Underemployment and relative deprivation among re-employed executives

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Using a sample of 517 executives who lost their jobs as a result of downsizing, this study examined underemployment among managers in replacement jobs taken after their layoffs. Laid-off executives who were re-employed in jobs which paid less, were at lower levels of organizational hierarchies and which did not fully utilize their skills had consistently lower job attitudes. In addition, the results suggest that relative deprivation is an important mediator in explaining how underemployment leads to poorer psychological well-being in those replacement jobs. The article concludes with directions for future research on underemployment and relative deprivation in the aftermath of layoffs.

Over the past several years, there has been considerable attention given to the short-term effects of job loss on individuals who have become unemployed as a result of downsizing. That research has consistently found that layoffs have immediate, and often strong, negative consequences for employees’ psychological and physiological well-being. What has received considerably less research attention, however, has been the long-term effects of layoffs on the careers of downsized employees. As Leana and Feldman (1995) note, most of the research on job loss has taken as its end point the attainment of re-employment; that is, when laid-off workers get new jobs, they typically cease to be the focus of future research.

Nevertheless, in those studies that have examined the job histories of employees who have been downsized out of jobs, the results suggest that the quality of replacement jobs – and not just the fact of re-employment – is a major determinant of laid-off employees’ subsequent career trajectories. Indeed, many downsized employees end up ‘underemployed’ in jobs which require less education and experience than they possess, in positions which pay considerably less than the jobs from which they were laid off, or in positions at lower levels of the organizational hierarchy (Feldman, 1996; Kaufman, 1982; Kuttner, 1994).

The present study builds upon previous research on underemployment in three ways. First, it systematically examines the effects of underemployment on the job attitudes and work attachment of employees. Initial studies of underemployment suggest that laid-off workers re-employed in lower quality jobs have more negative job...
attitudes towards their new employers, invest less energy in their new jobs and are more likely to keep searching for different jobs even after accepting those new positions. In fact, in some previous research, the negative effects of underemployment have been found to be as detrimental to psychological well-being as unemployment itself (Kuhnert, 1989; Leana & Feldman, 1995; O’Brien, 1986; O’Brien & Feather, 1990).

Second, the present study examines relative deprivation as a potential mechanism for understanding how underemployment leads to negative job attitudes. Although underemployment has often been found to be negatively correlated with various measures of psychological well-being, the underlying reasons for these relationships have not been explored fully. Here, we suggest that underemployment may lead to negative job and career attitudes because laid-off workers both desire and feel entitled to have better jobs than those they occupy at this point in their careers. In turn, this desire for, and sense of entitlement to, better jobs may directly lead to more negative job attitudes (Crosby, 1976; Martin, 1981).

Third, this research uses a large, heterogeneous sample of downsized executives to explore these issues of underemployment. To date, most of the research on underemployment has focused on two groups of workers: laid-off blue-collar workers (e.g. Leana & Feldman, 1995; Liem & Liem, 1988) and underemployed high school or college graduates (e.g. Feldman & Turnley, 1995; Winefield & Tiggemann, 1990; Winefield, Winefield, Tiggemann, & Goldney, 1991). These workers have been frequently investigated because of the harsh financial difficulties underemployment is likely to impose upon them. The present sample allows for a more thorough investigation of the psychological as well as the financial problems associated with underemployment.

Theory

Construct of underemployment

As Feldman (1996, p. 387) notes in his review of the underemployment literature, the construct of underemployment has been defined in a variety of ways across academic disciplines. All definitions of the term, however, have conceptualized underemployment as jobs which are lower in quality in some way. In the organizational sciences, three conceptualizations of underemployment have received the most attention.

First, underemployment has often been defined in terms of the hierarchical level of the new position. Commonly, employees laid off from ‘permanent’ full-time jobs find themselves working in part-time or temporary jobs or, particularly in the case of managers, at lower hierarchical levels of organizations (Buss & Redburn, 1983; Gordus, Jarley, & Ferman, 1981).

Second, underemployment has frequently been defined in terms of loss of wages. For example, Zvonkovic (1988) defines underemployment as ‘current earnings at least 20% less than earnings in the previous job’. Reflecting the severity of economic conditions, earlier research on re-employment problems among workers during the Depression often used a 33% rate of income loss as the standard for underemployment (Elder, 1974).

Third, underemployment has often been conceptualized in terms of skill utilization (e.g. Clogg & Shockey, 1984; Clogg, Sullivan, & Mutchler, 1986; Humphrys & O’Brien, 1986). For instance, in work on teenaged ‘school leavers’ (Feather & O’Brien, 1986; Winefield et al., 1991) and college graduates (Feldman & Turnley, 1995), researchers
have focused on the extent to which individuals have jobs which do not fully utilize the skills and abilities they learned in school. Similarly, in their research on underemployment among contingent workers, Feldman and Doerpinghaus (1992) asked individuals to report whether their jobs could be performed adequately by people with considerably less education and work experience than they themselves possessed.

