in Rural Underemployment: 1970-1985

Does the unemployment rate underestimate the extent of employment hardship in rural areas? In Figure 1 (last column), the CPS data indicate that one-fourth of the nonmetropolitan labor force aged 18-64 was economically underemployed in 1985. And, if the mismatched or "over-educated" are included, nearly 40 percent of the nonmetropolitan labor force experienced some form of underemployment (Appendix A; see also Lichter 1987). The unemployment rate, in contrast, was about about 8 percent in 1985 (Figure 1). Thus, the unemployment rate captures only about

# Figure 1

## Economic Underemployment

### 1985



one-quarter to one-third of the employment-related hardship in nonmetropolitan areas.

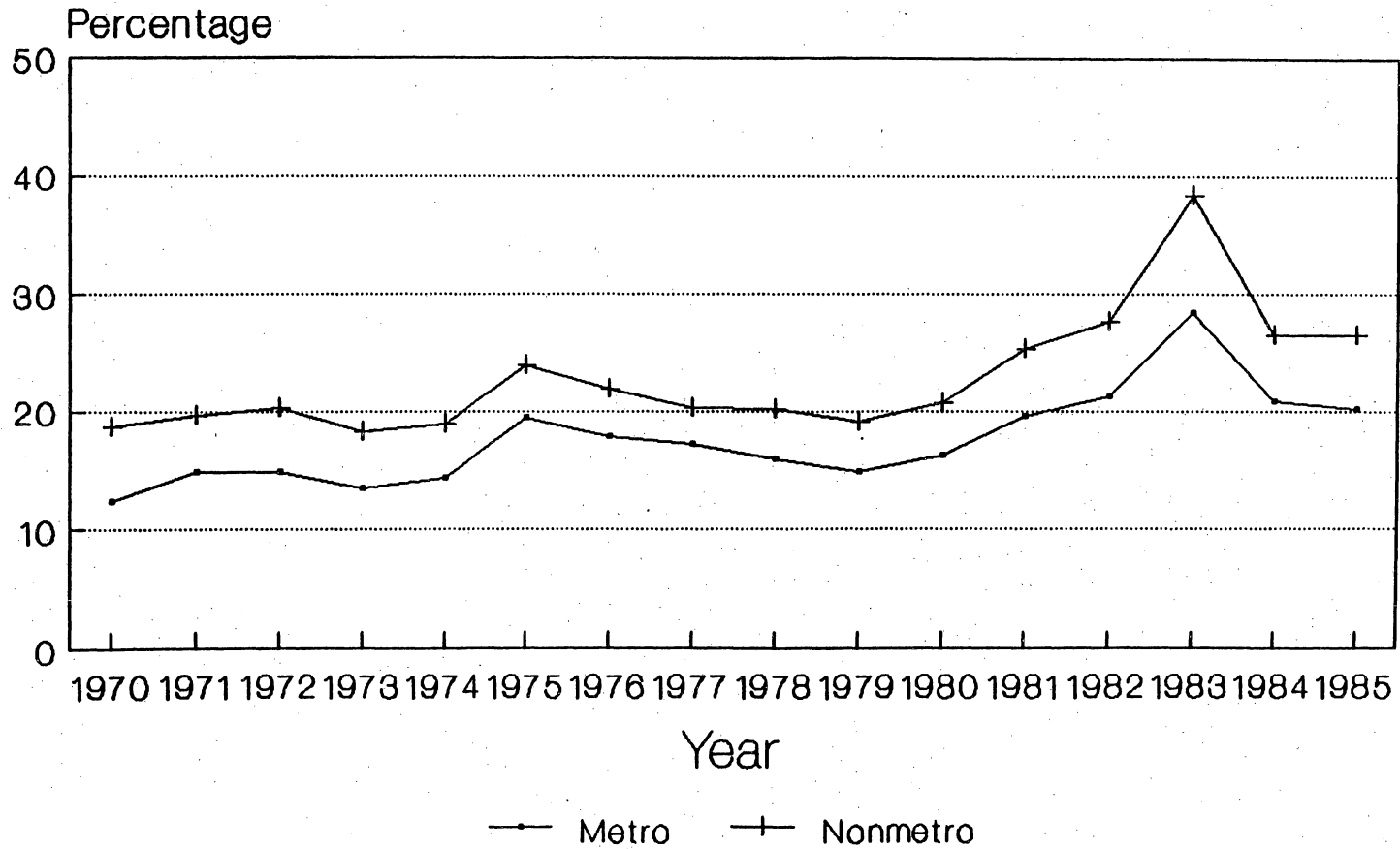
The unemployment rate also appears to camouflage the relative extent of employment hardship in rural areas. In 1985, for example, the nonmetropolitan unemployment rate was about 20 percent higher than the metropolitan rate (Figure 1). In contrast, the economic underemployment rate was over 30 percent higher than the metropolitan rate. Indeed, as shown in Figure 2, this pattern of higher nonmetropolitan economic underemployment occurred throughout the 1970-85 period. This continuing metro-nonmetro disparity in employment-related hardship was due primarily to the sizeable differences in the low hour and low income forms of underemployment (see Figures of trends for each component provided in Appendix A).

Not only does the unemployment rate underestimate rural hardship but it also inaccurately portrays regional differences in employment distress. The unemployment rate in 1982, for example, was lowest in the nonmetropolitan South (see Lichter 1987). The composite measure of economic underemployment, on the other hand, indicates that the extent of employment-related hardship was greater in the South than in any other region. Nearly 30 percent of the nonmetropolitan labor force in the South was economically underemployed in 1982. In particular, the South suffered unusually high rates of sub-unemployment (discouraged workers) and low-income employment (working poor). The implication is clear: The unemployment rate may poorly represent rural regions experiencing the greatest employment-related

# Figure 2

## Economic Underemployment

### 1970-85



distress.

Finally, while state unemployment and underemployment rates are considerable, they may send mixed signals as to comparative levels of employment distress in metropolitan and nonmetropolitan areas (see Lichter 1987). For most states, the unemployed often represent only a small portion of rural workers experiencing employment-related problems. For example, in nonmetropolitan Texas nearly 1 in 4 workers experienced some form of economic underemployment in 1982, even though only 4.2 percent of the rural labor force was unemployed. Furthermore, in 5 of the 10 states with the largest nonmetropolitan populations (in 1980), the nonmetropolitan unemployment rate was lower than the metropolitan rate. Yet, all 10 of these states experienced rates of nonmetropolitan underemployment exceeding rates in metropolitan areas.

