

ECONOMIC COMMENTARY

Federal Reserve Bank of Cleveland

Another Look at Part-time Employment

by Max Dupuy and Mark E. Schweitzer

Part-time workers are among the fastest-growing segments of the U.S. job market. When a record 456,000 jobs were created during March, politicians and administration economists hailed it as a sign of a healthy economy. Few mentioned that 350,000 of those jobs were part time—many with low pay and no benefits.

—*The Detroit News*, April 8, 1994¹

The U.S. Department of Labor reports that two of every three jobs created in March were part-time positions. Since 1973, the number of Americans who want full-time jobs but can only find part-time work has nearly tripled ...

—*The Houston Chronicle*, May 11, 1994²

Since the end of the last recession in 1991, newspaper editorialists and other pundits have frequently complained about part-time work. They claim that the labor market has changed fundamentally for the worse and that part-time jobs are displacing full-time positions at an alarmingly rapid pace. The implication is that many Americans who want full-time jobs are able to find only part-time work.

This view is flawed for three main reasons. First, the ranks of part-time workers are not actually growing faster on average than overall employment. Second, survey data indicate that most part-time workers would not take full-time hours even if offered. Finally, although part-time jobs sometimes pay less per hour than full-time jobs, there are also many well-paying part-time positions.

This *Economic Commentary* contests misconceptions about part-time work, examines part-time wages, and explains how failure to allow for differences between part-time and full-time workers can distort other labor market comparisons.

■ Ask Employers or Workers?

Much confusion about the magnitude of part-time employment growth arises from inappropriate comparison of two different data sources. Labor market developments can be analyzed from the perspective of either the employer or the employee.

Both types of employment data are reported in the monthly *Employment Situation* release prepared by the Bureau of Labor Statistics (BLS). Establishment data reveal the number of employees that firms retain in a given month, while household data, based on the BLS's *Current Population Survey* (CPS), include employment questions addressed directly to individuals.

In the establishment data section of *Employment Situation*, the BLS reports the total number of people employed in that month, both overall and in various industries. No distinction is made between part-time and full-time positions.³ The net monthly change in employment—the payroll number commonly cited in newspaper headlines—can be determined by comparing data from two consecutive months. This net monthly change is often misleadingly referred to as the “number of new jobs created.” For example, according to *The Detroit News*, “a record 456,000 jobs were created in March.”⁴

Many commentators have taken issue with employment growth in the current economic recovery. Some say that undesirable and low-paying part-time jobs are overtaking full-time work. Such reports overlook expansion in the labor force, confuse establishment and household data, and disregard differences in worker characteristics that can obscure relative wages.

In fact, the total number of jobs actually created in March 1994 was much greater. The net monthly change of 456,000 jobs is just the difference between larger amounts of gross job creation and destruction. This fine distinction becomes important when attempts are made to compare establishment data with household data in order to draw conclusions about part-time work.

Unlike the establishment data, household data differentiate between full-time and part-time employment. Individuals (from randomly chosen households) are asked how many hours they worked in the previous week. If the answer is less than 35 (but greater than zero), the worker is considered part time. Based on the CPS conducted in March 1994, an estimated 22.5 million workers qualified for part-time classification in that month.

Of course, this figure undercounts the number of part-time positions. Some people have multiple employers for a total of more than 34 hours per week. It

is important to keep in mind the difference between part-time jobs and part-time workers—that is, between household and establishment perspectives.

Still, commentators sometimes try to compare household and establishment data. For example, the writers quoted at the beginning of this article assert that most of the new jobs reported for March 1994 were part time. They seem to arrive at this conclusion by juxtaposing the establishment net job gain (456,000 positions) with the net growth in the number of people working part-time hours (350,000 individuals).⁵

But this comparison of net changes from two data sets has no real meaning (in fact, the household survey actually indicated a decline in total employment for March). The two numbers simply don't provide enough information to support even general inferences about the proportion of new positions that are part time. For example, it is conceivable that most of the (350,000 plus) new part-time workers kept their previous jobs but had their hours reduced, while most of the new (456,000 plus) positions created were full time. A great many other scenarios are possible that would be consistent with the same numbers. Clearly, a casual comparison of household and establishment data can create a misleading picture.