As the preceding discussion illustrates, there is little consensus on how underemployment is defined and operationalized. These various conceptualizations have offered an expansive description of the underemployment experience, but they have not led to entirely consistent findings in terms of the consequences of underemployment.

**Consequences of underemployment**

Underemployment has been linked with a variety of negative job attitudes and indicators of poor psychological well-being. The job attitude most commonly associated with underemployment is job dissatisfaction (Borgen, Amundson, & Harder, 1988; Khan & Morrow, 1991). Dissatisfaction with the work itself has a strong impact on global job dissatisfaction (Hackman & Oldham, 1980). Moreover, disappointments with pay and promotional opportunities are also likely to be greater in underemployment situations (Khan & Morrow, 1991).

Underemployment is also frequently associated with lower organizational commitment. When individuals find themselves in positions where they perceive a major discrepancy between the rewards they receive and the rewards they are used to receiving, they are likely to reduce that inequity by psychologically distancing themselves from their employers and lowering their contributions to their organizations. Borgen *et al.* (1988) and Leana and Feldman (1995), for instance, found that underemployed workers felt they had less reason to be committed to their jobs or to contribute over and above the call of duty.

In general, trust has been defined as an individual’s generalized positive expectations of another’s goodwill, willingness to reciprocate, and honouring of commitments. Many employees losing jobs through downsizing feel that organizations violate the implicit agreements they have with them about job security and procedural fairness (Rousseau, 1995). Consequently, underemployed executives in ‘replacement jobs’ may be particularly sensitive to unmet expectations in their new jobs, may react more negatively to those unmet expectations, and may have less faith in their new employers in general (Rousseau, Sitkin, Burt, & Camerer, 1998).

Along the same lines, underemployment has consistently been found to be associated with greater job-searching behaviour. Burris (1983) found that underemployed workers were less likely to ‘give their jobs one year’ to improve before leaving, whereas Leana and Feldman (1995) found that laid-off workers who were underemployed in their new jobs were more likely to continue to job hunt even after becoming re-employed. Robinson, Kraatz, and Rousseau (1994) also found that recent MBA graduates who felt their psychological contracts had been violated were less likely to stay two years with their employers and were less likely to give advance notice before leaving. For underemployed workers, then, finding replacement jobs does not end the search for satisfactory re-employment.

Finally, underemployment may have negative spillover effects on individuals’ long-term attitudes towards work and their careers more generally. For example, Borgen *et al.* (1988) found that underemployed college graduates were more disillusioned
with their job situations, more frustrated by lack of opportunities for advancement and ‘more worried about being stuck’. Leana and Feldman (1992) found that downsized workers had less sense of excitement about their careers and lower career investment even after they had found replacement jobs. In a study of MBA graduates, Rousseau (1990) found that individuals who had their psychological contracts violated were more likely to be cynical about the relationship between hard work and career success. As Feldman (1996) suggests, then, underemployment may lead to more ‘careerist attitudes toward work’ and an increased reliance on nonperformance-based tactics (such as networking and impression management) to get ahead.

In terms of the main effects of underemployment on outcome variables, then, five hypotheses can be proposed:

H1: Underemployment will be negatively related to job satisfaction.
H2: Underemployment will be negatively related to organizational commitment.
H3: Underemployment will be negatively related to trust in the organization.
H4: Underemployment will be positively related to careerist attitudes towards work.
H5: Underemployment will be positively related to continued job searching.

Mediating effects of relative deprivation
During the 1970s, organizational researchers became increasingly interested in the effects of equity, broadly defined, on employees’ responses to their jobs. For example, Lawler (1973) posited a discrepancy model of job satisfaction. His research suggested that workers’ satisfaction with their jobs was not only a function of how positive actual job conditions were (e.g. pay, work itself, supervision) but also a function of what job conditions employees felt should exist. Locke (1976) also suggested that employees’ satisfaction with their jobs was influenced not only by objective job conditions but also by how well jobs fulfilled individuals’ basic values and the importance of those values. Adams’s ‘equity theory’, too, proposed that individuals’ satisfaction with job rewards was influenced by comparisons with co-workers. In equity theory, an individual’s satisfaction with pay is determined by how the ratio of an individual’s job rewards to job inputs stacks up against the ratio of job rewards to job inputs of his/her colleagues (Adams, 1976).