These results have serious implications for rural policy and the funding formulas used for rural areas. First, the unemployment rate seriously underestimates the extent of economic hardship in rural areas. Formulas for the allocation of federal funds should be reevaluated, particularly those that measure human resource needs on the basis of the unemployment rate alone. Second, indicators of underemployment may prove useful in designing cost-efficient strategies for rural development (e.g., manpower training programs). Both resources and programs can be directed to areas or labor force subgroups with the greatest need. Third, these results reinforce the view that more accurate and reliable information on rural labor-market conditions is



needed. The current statistical-gathering system in the United States appears insensitive to the unique economic conditions facing rural workers.

#### Sources of Nonmetropolitan Underemployment

During the 1980s, nonmetropolitan workers experienced rates of economic underemployment that were roughly 30 percent higher than rates among urban workers. Why this occurred is a fundamental question. To what extent, for example, are metro-nonmetro differentials in underemployment simply due to differences in labor force composition? If the nonmetropolitan labor force is comprised of a disproportionate share of "high risk" subgroups (e.g., poorly educated workers), then metro-nonmetro differences in underemployment may be entirely compositional in origin. If so, programs that effect positive changes in the composition of rural areas (e.g., educational upgrading of workers) may lessen metro-nonmetro differences in underemployment.

On the other hand, metro-nonmetro underemployment differences may be due largely to demographic differences in age-race-sex composition. If metro-nonmetro differences in underemployment still exist after differences in demographic makeup have been adjusted for, then the need for a greater rural public policy response may be warranted. Such a result would indicate that nonmetropolitan underemployment is not due simply to the "naturally occurring" demographic differences over which policy makers have limited control, but that metro-nonmetro

differences are evident within various population subgroups.

Provided below are (crude) metro-nonmetro differences in underemployment rates for 1980, as well as differences adjusted for age-sex-race, education, and industry differences between the metropolitan and nonmetropolitan labor forces. Positive differences indicate an excess of nonmetropolitan underemployment (see Lichter and Costanzo [1987] for details).

	Crude Difference	Metro-Nonmetro Difference After Adjusting For:		
		Age-Sex-Race	Education	Industry
Total	4.32%	6.30%	2.82%	3.69%
Sub-unemployment	.04	.21	-.08	.09
Unemployment	.47	.76	-.13	.02
Low hours	.85	1.05	.57	.65
Low income	2.96	3.28	2.46	2.93

As shown in column 1 (line 1), the metro-nonmetro economic underemployment difference in 1980 was 4.32 percentage points. If nonmetropolitan areas had the same demographic composition as metropolitan areas, the percentage point difference would be 6.30 (column 2). Thus, metro-nonmetro differences in underemployment would be even greater than those actually observed if the demographic composition of nonmetropolitan areas was identical to that of metropolitan areas. Demographic differences tend to mask the true extent of employment hardship in rural areas and high levels of nonmetropolitan underemployment occur despite a demographic structure that favors lower underemployment.

Clearly, the excess nonmetropolitan underemployment is not rooted in rural demographic conditions. To what extent, then, is

higher nonmetropolitan underemployment due to deficits in education among rural workers or to a rural industrial structure that favors marginal employment (e.g., low-wage labor-intensive industries)? The data presented above suggest that the metro-nonmetro underemployment differences would be smaller (but not eliminated) if nonmetropolitan workers had educational levels similar to metropolitan workers and were distributed similarly across industrial sectors (e.g., a disproportionate share of nonmetropolitan workers are in extractive industries, with underemployment rates of 25% or more).

Indeed, taken together, education and industry differences accounted for about 40 percent of the metro-nonmetro difference in economic underemployment (see Lichter and Costanzo 1987: Table 3). Education differences alone accounted for nearly 30 percent of the metro-nonmetro difference in economic underemployment and nearly all the difference in unemployment. This suggests that much of the rural problem is rooted in existing inadequacies in the stock of human resources. To be sure, the continuing industrial restructuring of the rural economy has exacerbated problems of worker displacement in nonmetropolitan labor markets. Without the education and skills necessary to compete in a changing job market, rural workers may find only marginal or low-paying jobs available to them. One clear policy implication is that rural development strategies should include job training and educational programs that either provide underemployed workers with the skills necessary to compete in rural labor markets or with the incentive to seek jobs in urban employment

centers.

Educational or training programs, however, are not enough. The metro-nonmetro differential, considered as a whole, cannot be "explained away" with compositional arguments. Simply put, nonmetropolitan areas experience higher rates of underemployment, even after taking into account compositional differences with metropolitan areas. This implies that higher nonmetropolitan than metropolitan underemployment rates are broadly experienced across labor force groups. This fact is clearly revealed by the higher nonmetropolitan underemployment percentages (in 1980) for each category of worker below:

		<u>Nonmetro</u>	<u>Metro</u>
<u>Education:</u>	less than 12	30.9%	27.0%
	12 years	20.4	17.3
	13-15 years	15.9	12.6
	16 or more years	8.9	7.4
<u>Occupation:</u>	Extractive	27.5	25.9
	Durable Manufact.	15.6	11.4
	Nondur. Manufact.	18.6	14.1
	Service	19.6	15.7
	Government	13.3	7.0

The fact that nonmetropolitan areas have higher rates of economic underemployment, even after compositional differences with metropolitan areas areas taken into account, indicates that

human resource development programs cannot simply be directed at "target" groups that typically suffer the most (e.g., the less educated or displaced). For example, job training programs that primarily target the economically disadvantaged--such as CETA in the recent past--are unlikely to completely eliminate the excess economic underemployment found in rural areas. As shown by the data above, metro-nonmetro differences in underemployment are pervasive across labor force groups, including those in high education categories. Broad-based programs are required that are not narrowly aimed at a particular segment of the rural labor force.

Indeed, one implication is that "people-oriented" policies that target specific labor force groups (e.g., low educated) must be complemented with "place-oriented" policies that potentially benefit all rural workers. Upgrading rural human resources, for example, is unlikely to eliminate employment marginality without corresponding quantitative and qualitative increases in rural employment opportunities. On the other hand, diversifying the nonmetropolitan industrial base by encouraging industrialization or promoting growth in service-producing industries may lessen the prevalence of underemployment in nonmetropolitan areas, and could be beneficial to a wide range of labor force groups.

#### Identifying the Underemployed in Rural Areas

What are the characteristics of the underemployed in nonmetropolitan areas? Identifying those most at risk of experiencing underemployment is essential for the accurate



targeting of programmatic efforts designed to alleviate rural employment-related problems. Indicators of underemployment, such as those presented here, are particularly important in designing cost-efficient strategies for rural human resource development (e.g., manpower training programs). Both resources and programmatic efforts can be directed at labor force subgroups with the greatest need.