■ Relative Trends in Part-time and Full-time Work

Fortunately, it is feasible to use household data alone to compare part-time trends. Overall, the number of people who work less than 35 hours per week in a given month certainly has grown significantly, from 15.6 million in January 1979 to 20.8 million in December 1993 (see figure 1).⁶ But the labor force has also expanded. This is a fairly obvious point that some observers fail to take into account. *The Houston Chronicle*, for example, rightly mentions the growing number of part-time workers, but neglects to place this in the context of a growing labor force. (It specifically refers to part-timers who "want full-time jobs," a distinction examined in the next section.)

Since the mid-1980s, a reasonably constant fraction (between 18 and 20 per-

cent) of employed Americans have worked part time in each month. In some months, the number of part-time workers grows rapidly, only to shrink again in the next month—hence the bumpy texture of the "part-time" line in figure 1. It is critical, therefore, to evaluate trends, not just individual months in isolation. *The Detroit News* and *Houston Chronicle* both focus on March 1994, a month with stronger-than-average part-time growth. They do not refer to February, which had weaker-than-average growth. As a result, they describe a situation more dire than is justified. In any case, part-time workers do not appear to be a rapidly growing segment of the labor market.

■ How Part-time Workers Explain Themselves

Discussions about trends in part-time employment are usually rooted in underlying conceptions about its desirability. Part-time work is frequently described as a type of unemployment or as a symptom of an unhealthy economy. But not all part-time workers would prefer to work full time. What workers say about their preferences is the key to understanding the desirability of part-time employment.

Part-time workers are classified as "voluntary" or "involuntary" based on their answers to CPS questions. The involuntary category comprises people who claim they would rather work full time, but could get only part-time hours (because of slack work at their regular job, or because they couldn't find a full-time position). Voluntary part-time workers are those who say they have other commitments or simply don't want to work full time.

Voluntary part-time workers account for most of the growth in total part-time employment over the last 30 years (see figure 2). Still, it is also true that the fraction of employed Americans involuntarily working part time increased from about 3 percent in the late 1960s to a high of just over 7 percent during the 1981–82 recession. From 1982 to 1990, that figure declined steadily to 4.5 percent before rising again during the 1990–91 recession. The fraction stood at 5.5 percent in December 1993, just before the CPS underwent a major revision.

Before 1994, the questions regarding reasons for part-time work were asked in a relatively imprecise way. Individuals claiming to have worked between one and 35 hours in the previous week were asked for an explanation.⁷ The interviewer would interpret the answer to fit one of 15 categories, which could be further broken down into voluntary and involuntary sets.

This question sequence was revised in January 1994. Part-time workers are now explicitly presented with a list of possible explanations if they do not answer clearly. Most important, there is now a separate question that asks, "Could you have worked full time if the hours had been offered?" Under the old format, the interviewer had to sort often-vague answers into the voluntary and involuntary categories; the new format makes the question forthright.

The revision has had a significant effect on the aggregate data. The measured number of voluntary part-time workers shot up 2.1 million between December 1993 (the last month before the revision) and January 1994. The number of involuntary workers fell 1.2 million.⁸ Although the change in the survey obscures trends, the new questions confirm that many part-time workers believe it is in their own interest to work less than 35 hours per week.

■ Part-time Wages

Part-time workers are often characterized as underpaid and lacking in benefits. This is true in many cases—the median part-time worker earned just under \$6.50 per hour in 1993, compared to about \$10 per hour for the median full-time worker.