Relative deprivation theory, too, addresses the role of comparisons in shaping individuals’ attitudes. However, rather than coming from the organizational sciences and focusing on individuals’ assessments of specific jobs, relative deprivation came from the social psychology literature and focused on individuals’ sense of injustice with various societal conditions. Stouffer, Suchman, DeVinney, Star, and Williams (1949) first introduced the term ‘relative deprivation’ to explain why levels of satisfaction among soldiers did not consistently coincide with their objective job conditions. Their results suggest that individuals’ job attitudes are at least partially influenced by how objective job conditions match up to what individuals desire and feel entitled to receiving from their jobs. Since its introduction, relative deprivation theory has been used by researchers to explain social problems (such as race and gender discrimination) in which people’s subjective feelings and objective circumstances do not match (Crosby, 1976, 1982).

More recently, researchers in the organizational sciences have used relative deprivation theory to explain individuals’ reactions to work-related problems such as inequities in pay rises and promotion decisions (Buunk & Janssen, 1992; Martin, 1981;
Sweeney, McFarlin, & Inderrieden, 1990). Relative deprivation may be a particularly appropriate approach to examining the underemployment phenomenon because much of the dissatisfaction underemployed workers experience may be the result of their experiences with previous employers or frustrated hopes of obtaining better employment in the future rather than from injustices at the hands of their present employers. For example, whereas equity theory examines how employees assess the fairness of their job rewards relative to their present colleagues, relative deprivation theory allows us to examine the comparisons underemployed workers make to the jobs they lost and to the jobs they hope ultimately to obtain.

In short, then, whereas the construct of underemployment refers to ‘objective’ indices of job quality (such as lower pay, lower hierarchical level or lower skill utilization), the construct of relative deprivation refers to individuals’ ‘subjective’ reactions to their employment predicaments. Relative deprivation theory suggests that how negatively employees react to underemployment will depend upon how much an individual wants job rewards, feels entitled to those rewards, and his/her standards of comparison for assessing the fairness or justness of the rewards they do receive.

For example, middle-aged executives who have lost their jobs may be much more desirous of obtaining replacement jobs at equally high levels of pay, whereas executives in their late 60s may not have high needs for replacement jobs at all. Among similar lines, workers who hold graduate degrees may feel more entitled to jobs that utilize their extensive education, whereas workers without high-school diplomas may not have such high expectations of obtaining self-actualization from their jobs. If laid-off executives use laid-off factory workers from their own firms as a standard of comparison for assessing their job predicament, they may feel relatively lucky; if they use other executives who escaped being downsized, they may feel much worse about their state of affairs.

Here, we suggest that relative deprivation mediates the relationship between underemployment and important job outcomes. Using a discrepancy approach similar to previous research on relative deprivation, the present research suggests that individuals compare their present job situations with those they want and with which they feel entitled. The greater the discrepancy between present job conditions and desired job conditions (that is, the greater the relative deprivation), the more negative employees’ job attitudes will be. Thus, it is through generating relative deprivation that underemployment may lead to negative job and career attitudes (Feldman, Leana, & Turnley, 1997).

H6: Relative deprivation mediates the relationships between underemployment and job outcomes.

Method

Sample
The participants in the study consisted of 517 senior managers who had been laid off from their jobs within the past 12 months. All of the participants were ‘alumni’ of an international outplacement firm headquartered in the northeastern United States of America. As ‘graduates’ of the outplacement programme, all had found new jobs. Names and mailing addresses were provided to the researchers by the outplacement organization. Surveys (along with self-addressed, stamped return envelopes to the researchers) were sent to a total of 1700 individuals who had used the services of the outplacement firm in the past year. The response rate was 30%.
The average age of the participants in the study was 46 (SD=7.75). The sample was 74% male and 26% female. Seventy-seven percent of the respondents were married. On average, respondents had worked for the organization from which they were laid off for 12 years (SD=9.11). The average respondent received six weeks' advance notice of his/her termination (SD=65.12 days).

Following their layoffs, it took the participants in the study an average of five months to transition into their current positions (SD=5 months). The average respondent in the study had been working for his/her current organization for eight months at the time of the survey (SD=6 months). On their replacement jobs, 33% earned over $100,000 per year, 50% earned between $50,000 and $99,000 and 17% earned annual salaries of less than $50,000. In terms of job functions, 28% were re-employed in marketing and sales, 14% in finance and accounting, 19% in engineering, operations and information technology, 27% in corporate and general management and 12% in other functional areas such as business law.

Although, ideally, it would have been preferable to have a higher response rate, a response rate of 30% is not atypical in mail survey research, particularly when many of the participants who lost their jobs may well have changed residences after using the outplacement services. To check the representativeness of the sample, sample characteristics were compared with data provided by the outplacement firm on the total population of alumni that graduated from their executive programmes during the same period. The profiles were highly similar. The average age of the alumni population was also 46, and 75% of the alumni were male. The reported mean salary data on the population for the replacement job was $85,000; this study asked for salary ranges rather than exact salaries, but the ranges (reported above) are in line with the population average. For the population as a whole, 25% found replacement jobs in marketing and sales, 14% in finance and accounting, 22% in engineering, operations and information technology and 28% in corporate and general management. Again, this distribution generally parallels the functional specialities of the sample described above.