Rural workers face high overall rates of underemployment, but the burden is not shared equally throughout the rural labor force. As described in the following sections, blacks and women in particular have experienced unusually high rates of labor underutilization during the 1970-85 period. A disproportionate share of rural blacks and women are jobless, employed part-time involuntarily, or cannot earn enough to raise themselves significantly above poverty thresholds. Moreover, their labor-market experiences have compared unfavorably over this period with their counterparts in metropolitan areas.

A Rural Black Underclass? Recent research in racial inequality has become increasingly sensitive to the substantial--and apparently growing--economic heterogeneity within the black population. No longer is the black population treated as a monolithic whole or in stereotypical terms. Studies of class polarization within the black community (Farley 1984), the growing black middle-class (Landry 1987), and the chronic problems of the black "underclass" (Wilson, 1987) give ample testimony to this fact. Unfortunately, current debates have focused on the changing status of urban blacks, while largely

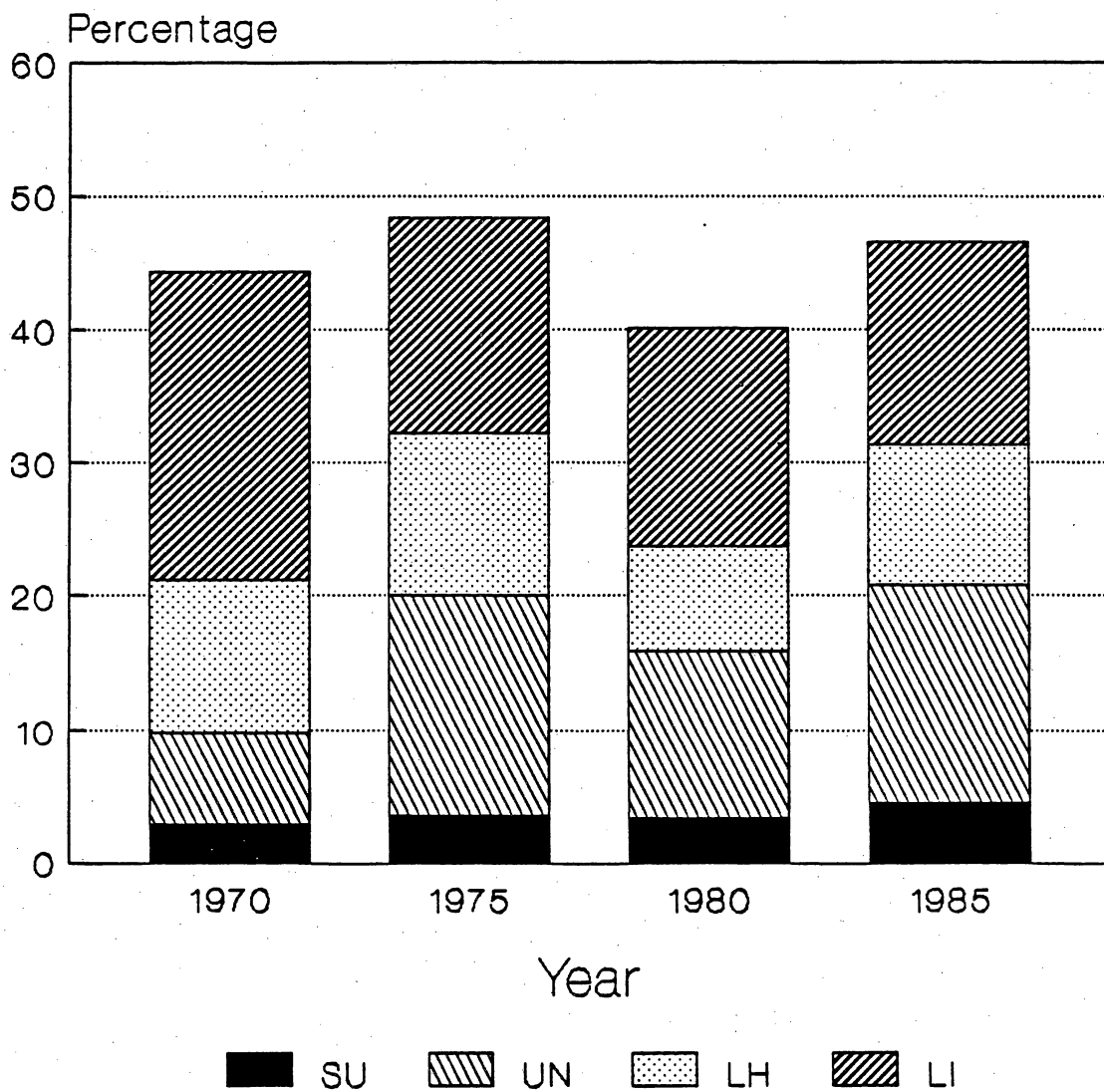
excluding nonmetropolitan blacks. Rural blacks, most of whom live in the South, are more spatially dispersed than urban blacks, less visible, and apparently easier to ignore.

This neglect of rural blacks is surprising in light of current economic conditions and the historical legacy of black employment-related hardship in the South (see Lichter 1988, 1989a). As illustrated in Figure 3, rural blacks in the South experienced extraordinarily high levels of underemployment during 1970-85. More than two out of every five rural blacks were without jobs, could not find a full-time job, or were unable to earn enough to raise themselves above poverty levels. Despite the recent achievements of the civil rights movement, changing racial attitudes in the South, continuing urbanization, and the resurgence of southern black population growth, overall employment conditions for nonmetropolitan blacks have not changed appreciably since 1970.

Moreover, these rates of underemployment among southern rural blacks were substantially higher than those for their black counterparts living in the North or in metropolitan areas of the South. In 1985, for example, underemployment rates were 39 percent higher among rural than urban blacks in the South. Rural black underemployment was 18 percent higher than underemployment rates among northern blacks (Lichter 1989a). Clearly, the growing concern with the black urban "underclass" should not deflect attention from nonmetropolitan blacks. Southern rural blacks remain among the most economically disadvantaged groups in the United States (see Lichter 1989a).

