

Looking Past Unemployment to Underemployment

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Each month, the U.S. Bureau of Labor Statistics publishes unemployment numbers as part of its “Employment Situation” news release. The most significant number in that report is the total unemployment rate for the United States and individual states. This number provides a quick look at an economy’s status.

A dropping unemployment rate can signal an improving economy, while an increasing rate signals the opposite. This figure also acts as a proxy for the health of the labor market. The unemployment rate can even shed light on purchasing patterns, as a higher rate tends to accompany less income overall, and as a result, less spending. Additionally, this figure can guide policymakers’ decision-making, especially regarding programs such as unemployment insurance.

Most public discourse about unemployment focuses on this high-level figure, largely because the unemployment rate is the single official definition of unemployment used by the United States government. But what if this does not capture the whole picture?

To address this, the Bureau of Labor Statistics created a set of additional figures called “alternative measures of labor utilization,” which includes unemployment, underemployment, and discouraged workers, among others. Each of these measures attempts to better understand labor market dynamics. While each figure is important, this article will focus on the underemployment rate.

▶ The difference between “unemployed” and “underemployed”

To understand the unemployment and underemployment rates, it is important to know what the labor force is. The labor force comprises the employed and unemployed. Employed people are those with jobs, including those performing unpaid family work for at least 15 hours a week, such as helping a family member operate a business or farm.

Unemployed people are those without a job, but who are actively seeking employment. People who are not working and not actively searching for work (such as retirees or those choosing not to work) are not included in the labor force.

Therefore, the unemployment rate is the number of people without a job who are actively seeking employment as a percentage of the labor force. Measuring the unemployment rate this way can potentially be misleading. In any given month, the unemployment rate could drop because a group of people is not actively searching for work. This means that when the unemployment rate drops, it is not only because more people are employed, but a combination of rising employment and the number of people no longer looking for work.

“Underemployed workers” are workers who want to work full-time but are unable to do so because of economic reasons, such as unfavorable business conditions, the inability to find full-time work, and seasonal declines in demand. Underemployed workers are often referred to as involuntary part-time workers or by their official title,





“employed part-time for economic reasons.”

To measure the underemployed, the Bureau of Labor Statistics counts people who worked one to 34 hours during the survey week. Additionally, they must indicate in the survey that they wish to work full-time to be classified as an involuntary part-time worker.

► Changes in underemployment

Between 2000 and 2025, an average of 5.5 million people were employed part-time for economic reasons nationally. This figure ranged from a low of 3.2 million in 2000 to nearly 9 million at the height of the Great Recession in 2009. During and immediately following the COVID-19 pandemic, there were an average of 4.4 million involuntary part-time workers, peaking in 2021 at 4.9 million, followed by a sharp decrease to 3.9 million in 2022. Since then, there has been a gradual increase back up to 4.8 million in 2025.

However, since the size of the labor force changes over time, it is better to examine involuntary part-time workers as a percentage of the labor force, similar to the unemployment rate. Between 2000 and 2025, involuntary part-time workers comprised an average 3.6% of the labor force. During that same period, the unemployment rate was 5.6%. Post-pandemic, the average percentage of involuntary part-time workers was 2.7%, and the unemployment rate was 3.9%. The percentage of involuntary part-time workers never exceeded the unemployment rate between 2000 and 2025.

Wisconsin-specific data on involuntary part-time workers is available only for 2023 and 2024, providing a brief snapshot of the state’s performance relative to the nation. Wisconsin’s labor market outperformed the national average in both 2023 and 2024. The state’s unemployment rate was 2.8% in 2023 and 3% in 2024, compared to 3.6% and 4% nationally. Wisconsin also had a lower share of involuntary part-time workers. In 2023, 2% of Wisconsin’s labor force was employed part-time due to economic reasons, compared to 2.4%

nationwide. In 2024, the share declined to 1.8% in Wisconsin, while the national rate increased to 2.7%

► Conclusion

Involuntary part-time workers are just one way the Bureau of Labor Statistics goes beyond high-level figures, such as the unemployment rate, to measure the entire labor market. Other measures include discouraged workers, those marginally attached to the labor force, and people who completed temporary jobs. While this article explored underemployment, other measures provide additional insight into the economic state of Wisconsin and the nation and will be topics for future Research Room columns. ■

Forward Analytics is a Wisconsin-based research organization that provides state and local policymakers with nonpartisan analysis of issues affecting the state.



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