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What's Driving the Part-Time Labor Market? Results from an Atlanta Fed Survey

A subtle shift appears to be emerging in the public discussion of part-time employment in the United States. In monetary policy circles, elevated levels of part-time employment have generally been taken as a signal of lingering weakness in the labor market. (See, for example, [here](#) and [here](#).) In this view, the rise in the use of part-time workers is a response to weak economic conditions, and the rate of part-time utilization will return to something approaching the prerecession average as firms respond to strengthening demand by increasing the hours of some of part-time staff who want more hours (thus reducing the number and share of part-time workers who would like full-time work) and by creating more full time jobs for those who want them (thus reducing the share of involuntary part-time workers).

But some labor market observers interpret the recent rise in the share of part-time jobs as more structural in nature—and hence less likely to be remedied by demand-inducing strategies such as monetary stimulus. If the arithmetic of having full-time or part-time workers has changed (for example, we frequently hear about increased compensation costs resulting from health care changes associated with the Affordable Care Act), then employers might lean more on part-time workers, at least while they can. Employers might be more able to do so while there is an ample supply of unemployed people and fewer full-time job opportunities, or if technology has made it sufficiently easy to manage workers' hours. Virginia Postrel at BloombergView recently wrote [an essay](#) about how technology is helping firms better manage part-time employees. From that essay:

For many part-time workers in the post-crash economy, life has become like endless jury duty. Scheduling software now lets employers constantly optimize who's working, better balancing labor costs and likely demand.

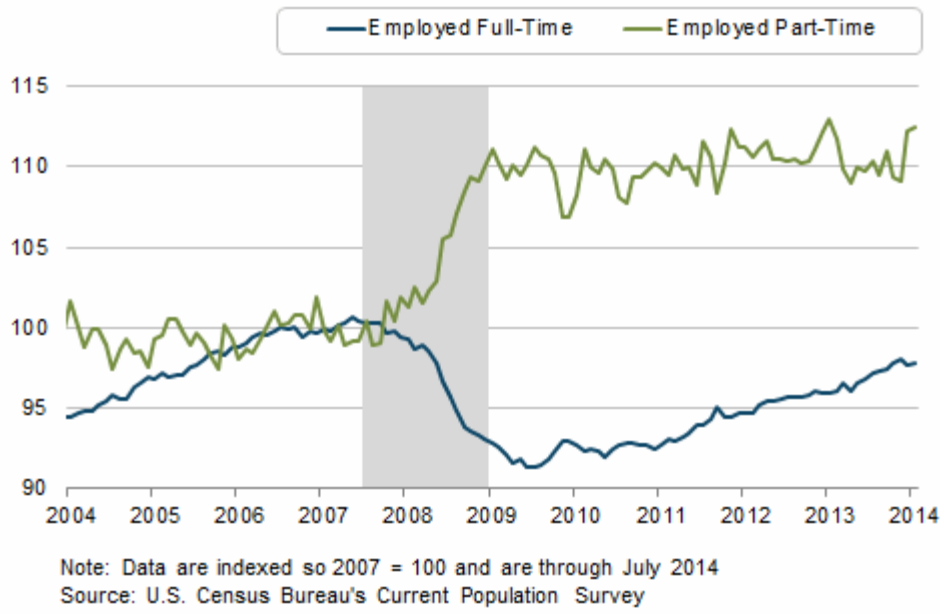
Perhaps the "demand" aspect of that passage refers to the level of overall spending in the economy (a point made in [another](#) BloombergView piece that Postrel's column cites). But there is an undeniable technological slant to this story—one that is not so obviously about the condition of the economy. And based on [recent legislative proposals](#) out of Congress, some lawmakers seem to see an issue that is likely to persist beyond the current business cycle.

So is our issue insufficient demand, about which monetary policy can arguably do something, or is it a change in the nature of work in the United States, which is arguably impervious to the effects of changes in monetary policy?

