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Quarterly review
April 2025

Employment and Social Developments in Europe

European Commission

April 2025

The Employment and Social Developments Quarterly Review provides an in-depth analysis of recent labour market and social developments. It is prepared in the Directorate "Employment and Social Governance, Analysis" of the Directorate-General for Employment, Social Affairs and Inclusion by the Analysis and Statistics Unit. The main contributors for part I are Rafael Martins Resende and Marieke Delanghe. The main contributors for part II are Kilian de Kruyf Molina and Jakub Caisl.

A wide range of information sources were used to produce this report, including Eurostat statistics (from https://ec.europa.eu/eurostat/ unless otherwise stated), reports and survey data from the Commission's Directorate-General for Economic and Financial Affairs as well as EU-LFS scientific use files.

Charts and tables in part I are based on the latest available data as of 01/04/2025 and include among others Eurostat data on national accounts (employment and GDP) and the Labour Force Survey for the fourth quarter of 2024, and monthly unemployment for February 2025.

Additional data and charts are available at:
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Introduction

In the fourth quarter of 2024, the EU economy grew by 0.4% compared to the previous quarter, and it is expected to continue expanding, albeit moderately in 2025, due to geopolitical uncertainties and competitiveness challenges. Following a slight increase in the last quarter of 2024, inflation is expected to continue its decreasing trend reported over the last two years.

In the labour market, employment continued to grow, albeit at a slower pace (0.5% in Q4) compared to the previous quarter (0.8%), reflecting weak economic growth and lower employers' confidence. Against this, the employment rate remained steady, still at its historical high of 75.9%, with eight Member States having already reached their 2030 employment national target in Q4 2024.

Labour shortages have stabilised, but remain high, as indicators of labour market slack and vacancy rates have not changed quarter-on-quarter, reflecting an unchanged participation rate after a period of growing labour force and unemployment at a record low of 5.7% in February 2025.

The gross disposable household income (GDHI) continued to improve in the third quarter of 2024, standing 2.5% above its level in the same quarter of 2023, reflecting an improvement in households' financial situation. Along with rising employee compensations, the share of households reporting financial distress has continued declining, albeit, at 15.7% in March 2025. Nevertheless, levels remain high, especially for the households in the lowest income quintile.

The thematic part of this review focuses on underemployment among part-time workers in the EU. The analysis shows that about a fifth of part-time workers in the EU are underemployed, with considerable variation across countries, sectors of economic activity and population groups. This reflects a range of factors that affect underemployment, including differences in the prevalence of part-time work and the institutional settings within which it takes place; specific sectoral demands for part-time work; workers' vulnerability in the labour market; and their working time constraints due to family responsibilities.

Main economic and social developments

1. Macroeconomic outlook

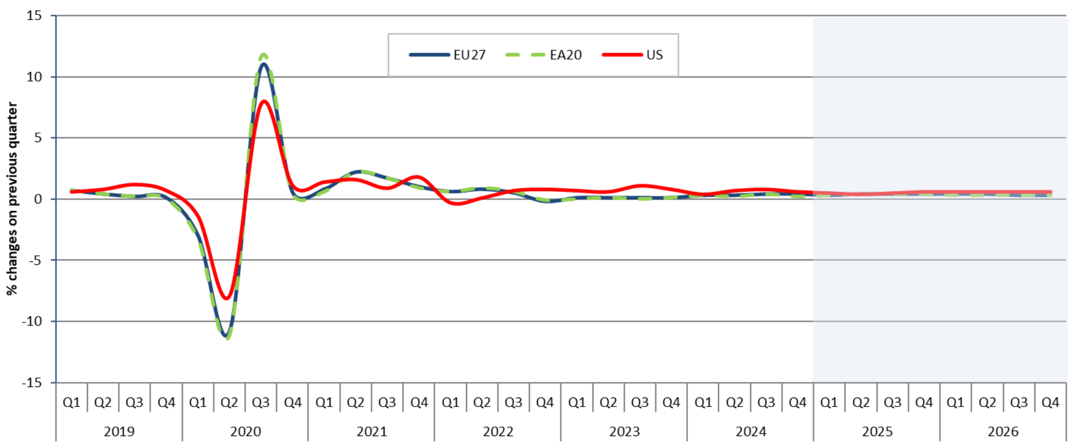
Real GDP growth remained moderate in the fourth quarter of 2024, amidst a challenging global economic context. According to the OECD Interim Outlook of March 2025, the global economy was impacted by weaker government spending, reduced consumer confidence, and fluctuating external demand resulting in a softer-than-expected global demand environment. Despite these headwinds, growth persisted, albeit at a slow pace, expanding by 0.4% in the fourth quarter of 2024 and reaching 1.0% for the entire year. The EU quarterly growth was lower than that of other major economies, such as the US, where GDP expanded by 0.6% quarter-on-quarter, China[1] and Japan[2] with growth rates respectively of 1.6% and 0.6%.

The pace of GDP growth is forecast to remain stable in 2025, but heightened geopolitical uncertainties could lead to modest downwards revisions. The European Commission's Autumn economic forecast[3] projected the EU's real GDP to expand by 0.9% in 2024 and 1.5% in 2025. However, the recent ECB macroeconomic projections of March 2025[4] revised downwards their estimates for 2025, with a euro area real GDP growth rate forecast adjusted to 0.9% (-0.2 pp compared to the previous

[1] National Bureau of Statistics of China.
[2] Eurostat, GDP and main aggregates - international data cooperation quarterly data [naidq_10_gdp]
[3] European Commission Autumn Economic Forecast 2024
[4] ECB staff macroeconomic projections for the euro area, March 2025

forecast). This projected moderation is largely explained by the higher trade barriers and the negative effects of geopolitical and policy uncertainty on investment, household spending, and consumer confidence.[5] The latter returned to its downward trend observed since late 2024, as consumers become more pessimistic about the future economic situation and household's past and future financial situation. These trends are also consistent with a decrease in the Economic Sentiment Indicator to 96.0 in March 2025 (-0.9 pp compared to February), driven by lower confidence in services (-2.0 pp), retail trade (-1.8 pp), and among consumers (-1.0 pp). Construction and industry confidence remained broadly stable (+0.2 pp and 0.0 pp, respectively).

Chart 1: Real GDP growth – EU, euro area and US



Source: Eurostat, National Accounts, seasonally and calendar adjusted data [namq_10_gdp, naidq_10_gdp]. European Commission Autumn forecast.
Notes: Forecast from 2025 Q1 onwards in the shaded area.

Inflation is predicted to decline further in 2025, despite a slight increase in Q4 2024. Following a sharp decline from 6.4% in 2023 to 2.6% in 2024[6], inflation rose from 2.1% in September 2024 to 2.7% in February 2025[7], primarily due to base effects in energy components, rising food and oil prices, and elevated trade costs. Going forward, according to the March ECB forecast, the euro area headline inflation rate is expected to reach 2.3% and 1.9% in 2025 and 2026, respectively, suggesting marginally higher inflation trends across the EU.

2. Employment

Employment stabilised at record heights in the fourth quarter of 2024. During this quarter, the number of employed individuals in the EU rose to 219.7 million, reflecting an increase of 1.5 million compared to the same quarter of 2023[8], a 0.5% increase year-on-year, somewhat slowing down from the 0.8% increase in Q3. At the same time, the employment rate for the people aged 20 to 64 remained at the historic high of 75.9%, unchanged from the previous quarter, keeping the EU on track to achieve

[5] OECD (2025)
[6] Eurostat, HICP - inflation rate (prc_hicp_aind)
[7] Eurostat, HICP - monthly data (annual rate of change) (prc_hicp_manr)
[8] Employment levels are derived from national accounts (namq_10_pe)

its employment rate target of at least 78.0% by 2030.[9] Notably, eight countries either met or surpassed their national employment target for 2030[10], compared with six countries in the fourth quarter of 2023[11].