**Measures**

The means, standard deviations and correlations among all the key variables in the study appear in Table 1. Cronbach’s alpha for measures, where available, appear along the diagonal. The measures are described in more detail below.

**Underemployment**

In the present study, we examined the three most common ways that underemployment has been assessed. In all three measures, the higher the score the greater the degree of underemployment.

First, underemployment was assessed by measuring how the **hierarchical level** of respondents’ current jobs compared with that of the jobs from which they were outplaced. Responses ranged from (1) ‘current job is at a much higher level than the one I had’ to (5) ‘current job is at a much lower level than the one I had’.

Second, underemployment was assessed by measuring how great a **pay difference** there is between respondents’ current jobs and those from which they were outplaced. Responses ranged from (1) ‘current job pays 20% or more’ to (5) ‘current job entails a pay cut of 20% or more’.

Third, underemployment was measured by examining how respondents’ **skill utilization** on their current jobs compared with that on the jobs from which they were
Table 1. Means, standard deviations, scale reliabilities, and correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
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<td>1. Gender</td>
<td>1.26</td>
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<td>2. Advance notice</td>
<td>47.42</td>
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<td>3. Transition time</td>
<td>0.41</td>
<td>0.46</td>
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<td>4. Current tenure</td>
<td>0.70</td>
<td>0.51</td>
<td>-0.03</td>
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<td>5. Hierarchical level</td>
<td>2.98</td>
<td>1.16</td>
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<td>6. Pay difference</td>
<td>3.01</td>
<td>1.41</td>
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<td>7. Skill utilization</td>
<td>2.81</td>
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<td>8. Relative deprivation</td>
<td>4.15</td>
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<td>9. Job satisfaction</td>
<td>3.84</td>
<td>0.81</td>
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<td>10. Organizational commitment</td>
<td>3.18</td>
<td>0.87</td>
<td>-0.10</td>
<td>-0.01</td>
<td>0.00</td>
<td>0.05</td>
<td>-0.28</td>
<td>-0.13</td>
<td>-0.40</td>
<td>-0.54</td>
<td>0.73</td>
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<td>11. Trust</td>
<td>3.68</td>
<td>0.84</td>
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<td>12. Job searching</td>
<td>2.04</td>
<td>1.04</td>
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<td>13. Careerism</td>
<td>3.32</td>
<td>0.73</td>
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Note. Correlations > .09 are significant at the p < .05 level.
outplaced. Respondents were asked about their present skill utilization compared with their skill utilization in their previous jobs in nine areas: supervisory skills (managing people), administrative skills (managing projects), industry knowledge, technical/functional skills, knowledge of markets and competitors, communication skills, negotiation skills, complex decision-making skills, and financial and budgeting skills. Responses ranged from (1) ‘use much more on current job than on the job I lost’ to (5) ‘use much less on current job than on the job I lost’.

Relative deprivation
Whereas Crosby’s original conceptualization of relative deprivation consisted of six components, more recent work suggests that two components (wanting more and feeling entitled to more) account for most of the variance in relative deprivation (Feldman et al., 1997; Olson & Hafer, 1996). In this study, 10 items from Olson, Roese, Meen, and Robertson (1995) were used to assess relative deprivation.

Five items from Olson et al. (1995) were used to measure the extent to which respondents desired better job situations. The alpha for these 5 items was .88. A sample item is: ‘Would you like a job situation that is better in terms of job challenge?’ Five items from Olson et al. (1995) were also used to measure the extent to which respondents feel entitled to better job situations. The alpha for these five items was .92. A sample item is: ‘Do you think you ought to have a job situation that is better in terms of job responsibility?’ Responses ranged from (1) ‘not at all’ to (7) ‘to a great extent’.

Job satisfaction
Job satisfaction was measured using 5 items from Taylor and Bowers (1972). Respondents were asked how satisfied they were with various aspects of their current jobs (e.g. their supervisors and their working conditions). Responses ranged from (1) ‘very dissatisfied’ to (5) ‘very satisfied’.

Organizational commitment
Organizational commitment was measured using Meyer and Allen’s (1984) 8-item affective commitment scale. The scale taps the extent to which individuals feel emotionally attached to their organizations and feel that their organizations have a great deal of personal meaning for them. Responses ranged from (1) ‘strongly disagree’ to (5) ‘strongly agree’.