Both of these questions seem valid, and reasonable perspectives support both of them (see, for example, [here](#) and [here](#)). So as we try to sort this out, we turned to the Atlanta Fed's [Regional Economic Information Network](#) of business contacts and went to the source: employers themselves.

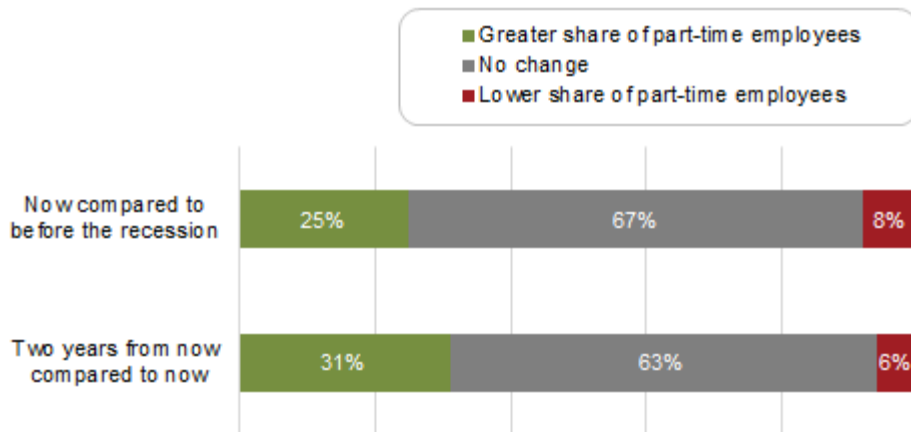
First, though, let's review a few facts. During the recession, full-time employment fell substantially while the number working part-time actually increased. Today, there are about 12 percent more people working part-time than before the recession and about 2 percent fewer people working full-time hours. As the chart below shows, this slow rebound in full-time employment—and the sustained level of part-time employment—has resulted in a greater share of employed working part-time: 19 percent of employed people are working fewer than 35 hours compared with 17 percent of all employed before the recession began.

Number of People Employed Full-Time and Part-Time



To delve more deeply into these facts, we collected the responses of 339 firms with at least 20 employees to two questions: “Compared to before the recession, is your current mixture of part-time and full-time employees different? Do you think your current mixture will change over the next couple of years?” The responses (presented in the chart below) are weighted by national firm size and industry distributions.

Change in Firms' Mixture of Part-Time and Full-Time Employees

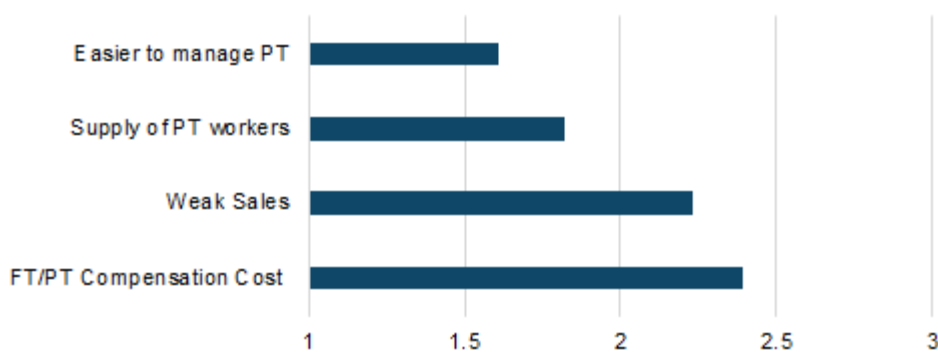


Source: Atlanta Fed business survey, July 2014

About two-thirds of firms indicated their mixture of full-time and part-time employees was not currently different than before the recession began. One quarter of firms said they currently have a higher share of part-time employees, and 8 percent have a smaller share. Looking forward, 31 percent believe their workforce will possess a greater share of part-time workers in two years than it does now.