However, when generalizing about millions of workers, it is important to look beyond the medians. A comparison of the distributions of part-time and full-time wages serves this purpose (see figure 3).⁹ The two distributions overlap substantially, indicating a large number of workers in both categories at each wage rate. In fact, 27 percent of part-time workers earn more than the median full-time worker. The major difference between the distributions results from

FIGURE 1 U.S. EMPLOYMENT: FULL TIME VS. PART TIME^a

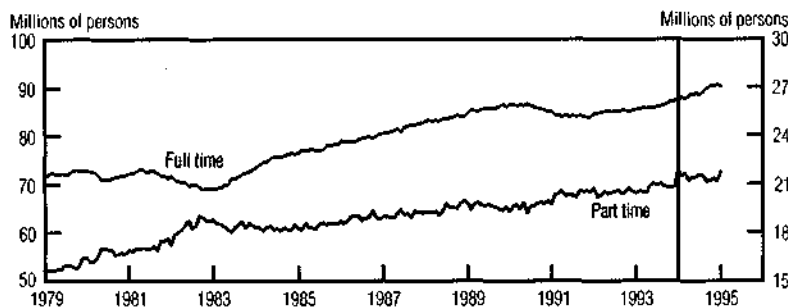


FIGURE 2 REASONS FOR PART-TIME EMPLOYMENT^a

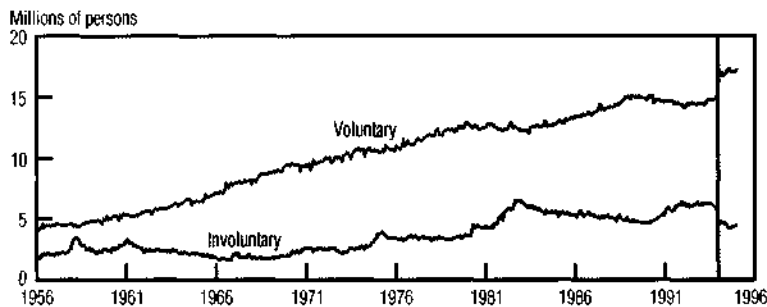
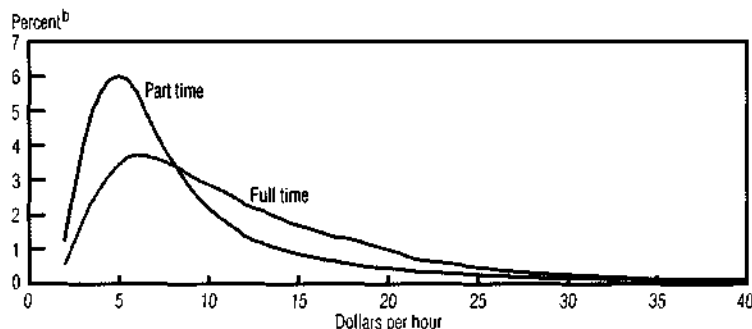


FIGURE 3 1993 WAGE DISTRIBUTIONS



a. Vertical line at January 1994 denotes survey revision. All data are seasonally adjusted.

b. Percent of workers within 25 cents of wage rate.

SOURCES: BLS household data for nonagricultural wage and salary earners (figures 1 and 2); and authors' calculations from CPS raw data (figure 3).

the relatively larger concentration of part-time workers in the \$2.50 to \$6 per hour range. Forty-five percent of all part-time workers fall within this category, compared to 24 percent of full-time workers. This difference is mirrored in the \$10 to \$25 per hour range, which accounts for 44 percent of full-time workers and for a solid 23 percent of part-timers.

Information on benefit levels for both full-time and part-time workers is much more limited. The best information comes from the Employment Cost Index, which reports average benefit receipts by employment categories. In March 1994, the average part-time compensation package included \$1.83 per hour in benefit costs

(20.8 percent of total compensation costs), compared to \$5.77 for full-time jobs (29.9 percent of total compensation).¹⁰ Unarguably, part-time positions entail fewer benefits, but not all part-time jobs completely lack them.