# Figure 3

## Black Underemployment in the Nonmetro South, 1970-85



Note: SU = Sub-unemployment,  
UN = Unemployment, LH = Low hours,  
LI = Low income

The rural South also was marked by substantial racial inequality throughout the 1970-85 period (Lichter 1989a). Overall employment-related hardship among nonmetropolitan blacks was substantially higher--roughly 20-25 percentage points--than among their white counterparts. Likewise, each form of hardship (e.g., unemployment, low income, etc.) was higher among nonmetropolitan blacks than whites during this 15-year period. Unfortunately, reductions in racial inequality have proceeded slowly since 1970. In 1985, for example, rural blacks in the South experienced rates of underemployment double that of their white counterparts. These differences cannot be explained by racial differences in labor force composition (e.g., racial differences in education). Rural black underemployment was 42 percent higher than rural white underemployment, even after racial differences in age composition, education, and location across occupation and industrial sectors (e.g., low wage industries) were taken into account. Race continues to be a significant source of inequality and employment-related hardship in the rural South.

Finally, despite high underemployment among rural blacks in the South, rates of underemployment varied substantially across different black population groups (Lichter 1989a). In 1985, for example, rural black females experienced a rate of underemployment that was 38 percent higher than black males. Moreover, living in the nonmetropolitan South seems to present a special hardship for today's black young adults. For blacks aged 18-29, the odds of experiencing underemployment were twice the

rate of other age groups. This is problematic, particularly if employment hardship persists rather than diminishes as young blacks make the transition to middle age.

Rural Women as an Underutilized Labor Resource. The growing numerical significance of women in the U.S. nonmetropolitan labor force has not been matched by parallel efforts to document the changing "quality" of their employment. Women clearly represent an increasing share of workers, particularly in nonmetropolitan areas. But rural women also have lower rates of labor force participation and earn less than their urban counterparts. To be sure, women face substantial isolation and restricted employment opportunities in rural areas. As a result, rural women today continue to face unique problems, such as involuntary part-time employment and employment at poverty-level wages, that are not revealed in unemployment or labor force participation rates alone.

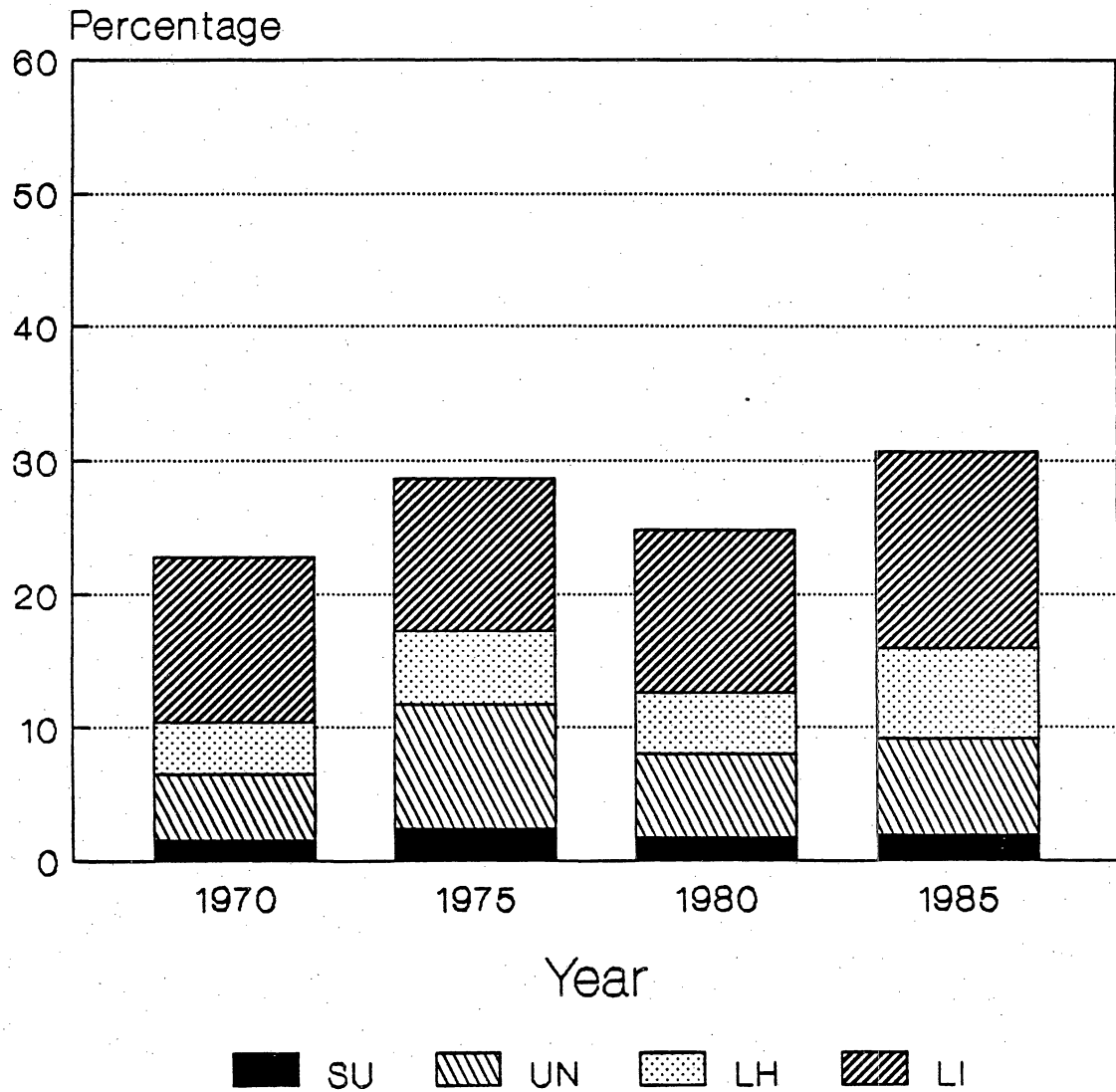
This fact is clearly shown in Figure 4, which provides the percentages for various forms of female underemployment for 1970, 1975, 1980, and 1985. Regardless of the year, about 25-30 percent of rural women experienced some form of underemployment. The rapid entry of rural women into the labor force provides a clear example of an expanding rural opportunity structure, but this change has not been accompanied by improvements in the "quality" of female employment. Indeed, overall underemployment rates were higher in 1985 than in any other year considered here.

How have rural women compared with their female counterparts in urban areas? In 1985, nonmetropolitan women experienced a



# Figure 4

## White Female Underemployment Nonmetro Areas, 1970-85



Note: SU = Sub-unemployment,  
UN = Unemployment, LH = Low hours,  
LI = Low income

rate of underemployment that was 38 percent higher than that of metropolitan women (see Lichter 1989b). Moreover, the higher rural than urban underemployment rate among females was not due simply to rural-urban differences in human capital or to differences in occupation and industry of employment. Working in nonmetropolitan areas increased the likelihood of female underemployment by a factor of 1.165, net of urban-rural differences in age, education, industry, and occupation of employment.