Total hours worked increased along with improvements in labour productivity. While the total number of hours worked rose in the fourth quarter, the average hours worked per person remained below pre-COVID-19 levels. Nonetheless, after six consecutive quarters of negative or zero year-on-year growth, labour productivity was 0.9% higher in Q4 2024 than in the same quarter of 2023, reinforcing the 0.6% growth seen in Q3. Notably, this rise in productivity occurred alongside a continuous increase in nominal employee compensation since Q2 2023 and points to a slowdown in employment growth together with possible improvements in production processes that potentially come from competitiveness pressures. Yet, productivity growth in the EU is still significantly below the US one. In Q4 2024, the US experienced an annual productivity growth of 2.5% (1.6 pp above the EU in the same period).

Quarterly employment developments display higher participation of older workers, against a slight decline in women's employment. Older workers[12] experienced a rise in employment rates, increasing by 0.2 pp from the previous quarter and 1.1 pp year-on-year, reaching 65.6%. This reflects not only an increasing participation rate associated with extended statutory retirement ages and life expectancy but also enhanced job retention linked to higher education levels among more recent cohorts of older workers.[13] On the other hand, the employment rate for women aged 20 to 64 was at 70.9%, down by 0.1 pp from Q3, causing a slight expansion in the gender employment gap quarter-on-quarter from 9.9 pp to 10.0 pp, as men's employment rate remained steady at 80.9%.

Employment challenges persist for low-educated workers, while employers' expectations on future hires have steadily declined over the last few months. After a slight dip of 0.6 pp between the second and third quarter of 2024, the employment rate for low-educated workers aged 25 to 54 saw a slight recovery in the fourth quarter, with an increase of 0.1 pp, bringing the rate to 64.2%. Despite this improvement, the rate remains 0.3 pp lower than in the same quarter of 2023. At the same time, part-time employment as a share of total employment slightly increased by 0.1 pp quarter-on-quarter to 17.2%, and the proportion of temporary employees fell to 9.9%, marking a decrease of 0.1 pp quarter-on-quarter. Finally, after decreasing from 100.1 in October 2024 to 98.2 in December 2024 and increasing to 99.5 in January 2025, managers' employment expectations, measured by the Employment Expectations Indicator (EEI), declined again to 98.4 in February and 97.7 in March. This decline echoes reduced optimism in employment plans mainly in retail, while expectations remained relatively unchanged across the industry, services, and construction sectors. The latest results indicate a continuation of the negative trend observed since early 2022 following the significant recovery seen post-pandemic.

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[9] Employment rates are based on the Labour Force Survey (lfsi_emp_q)

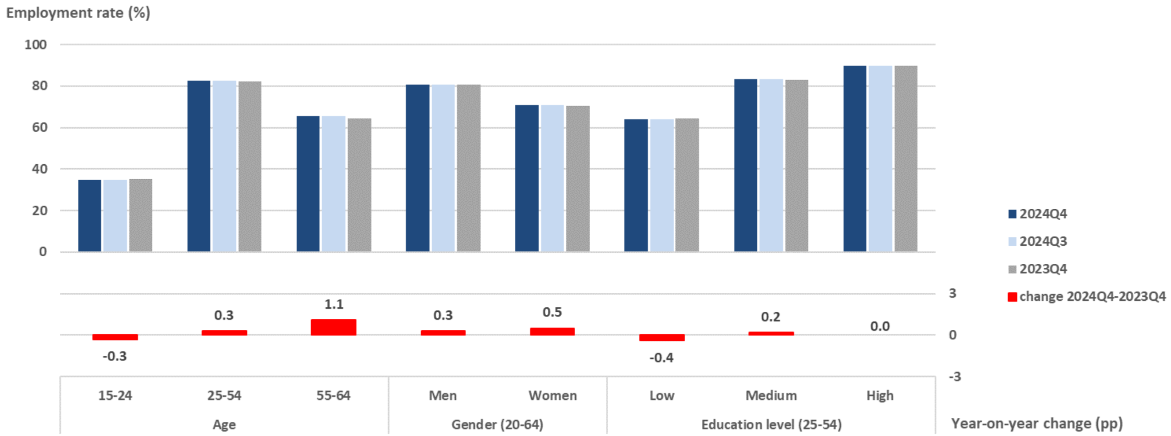
[10] The Netherlands, Czechia, Cyprus, Denmark, Estonia, Ireland, Poland, and Slovakia.

[11] The Netherlands, Estonia, Sweden, Ireland, Poland, and Slovakia.

[12] 'Older workers' stand for people aged 55 to 64 years old.

[13] European Commission (2025). Joint Employment Report

Chart 2: Employment rate by population group - EU



Source: Eurostat, LFS [lfsi_educ_q]. Data seasonally adjusted.
Notes: Age groups are indicated between parentheses for gender and educational level groups. Education levels represent ISCED levels of educational attainment: low stands for ISCED 0-2, medium for ISCED 3-4 and high for ISCED 5-8.

3. Unemployment

Continuing its downward trend, EU unemployment reached a new record low in February 2025, with 5.7% of the population in the labour force being unemployed. This represents a decrease of 0.1 pp from the previous month and 0.4 pp from February 2024 (Chart 3). Although the gender gap remained at 0.5 pp compared to February 2024, it increased by 0.1 pp from January 2025. This change was driven by a decrease in the unemployment rate for men from 5.6% to 5.5%, while the unemployment rate for women remained stable at 6.0%. At the end of 2024, the long-term unemployment rate stood at 1.8%, and the very long-term rate at 1.0%, a -0.1 pp and 0.0 pp change respectively, compared to Q3 2024.

Alongside these low levels of unemployment, unemployment expectations [14] have been decreasing since the beginning of 2025 reversing the upward trajectory observed in 2024. After reaching a peak of 26.3 in January 2025, the highest since January 2023, unemployment expectations have been gradually decreasing to 25.3 in March 2025, yet corresponding to a year-on-year change of 8.0 pp.

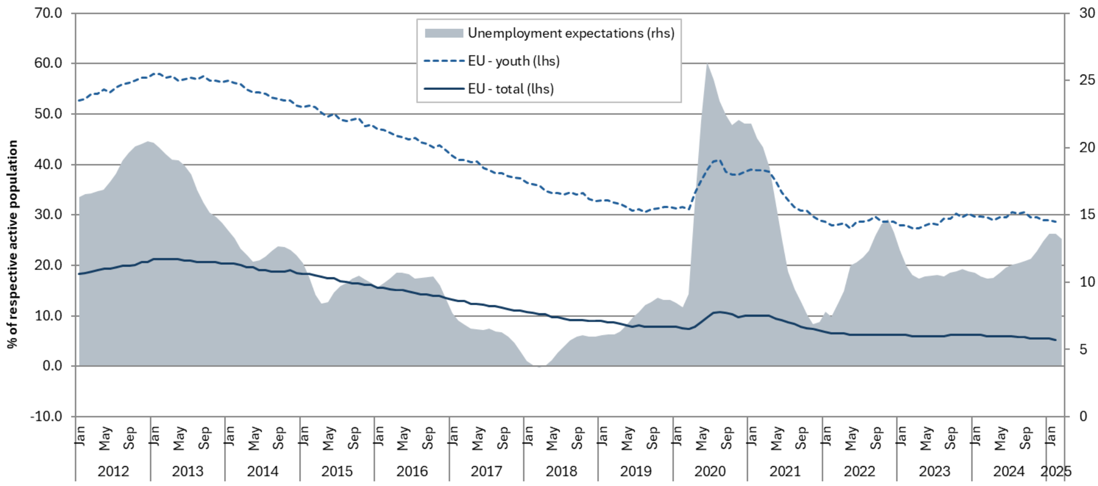
Youth unemployment continued to slowly decline since September 2024 due to a decrease for men, while it remained unchanged for women. The youth unemployment rate, i.e. of people aged less than 25, stood at 14.5% in February 2025, slightly down from 14.6% in January, and 0.4 pp less than in February 2024 (Chart 3). This reduction was primarily driven by a decrease in men's youth unemployment, which fell by 0.2 pp between January and February 2025 to 14.6%. In contrast, women's youth unemployment remained unchanged at 14.5% during the same period. Comparing year-on-year data, men's youth unemployment dropped by 0.9 pp from 15.5% in February 2024 to February 2025, whereas women's youth unemployment increased by 0.4 pp from 14.1%.