Trust
Robinson’s (1996) 7-item scale was used to measure respondents’ trust in their current employers. For instance, respondents were asked to agree or disagree with statements that their employers were honest, truthful, consistent and predictable. Responses ranged from (1) ‘strongly disagree’ to (5) ‘strongly agree’.

Careerist attitudes toward work
Careerism was measured using 7 items from Feldman and Weitz (1991). This scale measures the extent to which individuals agree that advancement in organizations is based more on image management and personal connections than on competence. Responses ranged from (1) ‘strongly disagree’ to (5) ‘strongly agree’.
Job searching
Individuals’ job search behaviours were measured using 5 items from Blau (1993). The scale taps the extent to which respondents are circulating their résumés at other companies and currently interviewing for other jobs. Responses ranged from (1) ‘strongly disagree’ to (5) ‘strongly agree’.

Control variables
Four control variables were also included in the study: gender, amount of advance notice of layoffs, amount of time required to obtain the current job, and tenure in the current organization. The variables were measured by close-ended items; descriptive data on these variables appear in the Sample section above.

Results
Main effects of underemployment
As the results in Table 1 suggest, Hypotheses 1–5 are generally supported. When measuring underemployment in terms of hierarchical level and skill utilization, underemployment is significantly related to all five outcome variables and in the predicted direction. Re-employed managers who had taken larger pay cuts were significantly less job satisfied, less organizationally committed and more likely to be job searching. Pay cuts are negatively related to trust and positively related to careerism, as predicted, but only at the .10 significance level.

Subsequently, five regression models were run to determine the joint effects of the three underemployment indicators (skill utilization, pay difference and hierarchical level) on each of the five outcome variables (job satisfaction, commitment, trust, job searching and careerism). In each case, the skill utilization operationalization was significantly related to the outcome variable at the .01 or .001 level. In contrast, the pay difference variable was not significantly related to any of the five outcome variables. Hierarchical level was only significantly related to the organizational commitment variable.

Mediating effects of relative deprivation
In order to test the mediating effects of relative deprivation (H6), the regression procedures recommended by Baron and Kenny (1986) were employed. Baron and Kenny (1986) indicate that three conditions are necessary to demonstrate mediation: (1) the independent variable must be significantly related to the dependent variable; (2) the independent variable must be significantly related to the mediator variable; and (3) the mediating variable must be significantly related to the dependent variable.

In order to conclude that there is full mediation, the independent variable has to have no significant effect on the dependent variable when controlling for the mediating variable. If the effect of the independent variable on the dependent variable is less when controlling for the mediating variable than when not controlling for it, partial mediation is said to be demonstrated.

As the results in Table 1 suggest, with only two exceptions (the effects of pay difference on trust and careerism), all the independent variables are significantly related to all the dependent variables. The first condition of Baron and Kenny (1986), then, is generally met. The results in Table 1 also suggest that the second condition is clearly met; all three operationalizations of underemployment are significantly related
to the mediating variable (relative deprivation). Moreover, the third condition is also met; relative deprivation (the mediator) is significantly related to all five outcome variables (cf. Table 1).

Regression analysis was then used to determine whether relative deprivation (the mediator) is significantly related to the dependent variables while controlling for the independent variables (underemployment measures). The results directly pertaining to this analysis are shown in Table 2.

Table 2 compares the beta of underemployment on outcome variables (Column 1) with the beta of underemployment on outcome variables when controlling for the effects of relative deprivation (Column 2). Column 3 indicates whether the mediating effect was full, partial or nonexistent.

In almost every case, relative deprivation fully or partially mediates the relationship between underemployment and outcome variables, generally supporting Hypothesis 6. For example, when underemployment is operationalized as a drop in hierarchical level, relative deprivation fully mediates the relationships between underemployment and organizational trust, careerism, and job search. In these three cases, the beta of underemployment in Equation 1 is statistically significant; however, when the effects of relative deprivation are controlled for, the beta in Equation 2 is no longer statistically significant. Similarly, when underemployment is operationalized as a drop in hierarchical level, relative deprivation partially mediates the relationship between