Not surprisingly, the employment circumstances of rural women also compared unfavorably to those of rural men during 1970-85 (Lichter 1989b). In 1985, for example, overall underemployment rates were 42 percent higher among rural women than men. The unemployment rate, in contrast, was actually lower for rural women than for rural men. Any optimism implied by convergence since 1970 in unemployment rates between rural women and men is diminished by (1) a rate of "worker discouragement" that is 250 percent higher for rural women than men, (2) an involuntary part-time employment rate that is 50 higher among rural women, and (3) a rate of working at poverty-level wages that is nearly 100 percent higher among rural women (Lichter 1989b: Table 2).

Clearly, human resource development programs must target population subgroups--including women--that experience the greatest labor-market distress. At the same time, such programs are unlikely to address completely the issues of sex equity considered here. Sex- and residence-based differences in

underemployment are experienced broadly across labor force groups distinguished by age, education, and occupational and industrial sectors of employment. Indeed, advocates of "place-oriented" policies argue that increasing the quantity, quality, and diversity of employment opportunities in rural labor-market areas may ultimately do more to solve problems of equity than "people-oriented" programs that target particular distressed labor force groups (see discussions by Tweeten 1986; Tienda 1986). The appropriateness of alternative rural policy prescriptions is obviously open to debate, but the problem itself is difficult to deny. Women are a seriously underutilized labor resource in rural areas of the United States.

#### Conclusion

Ongoing demographic and economic changes continue to alter the face of rural America. Any optimism caused by the nonmetropolitan population and employment turnaround of the 1970s has waned as many rural areas now face absolute population losses (Elo and Beale 1988), employment declines in resource-based industries (Beaulieu 1988), and increased foreign trade competition. Rural workers are no longer insulated from national fiscal and monetary policies (see Deaton 1986) and changing rural labor market conditions provide a continuing challenge to those publicly charged with ensuring adequate employment for all workers in rural America. Indeed, as revealed in this report, rural workers continue in the 1980s to experience levels of underemployment exceeding that of their urban counterparts.

As in the past, a fundamental problem facing rural workers is the limited number of employment opportunities and options available in rural labor markets. For rural blacks and women this problem seems particularly acute. Problems of isolation are exacerbated by inefficiencies in the institutional mechanisms used to disseminate job-related information (such as public employment services) and to administrate human-resource development programs to a spatially dispersed labor force. As a result, rural labor markets appear to be less efficient in matching workers to jobs. The effects of this are undoubtedly revealed in the high rates of underemployment found among rural workers.

The continuing high levels of underemployment in nonmetropolitan areas is not simply a matter of academic interest. To the extent that the unemployment rate or other labor force indicators mask or inaccurately portray spatially-based differences in economic hardship, then programs may not be serving their intended targets. As suggested in this report, nonmetropolitan areas unfortunately appear to be adversely affected by the government's reliance on the unemployment rate as an indicator of economic hardship. Indeed, rural job growth and recent declines in the unemployment rate must be tempered by the recognition that rural underemployment rates remain unacceptably high and that a disproportionate share of new entrants into the job market may be working at part-time jobs or at poverty-level wages (Lichter and Landry 1989).<sup>3</sup>

Footnotes

1. Most of the data presented in this report are from the 1970, 1975, 1980, and 1985 annual demographic files of the March Current Population Survey. Each yearly sample contains approximately 60,000 households and represents the noninstitutionalized population of the United States.
2. In this report, categories of the LUF are measured using procedures identical to those of Clogg and Sullivan (1983), Lichter and Costanzo (1986), and Lichter (1987). This hierarchical framework has been described as the "most widely used approach to [measuring] underemployment" (Tipps and Gordon, 1985:36; also see critique by Tweeten 1986). Individuals are classified into one of the following categories:
  - a. Not in the labor force is measured following traditional practices, except that the sub-unemployed (defined below) are excluded from this category.
  - b. The sub-unemployed is a proxy for discouraged workers, and includes (a) persons not currently working because they were unable to find work and (b) part-year workers who are currently out of the labor force but looking for full-time work.
  - c. The unemployed, which is measured using the official definition of the Bureau of Labor Statistics, includes those persons without work who have been searching for employment during the previous four-week period, and employed persons in the process of a job transition or lay-off.
  - d. The underemployed by low hours, or involuntary part-time workers, parallels the official definition of "part-time for economic reasons," and includes employed persons working less than 35 hours per week due to an inability to find full-time employment. The 35-hour cutoff used to distinguish between full- and part-time workers is a conventional practice of the Bureau of Labor Statistics.
  - e. The underemployed by low income consists of persons whose labor market-related earnings are less than 1.25 times the individual poverty thresholds devised by the Social Security Administration. This income cutoff is selected because it produces "a reasonable association between income level in the preceding year and current unemployment" (see Clogg and Sullivan 1983:144; Clogg 1979:81-118). Conceptually, these "underpaid" workers are underemployed in the sense that the earnings provided from employment are unable to provide for their needs (Briggs, 1981).



- f. The underemployed by occupational mismatch, or the "overeducated," measures the extent to which a worker's completed schooling exceeds the educational level typical of persons holding a similar occupation. Operationally, if a worker's educational level is higher than the mean plus one standard deviation of the educational attainment of persons with a similar 3-digit occupation (using 1970 as a benchmark), then this person is classified as mismatched (see Sullivan 1978; Clogg 1979; Clogg and Shockey 1984).
  - g. The adequately employed, a residual category, excludes those not in the labor force and the underemployed. Voluntary part-time workers are included among the adequately employed.
3. Analysis of a 1986-1987 linked CPS file reveals that only about 25 percent of unemployed nonmetropolitan workers in March 1986 were also unemployed in March 1987. Yet, only about one-third of the unemployed in 1986 were adequately employed in 1987. About 23 percent dropped out of the labor force altogether, and 18 percent were employed at "bad" jobs in 1987, if measured by employment in part-time jobs or at poverty-level wages. See Lichter and Landry (1989) for a complete description of labor force transitions for the entire United States.