The percentage of young people who are NEET remained stable at the EU level but with significant differences across countries and significant yearly variations at national level. At the end of 2024, 11.1% of young people aged 15-29 were neither in employment nor in education and training (NEET), at the same level as in Q4 2023. Nonetheless, there were strong variations among EU countries, the Netherlands reporting a rate of 5.1% in Q4 2024 and Romania a rate of 19.9%. In addition,

[14] Unemployment expectations correspond to consumers' expectations for unemployment in the country over next 12 months. The right scale of Chart 3 is the balance between the share of respondents who expect higher unemployment and those who expect a lower one.

some EU countries presented significant yearly variation. For instance, while Cyprus and Greece experienced improvements by at least 2 pp, from 14.6% and 16.1% to 11.5% and 13.5%, respectively, Malta's rate deteriorated from 5.3% to 7.4%.

Chart 3: Unemployment rate, youth unemployment rate, and unemployment expectations - EU



Source: Eurostat, series on unemployment [une_rt_m] and European Commission, Business and Consumer Surveys [ei_bsco_m]. Seasonally adjusted data.
Notes: Unemployment expectations: consumers' expectations for unemployment in the country over next 12 months, moving average over past 3 months. The right scale is the balance between the share of respondents who expect higher unemployment and those who expect a lower one.

4. Additional developments in the labour force and labour demand

The EU labour market participation remained stable in Q4 2024. The participation rate for people aged 15 to 64 was steady at 75.3%, with men's participation at 80.0% and women's at 70.6%, both slightly down by 0.1 pp. Meanwhile, the proportion of people available but not seeking, seeking but not available, and underemployed remained unchanged at 2.7%, 0.9%, and 2.4%, respectively, compared to the previous year.

Labour shortages stabilised as the labour market slack and the job vacancy rate remained relatively unchanged in Q4 2024. The labour market slack indicator[15] remained nearly stable at 11.6% of the extended labour force[16], with an annual decrease of 0.3 pp, driven by unemployment (-0.3 pp to 5.6%). Similarly, the level of unmet labour demand – expressed by the job vacancy rate[17] and used as a proxy for labour shortages – remained at the same level as in the previous quarter (2.3%). Yet, it has experienced a reduction of 0.3 pp year-on-year, on the back of a stable but weakening economic growth and reduced hiring plans over the last year[18] (Chart 4). The sectors with the highest job vacancy rates were administrative and support services at 3.9% (stable quarter-on-quarter), followed by construction at 2.9% (+0.1 pp quarter-on-quarter), information and communication at 2.9% (+0.1 pp quarter-on-

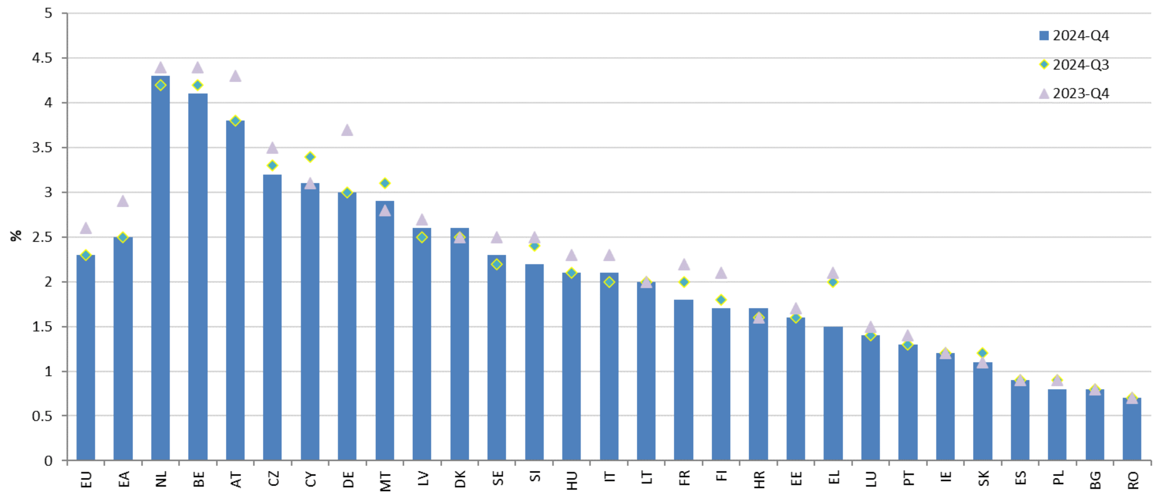
[15] This indicator measures the whole potential demand for employment. As it includes people outside the labour force ('people who are available to work but are not looking for work' and 'people who are looking for work but are not available for work'), it is computed as share of the extended labour force, which incorporates them. More methodological details can be found at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Labour_market_slack_-_employment_supply_and_demand_mismatch
[16] The extended labour force consists of the labour force (unemployed and employed) and of the potential additional labour force (the two categories outside the labour force, i.e. those available but not seeking, and those seeking but not available).
[17] NACE2 sectors B to S.
[18] European Commission (2025)

quarter), and professional and support activities also at 2.9% (+0.2 pp quarter-on-quarter). The sectors with the lowest job vacancy rates were mining and quarrying at 0.8% (+0.1 pp quarter-on-quarter), followed by water supply at 1.5% (0.0 pp quarter-on-quarter) and manufacturing at 1.7% (0.0 pp quarter-on-quarter).[19] Although labour shortages have been easing year-on-year, they remain above the pre-COVID average of 1.7% job vacancy rate, reflecting challenges related to demographic change, the demand for new skills linked to technological developments and the twin transition, and poor working conditions in some sectors[20].

Fewer managers in the services sector, but more in the industrial sector, reported that labour was a factor limiting their production in Q1 2025. Despite relatively steady labour market slack and job vacancy rates in Q4 2024, sectoral differences emerged in early 2025 regarding labour constraints on production or business.[21] In Q1 2025, fewer managers in the services sector reported labour as a limiting factor, with a decrease from 27.4% to 24.1% between December 2024 and January 2025, possibly suggesting a weakening of labour demand. Conversely, the industrial sector saw an increase from 17.4% to 18.6%, marking the first rise since early 2023.

Labour hoarding remained unchanged between February and March 2025, after increasing for four consecutive months. These changes in labour shortages were accompanied by an increasing share of companies retaining their employees despite expected output decreases, also referred to as labour hoarding[22], stabilising at 10.4% in March 2025. This stabilisation occurred after four months of continuous increases from 9.3% in October 2024 to 10.4% in February 2025, 0.7 pp higher than its long-term average.[23] Compared with the previous month, labour hoarding in retail increased for the fifth consecutive month, now reaching 14.9%. In contrast, it decreased in construction from 15.3% to 15.0%, and in services, it dropped by 0.2 pp to 8.4% after four consecutive months of increases. Notably, in the industry sector, labour hoarding remained unchanged at 8.3% following decreases of 0.2 pp and 0.7 pp in the two preceding months, respectively. This supports the narrative of easing labour markets in the industry, as observed with other indicators. However, March 2025 figures on labour hoarding suggest a potential slowdown in this trend.