### Table 2. Decreases in betas when controlling for mediator effects of relative deprivation

<table>
<thead>
<tr>
<th>Dependent variables</th>
<th>Beta Eqn 1&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Beta Eqn 2&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent variable: Hierarchical level</strong></td>
<td></td>
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<tr>
<td>Job satisfaction</td>
<td>-.26***</td>
<td>-.11**</td>
<td>Partial</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>-.27***</td>
<td>-.11**</td>
<td>Partial</td>
</tr>
<tr>
<td>Trust</td>
<td>-.19***</td>
<td>-.06</td>
<td>Full</td>
</tr>
<tr>
<td>Careerism</td>
<td>.13**</td>
<td>.00</td>
<td>Full</td>
</tr>
<tr>
<td>Job search</td>
<td>.19***</td>
<td>.02</td>
<td>Full</td>
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<tr>
<td><strong>Independent variable: Pay difference</strong></td>
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<tr>
<td>Job satisfaction</td>
<td>-.20***</td>
<td>-.03</td>
<td>Full</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>-.13**</td>
<td>.05</td>
<td>Full</td>
</tr>
<tr>
<td>Trust</td>
<td>-.08</td>
<td>N/A</td>
<td>None (Condition 1 not met)</td>
</tr>
<tr>
<td>Careerism</td>
<td>.08</td>
<td>N/A</td>
<td>None (Condition 1 not met)</td>
</tr>
<tr>
<td>Job search</td>
<td>.14**</td>
<td>.02</td>
<td>Full</td>
</tr>
<tr>
<td><strong>Independent variable: Skill utilization</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>-.33***</td>
<td>-.16***</td>
<td>Partial</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>-.40***</td>
<td>-.23***</td>
<td>Partial</td>
</tr>
<tr>
<td>Trust</td>
<td>-.23***</td>
<td>-.09*</td>
<td>Partial</td>
</tr>
<tr>
<td>Careerism</td>
<td>.21***</td>
<td>.07</td>
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</tr>
<tr>
<td>Job search</td>
<td>.23***</td>
<td>.03</td>
<td>Full</td>
</tr>
</tbody>
</table>

*p<.05; **p<.01; ***p<.001.

Note. Coefficients are standardized regression coefficients.

<sup>a</sup>Equation 1: Effect of underemployment on outcome variable.

<sup>b</sup>Equation 2: Effect of underemployment on outcome variable when controlling for the effects of the mediator.
underemployment and job satisfaction; when relative deprivation is added in as a mediator in Equation 2, the beta for underemployment substantially drops in magnitude but is still statistically significant.

**Structural equation models**

As an alternative means to testing mediation, a structural equation modelling approach was employed. Whereas the results of structural equation models are often consistent with multiple regression analyses, these two approaches look at our research question in ways that are fundamentally different. The regression analyses allow us to assess mediation while considering the relationships between *each type* of underemployment (i.e. hierarchical level, pay difference and skill utilization) and *each specific* job outcome (satisfaction, commitment, trust, careerism and job search) *independently*. In contrast, the structural equation models let us assess mediation using more global measures of underemployment and job outcomes, thereby allowing us to examine the *overall* relationships among underemployment variables, relative deprivation variables, and job outcome variables *at the same time* and *within one analysis*.

**Models tested**

Two models were evaluated in order to determine the nature of the mediating role of relative deprivation. Model 1 is a fully mediated model. In this model, underemployment only influences job outcomes through the intervening effects of relative deprivation. Model 2 is a partially mediated model. In this model, underemployment influences job outcomes both indirectly (through relative deprivation) and directly. Thus, Model 2 is identical to Model 1 except for the direct path that has been added between underemployment and job outcomes. In both models, there are paths from the four control variables (i.e. gender, advance notice, transition time and current organizational tenure) to both relative deprivation and the job outcome variables.

**Latent and indicator variables**

The first step in preparing the structural equation models was identifying the latent and indicator variables. The underemployment latent variable was represented in terms of the three forms of underemployment examined here, namely, hierarchical level, pay cut and skill utilization. Two indicator variables, wanting and entitlement, were used to assess the latent variable of relative deprivation. One of the indicator variables included the 5 items tapping ‘wanting a better job’; the second indicator variable included the 5 items tapping ‘feeling entitled to a better job’.

The five measures of the job outcomes discussed earlier (e.g. job satisfaction, organizational commitment, etc.) were used as indicator variables for the ‘job outcomes’ latent variable. Because job-searching behaviours and careerist attitudes should be negatively associated with the other outcome variables (e.g. job satisfaction is negatively related to job search), it is expected that the loadings of these two indicator variables on to this latent construct will be negative.

**Measurement model**

Before testing the goodness of fit of these two models, a measurement model with the three latent variables (i.e. underemployment, relative deprivation and job outcomes) was evaluated. The measurement model fit the data well ($\chi^2 = 139.57$, df=32; GFI=.95; AGFI=.91; CFI=.96; TLI=.94; RMSEA=.08).
Confirmatory factor analysis

Also before testing the goodness of fit of these two models, a confirmatory factor analysis was conducted to determine whether the five dependent variables discussed above (job satisfaction, commitment, trust, job hunting and careerism) represented distinct constructs. We compared the fit of a five-factor model with that of a one-factor model. The fit of the five-factor model was good ($\chi^2=1308.76$, df=454; GFI=.85; CFI=.90; TLI=.62; RMSEA=.06). In contrast, the fit of the one-factor model was poor ($\chi^2=3474.00$, df=464, GFI=.60; CFI=.64; TLI=.62; RMSEA=.12). Moreover, the difference in the overall fit of the five-factor model vs. the one-factor model was statistically significant (change in $\chi^2=2165$, df=10). These data further support the position that the five-factor model is superior to the one-factor model.