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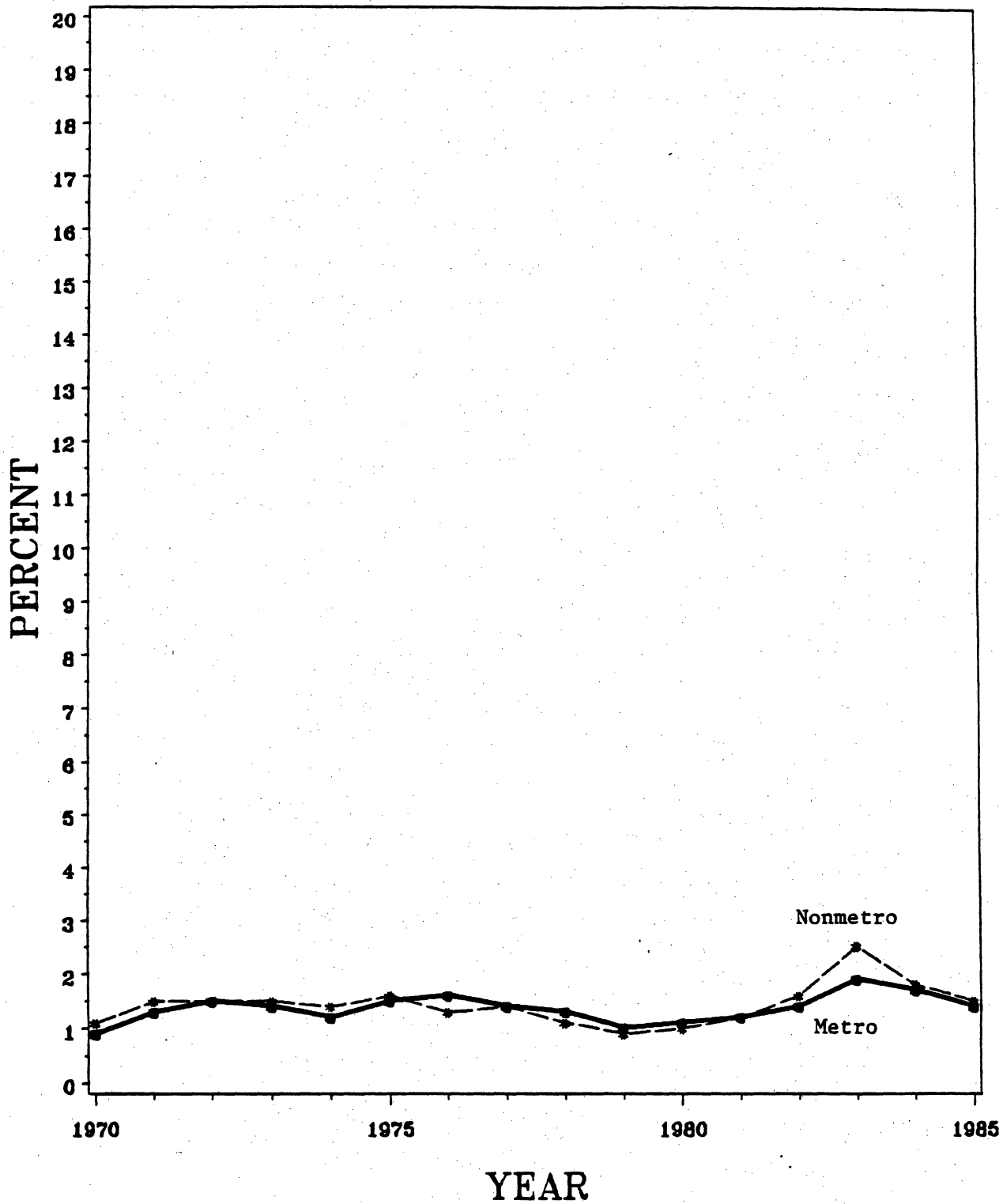
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Appendix A