Chart 4: Job vacancy rate - EU, euro area, and Member States



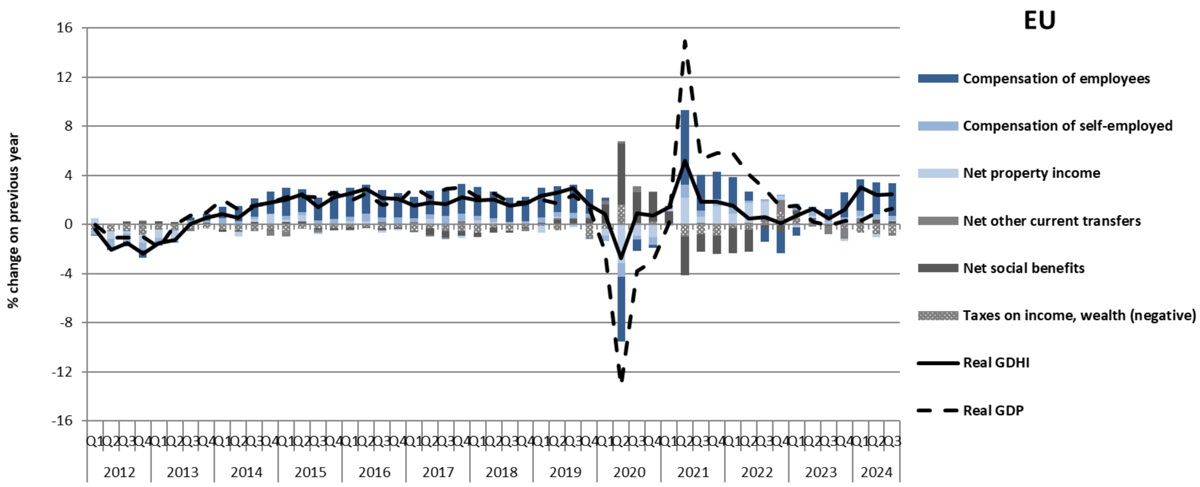
[19] Job vacancy rates by NACE2 sector are unadjusted, due to the unavailability of seasonally or calendar adjusted data.
[20] European Commission (2025)
[21] Indicator published as part of the EU Business and Consumer Surveys.
[22] Indicator published as part of the EU Business and Consumer Surveys. It reflects the share of firms which expect their output to decrease, but their employment to increase or remain unchanged.
[23] European Commission (2024a) explores the factors behind the coexistence of high labour shortages and significant labour hoarding.

Source: Eurostat, Job Vacancy Statistics [jvs_q_nace2]. Seasonally adjusted data
Notes: Job vacancy rate = vacancies / (vacancies + occupied posts); NACE rev2 B-S Industry, construction, and services (except activities of households as employers and extra-territorial organisations and bodies) for all Member States except DK (NACE rev 2 B-N Business economy); Firm size > 10 for FR.

5. *Income and financial situation of households*

Real Gross Disposable Household Income (GDHI) continued to grow faster than real GDP in Q3 2024, led by compensation of employees. Real GDHI rose by 2.5% compared to Q3 2023, while real GDP increased by 1.3%. This GDHI growth was primarily driven by rising employee compensation (2.7% year-on-year), consistent with previous quarters. Notably, net property income grew by 0.1% year-on-year in Q3 2024, a 0.4 pp increase from the -0.3% year-on-year decline registered in Q2 2024. Although the pace of growth in self-employed compensation slowed compared to the preceding quarter from 0.4% to 0.3% year-on-year, it continued to positively impact GDHI growth in Q3 2024. Additionally, net social benefits increased by 0.3% year-on-year (Chart 5). Real GDHI growth was supported by a robust labour market and recovery in real wages in a context of robust nominal wage growth and lower inflation, allowing the purchasing power of wages to recover nearly half of the loss that resulted from high inflation[24]. This trend aligns with the latest ECB forecast for the euro area.[25]

Chart 5: Real GDP growth, real GDHI, and its main components



Source: Eurostat, National Accounts, unadjusted data [namq_10_gdp, nasq_10_nf_tr] (DG EMPL F.4 calculations)
Note: The nominal GDHI is converted into real GDHI by deflating with the deflator (price index) of household final consumption expenditure. Compensation of self-employed = Operating surplus and mixed income, gross (na_item = B2A3G).

There has been a noticeable trend of decreasing financial distress[26] across all income quartiles, although levels remain high among the most economically disadvantaged households. The share of households experiencing financial distress, which peaked at 17.5% in August 2023, has continuously declined to 15.7% by March 2025. This represents a slight decrease of 0.1 pp from February 2025 and a more substantial drop of 1.3 pp compared to March 2024. Despite this, financial distress remains significant within the lowest income quartile, standing at 26.5% (a reduction of 1.5 pp year-on-year) but approximately more than 9 pp higher than any other income group (Chart 6).

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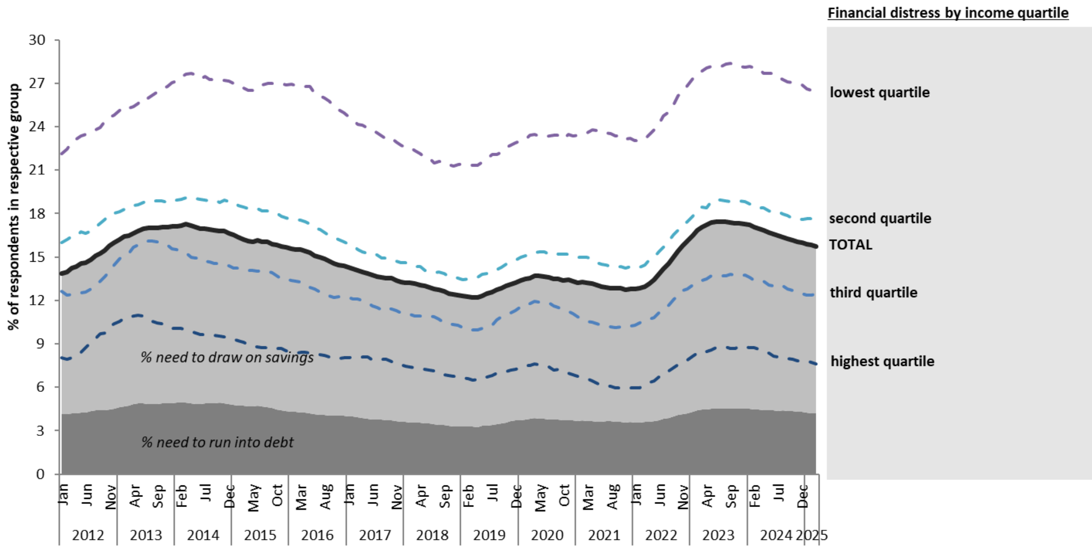
[24] European Commission Autumn Economic Forecast 2024 ; European Commission (2024a).
[25] ECB staff macroeconomic projections for the euro area, March 2025
[26] Defined as the perceived need to draw on savings or to run into debt to cover current expenditures, moving average over 12 months. For details on Business and Consumer Surveys, including consumer survey's question on the current financial situation of households, see https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/business-and-consumer-surveys_en

Individuals have been less reliant on their savings and incurred less debt. Since peaking at 12.9% in May 2023, the proportion of individuals drawing on their savings has been on a steady decline, reaching 11.5% in March 2025, down by 0.1 pp from the previous year. Similarly, the percentage of individuals incurring debt has been on a continuous, albeit slower, decline, at 4.2% in March 2025, a slight decrease of 0.3 pp compared to the same period last year (Chart 6).

Within the lowest income quartile, several Member States reported notable changes in financial distress between March 2024 and March 2025.[27] During this time, the Czech Republic, Luxembourg, Austria, Hungary, Slovakia, Belgium, and Poland experienced significant increases in reported financial distress levels, whereas Malta, Lithuania, Denmark, Portugal, the Netherlands, France, Italy, and Latvia saw the largest decreases.

Chart 6: Reported financial distress by income quartile - EU, 2012-2024



Source: European Commission, Business and Consumer Surveys. 12-months moving average (DG EMPL F.4 calculations).
Note: Lines show the long-term averages for financial distress for the population as a whole and for households in the four income quartiles. The overall share of adults reporting having to draw on savings and having to run into debt are shown respectively by the light grey and dark grey areas, which together represent total financial distress.

Thematic focus: Underemployment among part-time workers in the EU: who works less hours than they want to and why?

1. Introduction

While working part-time is often a voluntary choice, some part-time workers work shorter hours than they want to, resulting in underemployment. This thematic focus explores who the underemployed part-time workers are and why they work shorter-than-desired hours based on an analysis of the EU-LFS data[28] complemented by evidence from secondary sources. It uses a broad definition of underemployment, considering all part-time workers who want to work additional hours

[27] The reported changes are based on the difference between two moving averages calculated for the periods January-March 2024 and January-March 2025.