Goodness-of-fit of models

The goodness-of-fit index for Model 1 is .95 ($\chi^2=196.18$, df=67; AGFI=.91; CFI=.95; TLI=.93; RMSEA=.06). Overall, the fit indices provide strong support for the model. Also, support for full mediation is shown by the significant paths between underemployment and relative deprivation and between relative deprivation and job outcomes. None of the control variables had a statistically significant effect on relative deprivation or the outcome variables (Fig. 1).

For Model 2, the goodness-of-fit index is .95 ($\chi^2=193.37$, df=66; AGFI=.91; CFI=.95; TLI=.93; RMSEA=.06). Here, too, none of the control variables had a statistically significant effect on relative deprivation or the outcome variables (Fig. 2).

The indices suggest that this model is a good fit for the data as well. However, in Model 2, the direct path between underemployment and job outcomes is not statistically significant. In addition, the change in $\chi^2$ between Model 1 and Model 2 was only 2.81 (df=1); this change was not statistically significant. Taken together, these findings provide greater support for the fully mediated model (Model 1) in which underemployment affects job outcomes through its effect on relative deprivation.

Job tenure

Because it could be argued that the effects of relative deprivation and underemployment might change over time, further post-hoc analyses were conducted on the relationships between job tenure and relative deprivation and underemployment in particular.

The zero-order correlations of job tenure with relative deprivation and the three indicators of underemployment are all below .09. When tenure is dichotomized using a median split, again there are no significant differences in relative deprivation or underemployment. For example, the mean on skill utilization for the low-tenure group is 2.87, whereas the mean on skill utilization for the high-tenure group is 2.75. The mean on relative deprivation for the low-tenure group is 4.19; the mean for the high-tenure group is 4.10. The effects of job tenure as a trichotomized variable on relative deprivation and underemployment yield similarly non-significant results. Overall, then, the evidence suggests that job tenure does not explain a significant amount of variance in the present results.

Moderator analyses

Finally, additional post-hoc analyses were conducted to determine if relative deprivation moderated (rather than mediated) the relationship between underemployment and job outcomes. Whereas the relative deprivation literature has typically viewed
relative deprivation as a mediating variable which precedes affective outcomes (cf. Crosby, 1982, 1984), the underemployment literature has typically viewed relative deprivation as a moderating variable between underemployment and job outcomes (cf. Feldman, 1996; Feldman et al., 1997). Consequently, examining the potential moderating effects of relative deprivation as well as its potential mediating effects in the context of underemployment might prove illuminating in terms of future theory development.

Moderated regression analysis was used to test for these potential moderating effects. Fifteen models were estimated: the three forms of underemployment each interacting with relative deprivation on the five outcome variables. The results failed to support the idea that relative deprivation moderates the relationship between underemployment and job outcomes. Indeed, of the 15 interaction terms examined, only 1 was significant (skill underutilization × relative deprivation on job satisfaction). Relative deprivation, then, appears to play a mediating role rather than a moderating role in explaining reactions to underemployment.

Discussion

The results of this study suggest several important conclusions. First, underemployment – regardless of how it is operationalized – is associated with a number of negative attitudes toward jobs and careers. Moreover, these findings are consistent across the three different measures of underemployment examined in this research. Thus, the negative consequences of underemployment for job attitudes are robust and not likely to be the result of measurement artifacts alone.

Second, the results of this research suggest that declines in skill utilization, rather than pay cuts or demotions, play the greatest role in negative reactions to underemployment. Unfortunately, this component of underemployment has received the least attention from academics and managers alike (Bolino & Feldman, 2000). For academics, the results here suggest that skill underutilization needs to be assessed as fully as pay cuts (which have historically dominated the literature on underemployment) in understanding managers’ reactions to replacement jobs. For outplacement counsellors and for downsized managers who are looking for replacement positions themselves, the results here suggest that skill utilization is as important, if not a more important criterion for assessing the appropriate potential of new jobs. Ironically, even at the major outplacement firm where this research was conducted, there has been no tracking of skill utilization in replacement jobs; rather, the traditional measures of salary and hierarchical level have been used instead.

Third, the effects of underemployment on outcomes are significantly mediated by relative deprivation. Both the mediated regression analyses and the structural equation models suggest that underemployment generates feelings of relative deprivation which, in turn, adversely affect individuals’ attitudes toward both their present jobs and their careers more generally. Thus, relative deprivation can be a powerful explanatory mechanism in understanding the effects of underemployment.