Nonmetropolitan Underemployment Trends, 1970-85

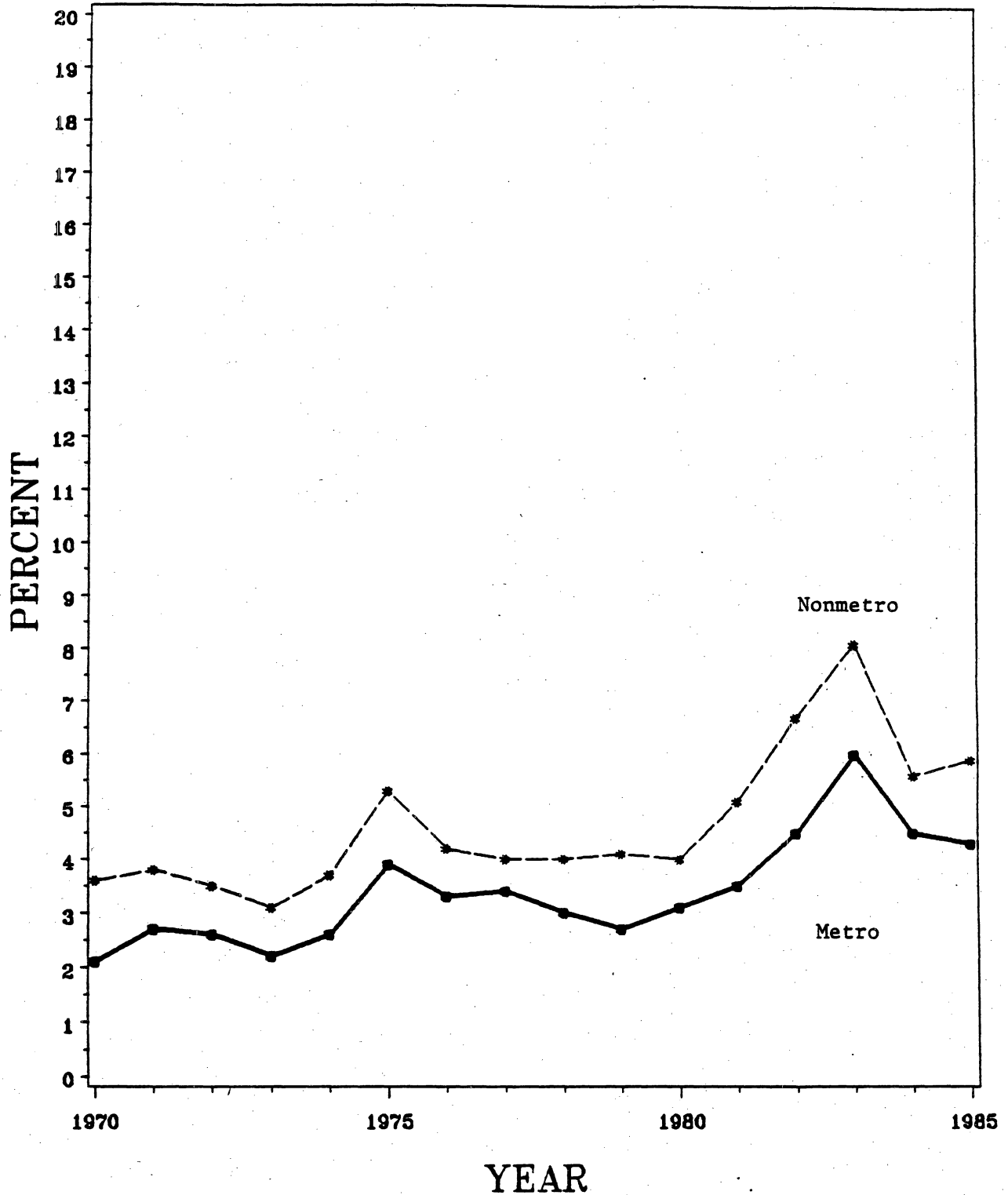
# SUB-UNEMPLOYMENT

1970-1985



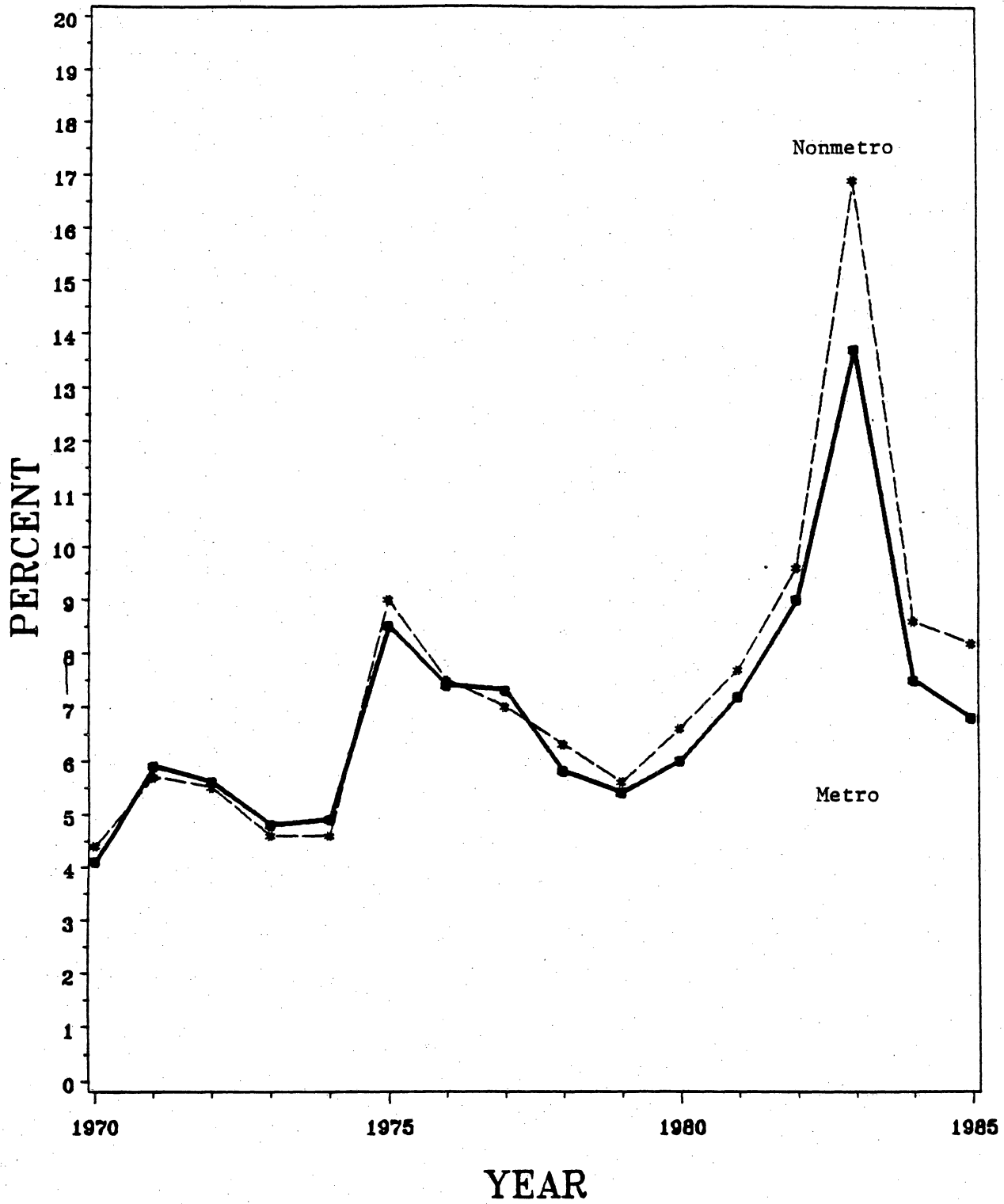
# UNDEREMPLOYMENT BY LOW HOURS

## 1970-1985



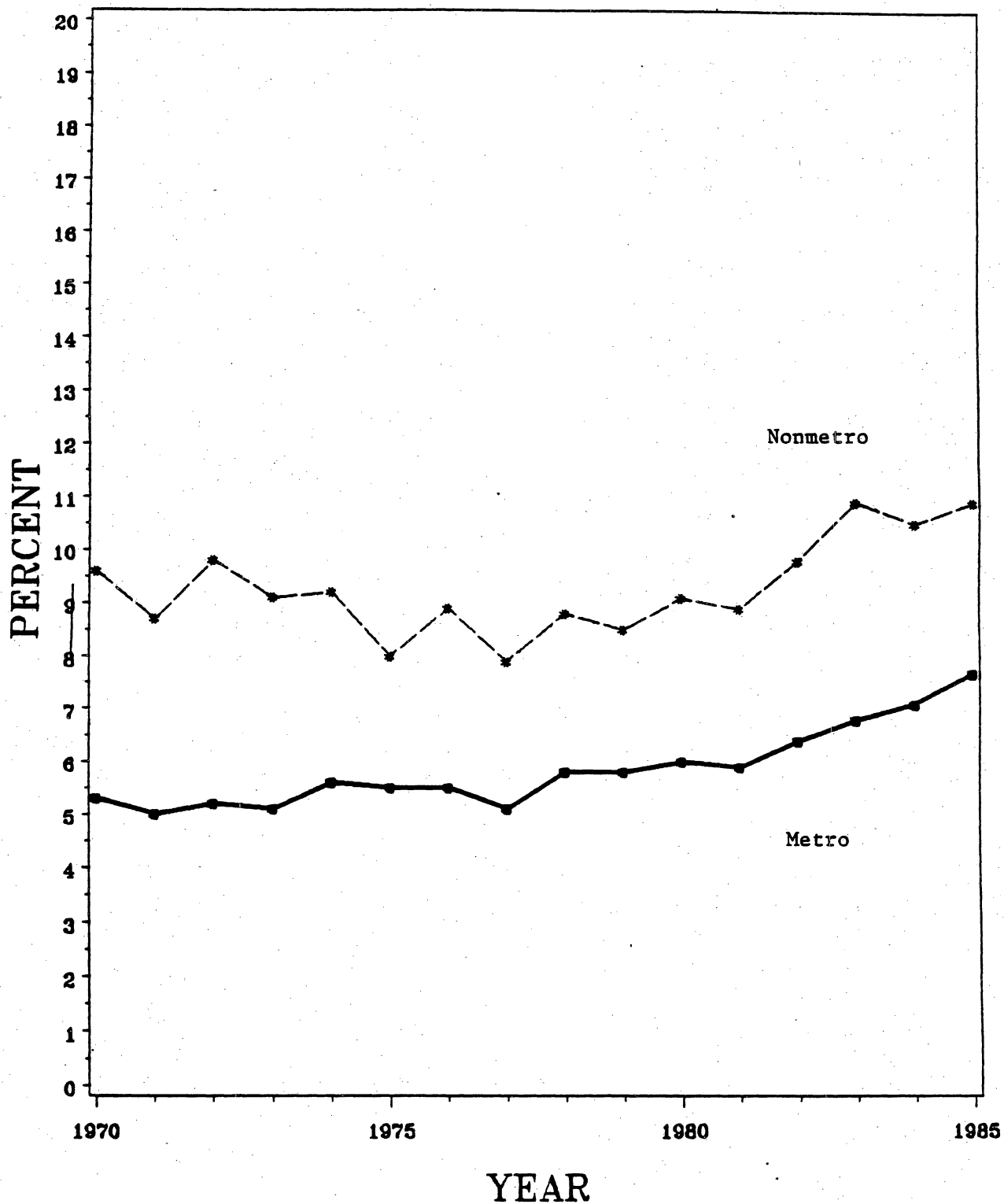