[28] EU-LFS data can be used to identify part-time workers who state that they would like to work additional hours compared to their current working time and indicate whether they are immediately available to do so or not.

as underemployed, regardless of whether they are immediately available to do so.[29] The aim is to capture underemployment linked to insufficient labour demand as well as working-time constraints on the labour supply side (such as limited hours due to caring responsibilities). It is important to distinguish underemployment from "involuntary part-time work", a term that refers to workers who work part-time because they are unable to find a full-time job. While underemployment and involuntary part-time definitions mostly overlap, they do not cover exactly the same populations of part-time workers – for example, involuntary part-time work excludes part-time workers who want to work extra hours (i.e. are underemployed) but remain within a part-time schedule. [30]

Addressing underemployment is important because doing so can generate additional labour supply and improve the living conditions of the underemployed. As the EU labour market reaches record employment highs and unemployment lows, additional sources of labour become particularly valuable (the quantification of the additional labour supply resulting from addressing underemployment is explored in the upcoming 2025 ESDE annual review)**.** At the same time, the misalignment of actual and desired working hours is linked to lower well-being of underemployed workers due at least partly to the loss of earnings and lower living standards that hours' rationing imposes on workers. Underemployed workers also report lower happiness levels than both voluntary part-time and full-time workers.[31] The greater the gap between the desired and actual hours, the greater the likelihood of unhappiness and depression among the underemployed.

2. *About a fifth of part-time workers are underemployed, with considerable variation across countries and sectors of economic activity*

In 2023, the underemployed represented 6.5 million workers aged 20-64 across the EU, accounting for about a fifth of all part-timers (or slightly more than 3% of the overall employment). Most of the underemployed (almost four fifths) were immediately available to increase their working hours to desired levels, with only about a fifth wishing to work longer hours but not being able to do so in a two-week period. Thus, most underemployment is not due to long-term labour supply constraints that limit working hours below desired levels even when suitable jobs with longer working hours are available.

Most underemployed are women, middle-aged, domestic-born and without young children, in line with the fact that these groups account for most of part-time work in the EU as well. Women account for about two thirds of the underemployed, people aged 30-54 for almost 60%, domestic born and people without young children for more than four in five (Chart 7). While this reflects large shares of these groups among part-time workers overall, there are some notable differences. For example, while women account for three quarters of part-time workers, they only account for two thirds of underemployed. Similarly, persons aged 55-64 account for about a quarter of part-timers, but for less than 15% of underemployed. This suggests some groups of part-time workers are relatively less exposed to underemployment than others, an issue that is explored in detail in the next section of this thematic focus.

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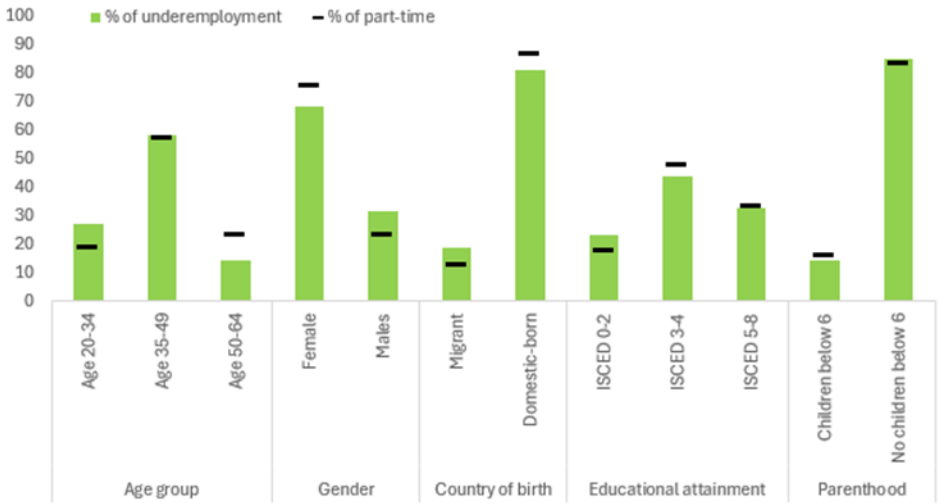
[29] Note that this is a broader definition than the one used by Eurostat for underemployment. Eurostat defines underemployed worker as a person working part-time who would like to work additional hours and is immediately (within the next two weeks) available to do so. Taking a broader definition allows us to take a perspective of underemployment that considers structural and longer-term challenges that constrain working times, such as caring responsibilities, availability of external care solutions, or certain features of the tax-benefit systems.

[30] For more detail on involuntary part-time work, see https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_labour_force_survey_-_methodology

[31] Bell & Blanchflower (2019); Heyes & Tomlinson (2021)

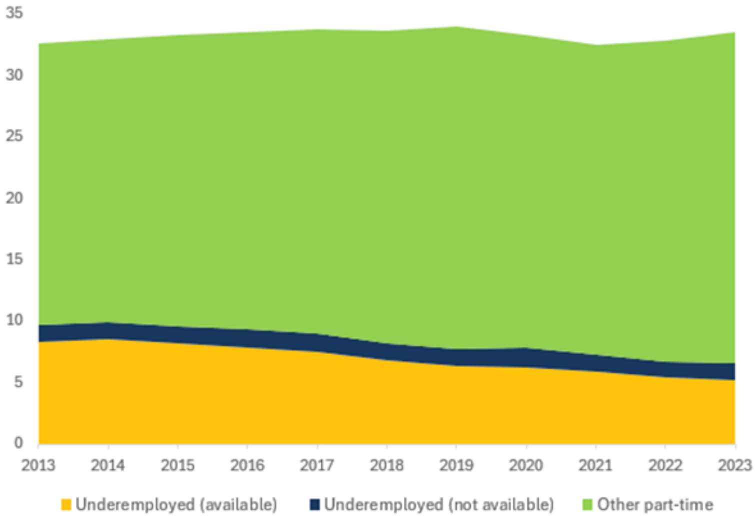
Chart 7: Proportion of selected worker groups among underemployed and part-time workers, EU-27, 2023



Source: DG EMPL calculations based on EU-LFS microdata

As labour demand increased over the last decade, underemployment steadily declined both in relative and absolute terms (Chart 8). Back in 2013, around 30% of part-time workers were underemployed compared to less than 20% today. Throughout this whole period, part-time work accounted for a relatively stable share of all employment, declining only slightly from 18% to 17%. The decline in underemployment reflects high labour demand in recent years in the EU. In fact, it occurred largely among part-time workers immediately available to work longer hours, whose number dropped from over 8 million to about 5 million during the 2013-2023 period. In contrast, the number of underemployed unavailable to immediately work longer hours due to time constraints (such as care responsibilities, disability, or taking part in education) remained stable over the last decade at about 1.5 million, accounting for a larger share of all unemployed today (21%) than in 2013 (14%).