Fourth, the results of the present research suggest that underemployment is a problem that affects executives as well as lower paid employees. Not surprisingly, most of the previous research on underemployment has focused on low-paid employees because of the financial hardship of unemployment – and replacement jobs that pay even less – can have on this population. However, even with highly paid managers, underemployment can have adverse consequences for job attitudes and job
Chi-Square=195.07, df=63; GFI=.95; AGFI=.91; CFI=.94; TLI=.92; RMSEA=.07.
All path coefficients are standardized. Paths shown as solid lines are significant at p<.05. Non-significant paths are indicated by dashed lines.

**Figure 1.** Structural equation model results: Fully mediated model.
Figure 2. Structural equation model results: Partially mediated model.

Chi-Square=191.70, df=62; GFI=.95; AGFI=.91; CFI=.95; TLI=.92; RMSEA=.07.
All path coefficients are standardized. Paths shown as solid lines are significant at p<.05. Non-significant paths are indicated by dashed lines.
performance. The dominant models of job satisfaction, even those including equity considerations, have generally suggested that employees’ reactions to their jobs are largely a function of their experiences with their present employers. The results here suggest that the job attitudes of laid-off managers may be due as much to their experiences with their past employers as to any ill behaviour on the part of current employers.

**Limitations of the research**

Because the present study utilized self-report data, the results here may be inflated due to common-method bias. In order to partially assess the impact of common-method variance in this study, Harman’s one-factor test (Harman, 1967) was employed. The results indicate four factors with eigenvalues greater than 1.0; the first factor accounts for only 32% of the variance. Consequently, it does not appear that common-method bias overwhelms the study’s results. Although the data were collected cross-sectionally, it can be reasonably assumed that the degree of underemployment that occurred with job loss logically precedes the other variables in the study. Nonetheless, conclusions about causality must remain tentative until longitudinal data are collected.

The research here used a larger and more heterogeneous sample than previous studies in the area and investigated a population whose underemployment has not received empirical attention. However, in future research, it would be beneficial to simultaneously sample across different types of underemployed workers (e.g. underemployed new college graduates, underemployed blue-collar workers, and downsized executives). Such designs would help untangle the purely economic aspects of underemployment from the psychological aspects of the phenomenon (Jahoda, 1982).

Because all the participants in the present study had received similar levels of outplacement support, the role of outplacement could not be fully investigated here. Nevertheless, it is possible that the quality of outplacement assistance may influence how quickly laid-off managers find new jobs, how underemployed they become, and how negatively they react to that underemployment.

**Directions for future research**

There are several other important variables to explore in future research on underemployment. Two other potential mediating processes which might be useful to explore here are procedural justice and psychological contract violations (Martin, 1981; Rousseau, 1995). Layoffs may spark feelings of procedural injustice toward the previous employer, which in turn may lead to more negative job attitudes towards subsequent employers. Similarly, as a result of job loss and underemployment, managers may fundamentally change the ways in which they view their psychological contracts and consciously decide not to invest heavily in subsequent jobs.

Other dependent variables which might be worthy of additional study are in-role and extra-role behaviour (cf. Feldman, 1996). Underemployment may not strongly influence individuals’ future in-role behaviours because of tangible punishments for failure to perform adequately in regularly assigned job duties. However, underemployment may have a longer-term negative impact on organizational citizenship behaviours because the performance of these behaviours is more under the individual discretion of employees themselves.
Another important avenue for future research is investigating ‘referent others’ and their role in the amount of relative deprivation downsized managers experience. As Martin (1981) notes, individuals use multiple referents in assessing the fairness of their job situations. Thus, underemployed managers who compare themselves with ‘similar up’ referents (laid-off managers who obtained better replacement jobs) may experience greater relative deprivation than underemployed managers who compare themselves with ‘similar down’ referents (laid-off managers who still had no jobs at all). Relative deprivation theory may also prove a useful framework for understanding how laid-off workers respond to corporate assistance programmes. For example, giving downsized workers extensive severance pay and outplacement support may be seen as organizational ‘apologies’ for the layoffs, thereby mitigating against employees experiencing very high levels of relative deprivation (Olson & Hafer, 1996).

In conclusion, then, the subsequent career trajectories of employees who have lost their jobs and become underemployed in replacement positions deserve greater attention from researchers and managers alike. Even among downsized executives with significant financial resources, underemployment creates feelings of relative deprivation which do not automatically disappear when they obtain new jobs. Thus, these results call for a closer examination of the quality of employment, rather than just the fact of it, in future studies of career transitions and adjustment to new jobs.

References


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