# UNEMPLOYMENT

1970-1985



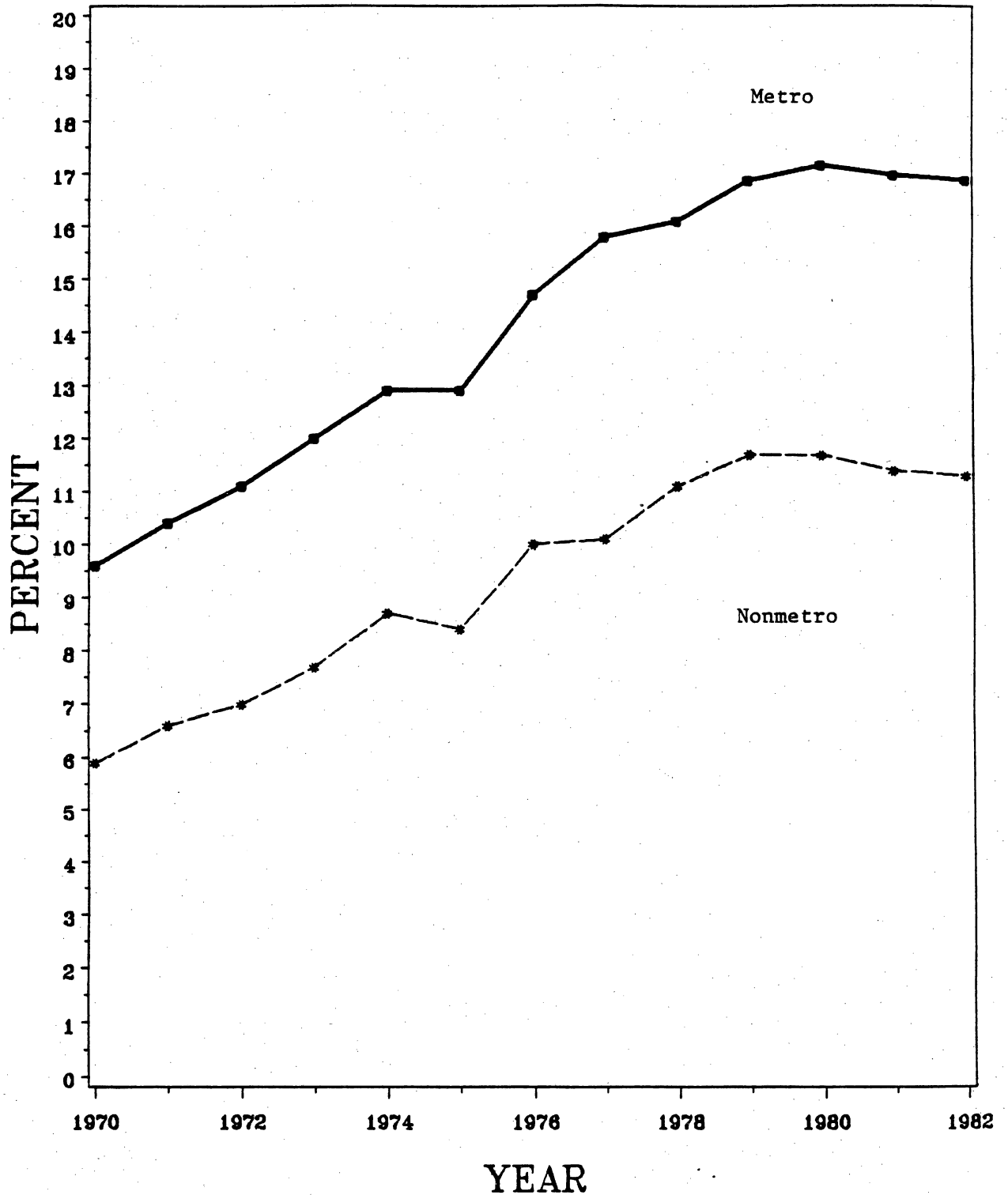


# UNDEREMPLOYMENT BY LOW INCOME 1970-1985



# UNDEREMPLOYMENT BY MISMATCH

## 1970-1982



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