Chart 8: Total underemployed workers (in millions) over time, EU-27, 2013-2023

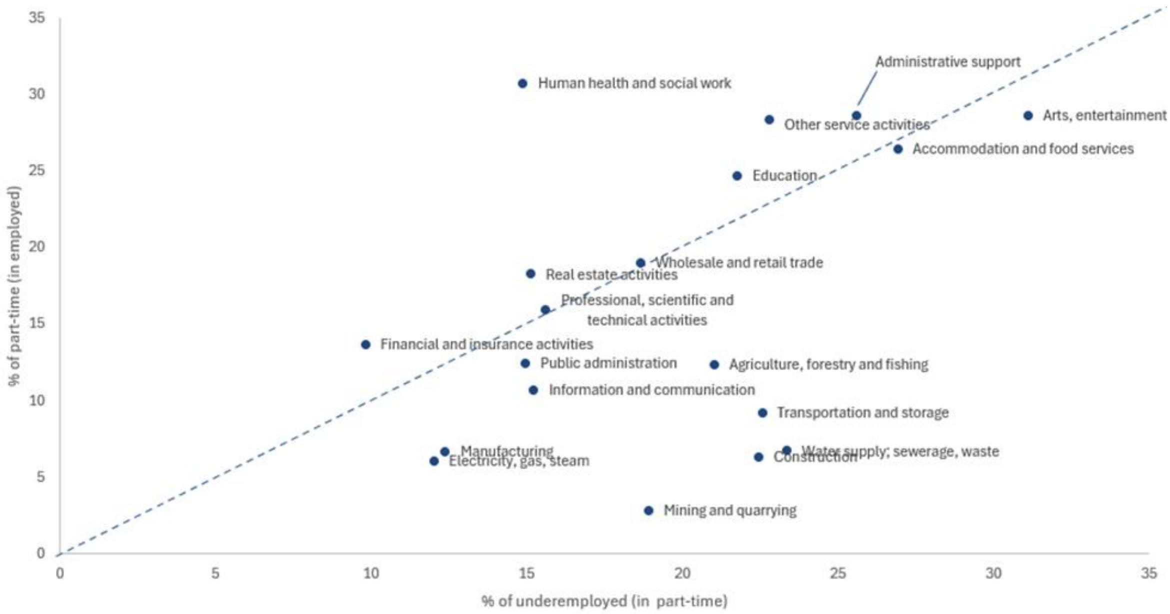


Source: DG EMPL calculations based on EU-LFS microdata

The share of underemployment in part-time work varies considerably across Member States, without a clear link to national levels of part-time work. Underemployment seems to be somewhat more common among part-timers in countries where part-time work amounts to lower shares of employment,[32] but the link is weak (Chart A1 in the Appendix). In countries with the highest level of underemployment (more than 40% of part-time workers want to work more hours than they do – CY, EL, ES, PT), part-time work tends to be a modest part of overall employment.[33] However, there are other Member States where underemployment is high (around a third of part-timers – IE, FI, FR) and part-time work is common.[34] This reflects the fact that the national levels of underemployment depend on a complex mix of factors, including cross-country differences in acceptability of part-time work, institutional settings affecting part-time work (e.g. such as the strictness of employment protection legislation), pay gaps between part-time and full-time work, [35] availability of different solutions to reconcile work and family responsibilities (such as external childcare or reduced working times) to parents,[36] or design of household income taxation that may affect work incentives of secondary earners.

The prevalence of underemployment tends to be higher in sectors of economic activity relying more heavily on part-time work (Chart 9). Underemployment is most common in service-intensive sectors (accommodation and food services, administrative and support services, arts, entertainment and recreation) where frequent use of part-time work reflects employers' demand for flexible schedules to cover specific peak hours or extended operating times.[37] The high levels of underemployment in these sectors (over a quarter of part-timers are underemployed) suggests that the employers' demand for flexible scheduling does not necessarily coincide with workers' preferences for longer working hours. The preference for additional working hours maybe linked to relatively low wages in these sectors, pointing to precarity of work.

Chart 9: Prevalence of underemployment and part-time work by sector of economic activity, EU-27, 2023



Source: DG EMPL calculations based on EU-LFS microdata

Part-time work is uncommon and marked by underemployment in several male-dominated sectors, including transportation, construction, water supply and mining. Less than a tenth of workers in these sectors work part-time, but more than a fifth of part-timers are underemployed. In contrast, part-time is common in female-dominated health and social work activities (almost a third of

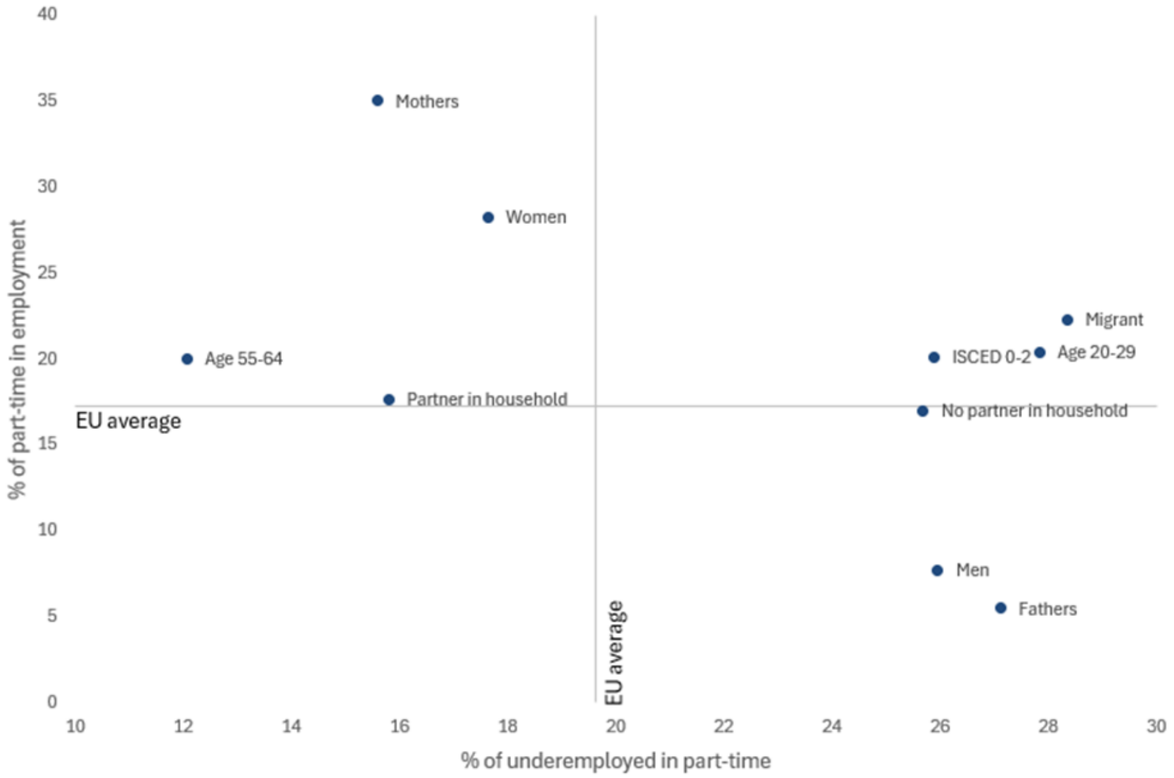
[32] Member States where part-time work is rare (less than 5% of total employment) are excluded for analysis.
[33] Less than 10%, except for Spain, where this is 13%.
[34] Close to EU average of 17%.
[35] Choi & Marinescu (2024)
[36] European Institute for Gender Equality (2024)
[37] Choi & Marinescu (2024)

workforce), where only 15% of part-timers report underemployment. This mirrors gender differences in acceptability of part-time work (see next section for a more detailed discussion).

3. Underemployment is more common among young, migrant, single part-time workers and those with lower educational attainment

The incidence of underemployment among part-time workers varies across population groups, as do the reasons behind working less than desired hours. The proportion of part-time workers who are underemployed ranges from 12% to 28% depending on the population group (Chart 10). Difficulties with finding a full-time job tend to be the most common reason for underemployment across a diverse range of workers (reported by at least a third of underemployed regardless of worker characteristics),[38] suggesting that underemployment is often linked to relatively weak bargaining position of workers in the labour market that limits their freedom of choice in fulfilling their working-time preferences.[39] However, there are also other factors that influence the likelihood of being underemployed whose importance differs markedly by population group, such as the need to combine paid work with care responsibilities or education.

Chart 10: Prevalence of underemployment and part-time work by selected population groups, EU-27, 2023



Source: DG EMPL calculations based on EU-LFS microdata

Part-time work is more common than average among migrants, people with low educational attainment and young people, and so is underemployment. Within each of these groups, part-time work amounts to a quarter or more of all employment, which is more than the EU average (around 17%). At the same time, more than a fourth of part-time workers from these groups are underemployed, which

[38] Based on calculations from the EU-LFS microdata
[39] Busilacchi et al. (2024)

is more than 5 pp above the EU average. This likely reflects a particularly weak bargaining position of these groups in the labour market linked to their relative lack of work-related education, skills and experience.[40] People with low educational attainment are more likely to have limited employment choices. Low educational attainment is more common among migrants than domestic-born population and is exacerbated by lack of relevant language skills and issues with qualification recognition. Young part-time workers tend to have limited work experience, which can make it more difficult to find alternative employment opportunities.