Two important determinants of lower part-time compensation are worker skills and education. Rebecca Blank has presented evidence that part-time workers—both voluntary and involuntary—may, on average, have less education and experience than full-time workers in similar jobs.¹¹ She suggests that for workers with identical skills (some of which are not well measured by available data), the difference between part-time and full-time wages is much smaller.

■ The Bigger Picture

In any case, there are clearly some distinctions between part-time and full-time workers—not just in terms of compensation and job quality, but also in terms of worker preferences and background. Failure to allow for these differences can cloud understanding of labor-market conditions.

For example, in a previous *Economic Commentary*, we compared wages in the goods-producing and service-producing sectors.¹² Because workers are not exactly alike in every industry, average wage differences don't shed much light on the structure of wages. Instead, we tried to answer a more interesting question: What are *similar workers* paid in each sector? In order to do this, we separated workers into groups by education and experience. By the same logic, we decided to focus on full-time workers.

In 1993, the median full-time goods-producing worker earned 10 percent more per hour than the median full-time service-producing worker. For part-time workers, the difference between the median hourly wages was 21 percent. For all workers—both part-time and full-time—the hourly gap was 20 percent, reflecting the greater share of part-timers in the service-producing sector. But we have seen that part-time work owes as much to worker characteristics as to the nature of employers. If the desired comparison is between wages offered by employers to comparable workers, isolating the role of part-time employment is essential.

■ Conclusion

Part-time employment entails some possible public policy concerns. For example, *involuntary* part-time employment often expands quite sharply during recessions, indicating a loss of economic resources. Also, there may be unmeasured aspects of part-time jobs, other than wages, that are important for determining the quality of employment opportunities. These are complex issues, which require contemplation of the advantages and costs of the full-time workweek for both firms and workers.

On the other hand, part-time work is often wrongly denigrated in simple, dramatic terms. Many reports claim that part-time jobs are rapidly coming to dominate the job market, and that they are unwanted and uniformly low paying. These misconceptions should not guide evaluations of the health of the economy.

■ Footnotes

1. See Helen Fogel, "Employers Call Part-timers Essential; Experts Say Workers Ultimately Suffer," *The Detroit News*, April 8, 1994.

2. See Ron Carey, "A Part-time America Will Not Work—Must Have Full-time Jobs, Benefits," *The Houston Chronicle*, May 11, 1994.

3. The BLS publishes an average hours statistic, which is calculated from establishment data. However, it doesn't provide much useful information about part-time work, because it also includes full-time and overtime hours.

4. All data in this section are from the original March 1994 *Employment Situation*. The BLS has since made revisions.

5. *The Detroit News* appears to use the growth in the number of people *involuntarily* working part time, which was actually 349,000 (seasonally adjusted) between February and March. The total number working part time rose only 194,000 (seasonally adjusted) during the same period.

6. More precisely, this refers to wage and salary earners in nonagricultural industries. In December 1973, 13.4 million people were working part time.

7. The monthly CPS questions always pertain to the week prior to the survey date.

8. The overall number of part-time workers increased because of a revision to the question sequence that identifies people who work very few hours per week as part of the labor force. According to the BLS, many women who work part time were counted as not working in the previous survey.

9. These distributions have been smoothed to counteract sampling problems and to emphasize their general shapes.

10. Focusing on the insurance component (which includes health coverage), part-time workers receive, on average, \$.30 per hour in benefits versus \$1.48 for full-time workers.

11. See Rebecca M. Blank, "Are Part-time Jobs Bad Jobs?" in Gary T. Burtless, ed., *A Future of Lousy Jobs? The Changing Structure of U.S. Wages*, Washington, D.C.: Brookings Institution, 1990.

12. See Max Dupuy and Mark E. Schweitzer, "Are Service-Sector Jobs Inferior?" *Federal Reserve Bank of Cleveland, Economic Commentary*, February 1, 1994.

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