What did employers cite as the reason for the increase in part-time employment? Firms that currently have a higher share of part-time employees gave about equal weighting to cyclical and structural factors, as the chart below indicates. Most chose the options “Full-time employee compensation costs have increased relative to those of part time employees” and “Business conditions (sales) are not yet strong enough to justify converting part-time jobs to full-time” as either somewhat important or very important. These firms saw the other options—“Technology has made it easier to manage part-time employees” and “More job candidates are willing to take part-time jobs”—as less important.

Reasons for Increasing Share of Part-Time Employees since the Beginning of the Recession



Source: Atlanta Fed business survey, July 2014
Note: 1 = not important, 2 = somewhat important, and 3 = very important.

The next chart shows that structural factors are on the minds of employers, especially among firms who haven't yet increased their share of part-time employees. Expectations of increases in the compensation cost of full-time

employees relative to part-time workers were cited as the most important factor for all firms, but the difference in the relative importance among expected compensation costs and other factors was greater among firms that have not yet increased their part-time share of employment. Expected weak sales and future ample supply of people willing to work part-time were also seen as somewhat important factors for many firms.

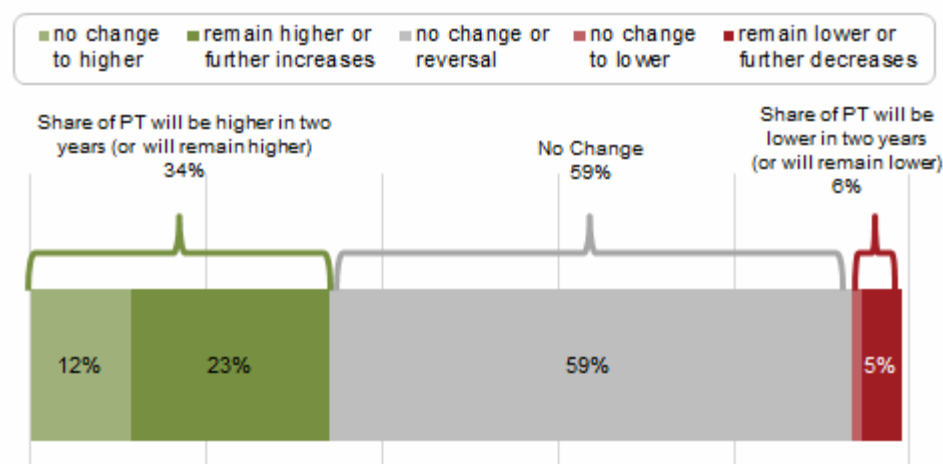
Reasons for Increasing or Maintaining a Higher Share of Part-Time Employees Over the Next Two Years



Source: Atlanta Fed business survey, July 2014
 Note: 1 = not important, 2 = somewhat important, and 3 = very important.

Do firms anticipate a return to their prerecession mix of part-time and full-time employment? Although we didn't ask this question directly, the next chart constructs an answer based on their responses to our other two questions.

Anticipated Change in Share Working Part-Time Two Years from Now Compared with Precession Share



Note: This graph shows the combination of firms' responses to how they have changed their share of part-time workers since the recession began and how they anticipate it changing over the next two years.
 Source: Atlanta Fed business survey, July 2014

Compared with prerecession levels, 34 percent of firms indicated they expect the share of part-time employees in their firm to be higher in two years. This segment includes the vast majority (90 percent) of the 25 percent of firms who already have a higher share now than before the recession and 12 percent of other firms who currently have the same share but anticipate increases during the next two years. Surprisingly, only about 2 percent of firms currently have a higher share of part-time workers and anticipate decreases over the next two years (they are represented in the above chart in the "no change" category).

To sum up, the results have something for people on either side of the cyclical-versus-structural debate. Weak business conditions and the increase in the relative cost of full-time employees have been about equally important drivers of the increase in the use of part-time employees thus far. Thinking about the future, firms mostly cite an expected rise in the relative cost of full-time workers as the reason for shifting toward more part-time employees. So while there are some clear structural forces at work, a large amount of uncertainty around the future cost of health care and the future pace of economic growth also exists. The extent to which these factors will ultimately affect the share working part-time remains to be seen.

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