More than one in four women and older workers work part-time, with underemployment relatively uncommon among these groups at least partly due to long-term working time constraints. The share of underemployment in part-time work is particularly low among older workers, reaching just 12%. This reflects the fact that more older people work reduced hours as they near retirement due to a range of reasons including health limitations, family responsibilities (including caring for others in their households), or personal preferences. High prevalence of part-time work among women is linked to the difficulties they face in combining paid work with family responsibilities – women usually undertake most unpaid care work at home, which limits their time available for paid work.[41] These time constraints make underemployment less common among women working part-time (18% are underemployed), and especially among mothers of young children (16%). The lower rates of underemployment among women may therefore reflect their inability to even consider working longer hours when facing structural problems such as a lack of child or long-term care services.

In contrast, few men work part-time and a disproportionate share of them are underemployed. Only about 8% of employed men in the EU work part-time and this proportion is even lower among fathers of young children (5%). Yet, more than a quarter of male part-time workers report they would like to work longer hours, a proportion that is even somewhat higher among fathers. This at least partly linked to gendered attitudes towards the work of men and women, identifying men as primary earners within households and women as primary caretakers. Nearly a half of EU population has attitudes that at least partly support such gendered distribution of paid and unpaid work within households.[42] Such attitudes help explain why men take up part-time work less often than women and when they do, they are less likely to consider this a desired choice on their behalf.

While there are no large differences in the prevalence of part-time work among people living with and without a partner, the former are much less likely to be underemployed than the latter. About 15% of part-time workers living with their partners are underemployed, whereas this proportion reaches 26% for those living without a partner. This difference partly results from the low underemployment of women living in couples with children. However, the low share of underemployment among those living in a couple also links to the household's economic situation – in a household with two earners, it may be easier for one of them to choose to work part-time while maintaining sufficient levels of overall household income. Single persons rely largely on their own income, and thus are more likely to consider higher incomes associated with full-time work as a preferred labour market outcome – in this context, working part-time is more likely to result from lack of full-time work alternatives.[43]

Considering how differences in underemployment relate to each other and to what extent they relate to occupational and sectoral employment patterns requires econometric analysis. In what follows, the probability of underemployment among part-time workers is assessed through logit regressions over the period 2013-2023,[44] which help answer the following questions:

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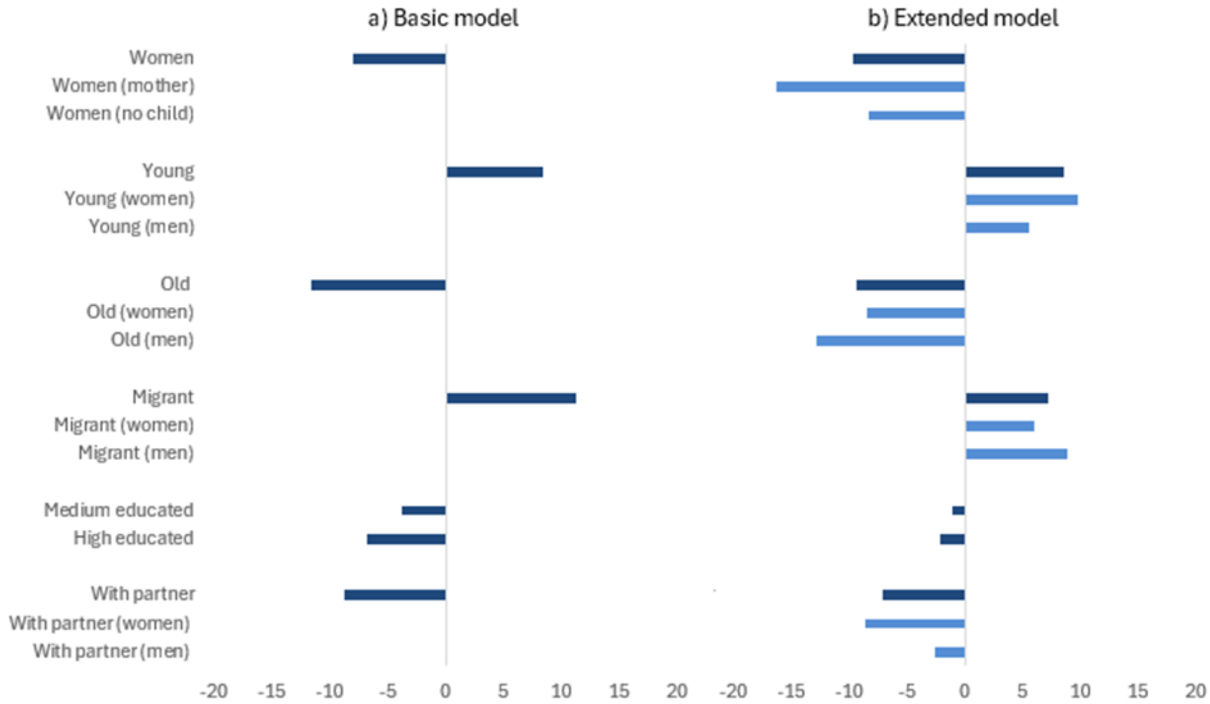
[40] Ibid
[41] European Commission (2024b), European Institute for Gender Equality (2024)
[42] Caisl (2024)
[43] Kauhanen (2008)
[44] Based on pooled annual LFS microdata over the 2013-2023 period.

- **How do selected worker characteristics affect the probability of underemployment among part-time workers once the influence of other factors is considered?** (panel a) in Chart 11 5) This requires a baseline logit regression that includes several individual characteristics of part-time workers known to influence the likelihood of underemployment: age (20-29, 30-54, 55-64), gender, migrant status, household composition (single or living with a partner), parenthood, educational attainment, and participation in education or training. Compared to descriptive analysis, this model takes account of the relations between characteristics considered in the analysis (e.g. accounting for the fact that migration status and educational attainment are linked together and separating their influence on underemployment).
- **Do occupational and sectoral patterns of employment contribute to differences in underemployment across population groups?** (panel b) in Figure 5) In addition to demographic characteristics, the extended model considers which occupations and sectors of economic activity part-time workers work in. For each worker, their occupation is recorded at ISCO-08 one digit level and their sector of economic activity at NACE Rev2 one digit level.,
- **How does underemployment vary within narrower subgroups of workers?** (panel b) in Chart 11) The extended model also includes interaction terms between several worker characteristics (such as parenthood and gender), which allow estimation of probability of underemployment within narrower groups of workers (e.g. mothers, fathers, migrant women, migrant men). Detailed results from the extended model can be found in Table A1 in the Appendix.

This analysis shows that underemployment differences by gender, age and household composition cannot be explained by differences in occupational and sectoral patterns of employment (Chart 11). The probability of underemployment in part-time work is significantly lower among women (than men), older workers (than prime-aged workers) and people living with their partners (compared to singles), by 8 pp or more. Younger part-time workers are about 8 pp more likely to be underemployed than prime-aged workers, even when their higher propensity to combine work with formal education is accounted for. These differences are broadly in line with findings from the descriptive analysis above. None of these results change substantially when we control for the fact that these groups of workers have different occupational and sectoral patterns of employment.

Chart 11: Differences in predicted underemployment probabilities by model type, EU-27, 2013-2023



Note: Data does not cover Germany and Malta, since these countries do not collect data on migrant status systematically throughout the whole 2013-2023 period. The following comparison groups are used in the figure: women (with and without children aged below 6 years old) compare to men; young (20-29) and older (55-64) people (men, women) compare to prime age individuals (30-54); migrants (men, women) compare to natives; high (ISCED 5-8) and medium educated (ISCED 3-4) compare to people with low educational attainment (ISCED 0-2), people living with a partner in the household (men, women) compare to people not living with a partner in the household. The sample includes only part-time workers to estimate probability of underemployment among part-time-workers. The results reported in the table compare differences in average predicted probabilities for each group.
Source: DG EMPL calculations based on EU-LFS microdata

Occupational and sectoral employment patterns contribute to higher probability of underemployment among migrants and workers with lower educational attainment. In the baseline regression, migrants are about 11 pp more likely to be underemployed than domestic-born workers, while part-timers with at most lower secondary education are about 7 pp more likely to be underemployed than those with tertiary education (showing similar results as the descriptive analysis above). These differences become much lower once worker's occupational and sectoral choice of employment is accounted for, 7 pp and 2 pp respectively. This highlights that both migrants and people with low educational attainment work more frequently in sectors (and occupations) where underemployment is commonplace, notably accommodation and food services and administrative and support services.

Household composition affects the probability of underemployment much more for women than for men. Women with small children and women living with their partners are considerably less likely to be underemployed (by 16 pp and 9 pp respectively) than women without children or partners. For men, having children or living with a partner does not have large effects on underemployment probability. This at least partly reflects different expectations around work and care roles of women and men in the EU.[45] While part-time work is often considered an acceptable choice to reconcile work and family responsibilities among women, this is not the case for men. Low underemployment among women is linked to working time constraints stemming from caring responsibilities and other unpaid

[45] Caisl (2024)

work, which can prevent women from considering longer working hours altogether. It is not necessarily an optimal choice from the perspective of the economy as a whole.

Sharp declines in the probability of underemployment come at an earlier age for women working part-time. The likelihood of underemployment is about 5 pp lower among middle-aged men than their younger peers, whereas this decline amounts to nearly 10 pp among women, reflecting the fact that middle-aged women more frequently need to work part-time because of caring responsibilities for children and adults. Part-time work only becomes more acceptable among men as they near retirement - the probability of underemployment among men aged 55-64 drops by nearly 13 pp compared to their middle-aged counterparts. This drop is less pronounced among women (9 pp).

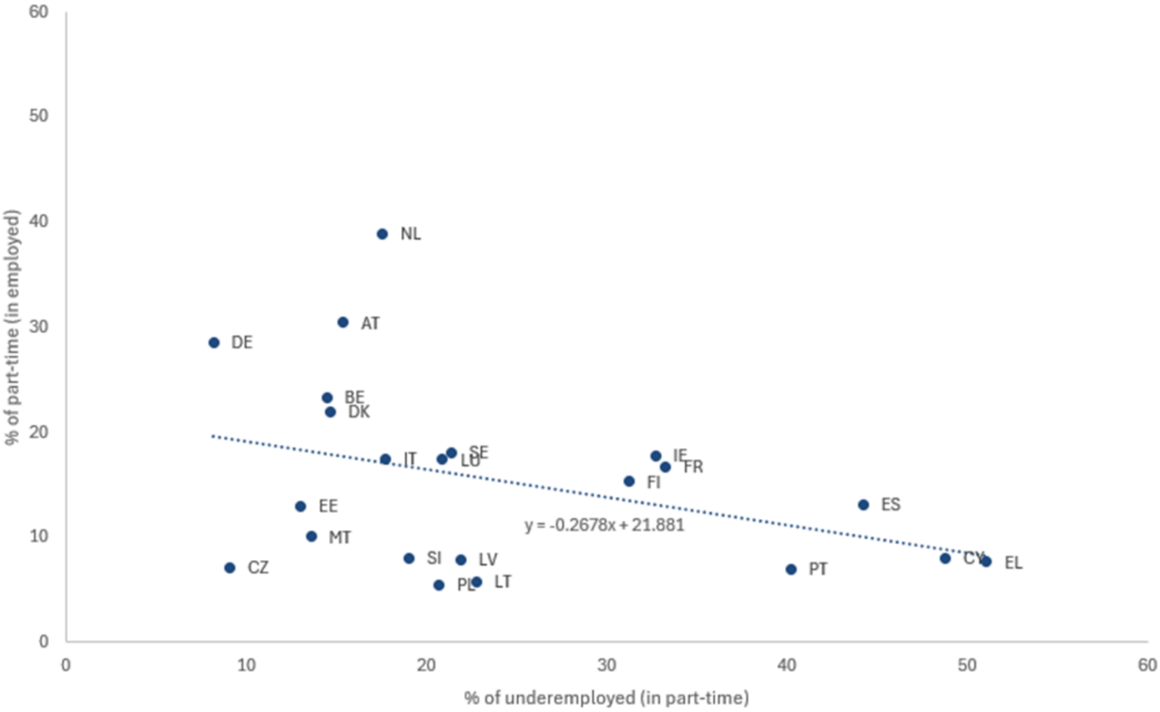
4. Conclusions

Every fifth part-time worker in the EU would like to work more hours, a proportion that varies considerably across countries, sectors of economic activity, and population groups. This is because underemployment is affected by a diverse range of factors. For example, national differences in acceptability and prevalence of part-time work and remuneration of part-time compared to full-time work play a role. Part-time work is in high demand in accommodation and food services, administrative support, and arts, entertainment and recreation, but this does not necessarily coincide with working time preferences of people working in these jobs. Some part-time workers (migrants, those with educational attainment, and those aged below 30) want to work longer hours but they are more likely to face limited employment choices that prevent them from doing so. For others, notably men, part-time work is rarely a preferred working-time arrangement and thus those who end up doing it often want to work more. Women, and partly also older workers, frequently face longer-term constraints that limit their working time (such as caring responsibilities or health limitations) and thus they may not even consider working longer hours a viable option.

This makes designing policies to address underemployment a challenging effort that requires a careful reflection on the aspects of national, sectoral and individual settings these interventions need to address. While high underemployment is an indication of inefficiencies in the labour market (due to skill underutilization or lower earnings), low underemployment can mask underlying labour market issues, particularly for groups like women who often face structural barriers to working more hours. It may be a symptom of limited choices or hidden constrain that prevent workers from securing the hours they need to work. Depending on the context, addressing these inefficiencies may require changes to policies that regulate working times and taxation of income, ensuring equal pay for equal work, promoting part-time work as a viable work-life balance solution (notably among men), and supporting vulnerable population groups in finding suitable employment opportunities. It may also require increasing availability of services that help workers reconcile working longer hours with family responsibilities, such as early childhood education and care or long-term care services.

5. Appendix

Chart A1: Prevalence of underemployment and part-time work by Member State, 2023



Source: DG EMPL calculations based on EU-LFS microdata

Table A1: Predicted average probabilities of underemployment among part-time workers by selected worker characteristics, EU-27, average over 2013-2023 period

	Average predicted probability	Standard error	95% confidence interval	
Gender				
Men	0.339	0.002	0.336	0.342
Women	0.242	0.001	0.240	0.243
Parenthood				
No child below 6	0.272	0.001	0.271	0.274
At least one child under 6	0.218	0.002	0.215	0.222
Gender#Parenthood				
Men without children	0.338	0.002	0.334	0.341
Fathers	0.344	0.004	0.336	0.352
Women without children	0.255	0.001	0.253	0.257
Mothers	0.181	0.002	0.177	0.184
Partner				
Living with a partner	0.308	0.001	0.305	0.310
Living alone	0.237	0.001	0.235	0.238
Gender#Partner				
Single Men	0.355	0.003	0.350	0.360
Single Women	0.295	0.002	0.292	0.298
Men with partner	0.329	0.002	0.325	0.334
Women with partner	0.209	0.001	0.207	0.211
Age group				
20-29	0.363	0.002	0.359	0.367
30-54	0.277	0.001	0.275	0.279
55-64	0.182	0.002	0.178	0.186
Age group#gender				
20-29 men	0.421	0.004	0.414	0.429
20-29 women	0.349	0.003	0.344	0.354
30-54 men	0.366	0.002	0.362	0.370
30-54 women	0.251	0.001	0.249	0.253
55-64 men	0.239	0.003	0.232	0.245
55-64 women	0.166	0.002	0.162	0.170
Country of birth				
Domestic-born	0.253	0.001	0.252	0.255
Migrant	0.319	0.002	0.314	0.324
Country of birth#gender				
Domestic-born men	0.329	0.002	0.325	0.332
Domestic-born women	0.234	0.001	0.233	0.236
Migrant men	0.417	0.005	0.407	0.427
Migrant women	0.294	0.003	0.288	0.300
Educational attainment				
Low (ISCED 0-2)	0.273	0.002	0.269	0.276
Medium (ISCED 3-4)	0.262	0.001	0.259	0.264
High (ISCED 5-8)	0.251	0.002	0.248	0.254

Note: Data does not cover Germany and Malta, since these countries do not collect data on migrant status systematically throughout the whole 2013-2023 period.
Source: DG EMPL calculations based on EU-LFS microdata (pooled data across 2013-2023)

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