A NATION ON SHORT HOURS: New evidence of growing numbers of US workers forced into part-time work as an alternative to unemployment

The rise in part-time working means that since the Great Recession, employed workers in the United States are at a greater risk of being forced to work part-time at their job rather than becoming unemployed. That is the central finding of research by Daniel Borowczyk-Martins and Etienne Lalé, to be presented at the annual congress of the European Economic Association in Geneva in August 2016.

Existing data on part-time workers has shown the proportion of the workforce in this category to be stable, but new data constructed by the authors show that this masks increasing flows between full-time work and part-time work. In most periods, these two flows offset one another, but in recessions far more people make the transition, either voluntarily or involuntarily, into part-time work – often with the same employer – rather than face unemployment. This helps to explain recent unexpected data on unemployment and productivity.

The authors comment: ‘Our research highlights how part-time work contributes to the employment gap during a sluggish recovery, and that it should be part of a comprehensive assessment of the state of the labour market.’

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Part-time employment plays an increasingly important role in shaping the experience of US labour market participants, both in normal times and during recessions. That is the central finding of our research based on a new dataset constructed and analysed using state-of-the-art measurement tools. The researchers report their findings:

- The stability of the average levels of the part-time employment share (the number of part-time workers among the employed) over the past 40 years masks an increase in worker turnover between full-time and part-time employment.

- In the long run, worker transitions from full-time to part-time employment tend to offset transitions in the opposite direction. This is why the rising importance of part-time work is not directly observable by looking at a series of snapshots of the part-time employment share.

- In the short run, movements in transitions between part-time and full-time employment do not offset one another, triggering dramatic increases in part-time employment during recessions. These occur mostly through increases in involuntary part-time work. The scale of these changes is so large that, since the Great Recession, employed workers are at a greater risk of working part-time involuntarily than being unemployed.

- The long-run and short-run patterns are interrelated: the spectacular cyclical response of involuntary part-time work during the Great Recession of 2007-2009 compared with the twin recessions of 1980-1982 is fully explained by its interaction with full-time employment, which slowly became stronger throughout the past four decades.
The facts that emerge from our analysis are relevant for a number of actively researched issues.

First of all, a large body of studies documents a slowdown in the dynamism of the US labour market. The facts that we document reveal that the decrease in turnover highlighted in these studies needs to be qualified: workers rotate more frequently between part-time and full-time work, and thus they are increasingly mobile within employment.

This raises two questions for future research. Is there a causal link between the rise of the part-time employment and the symptoms of fading dynamism of the US labour market found in previous research? Compared to reallocation across employers, how does reallocation between full-time and part-time work, which occurs mostly at the same employer, affect aggregate labour productivity?

Our findings also contribute to the debate on changes in job stability and job security – a recurrent cause for concerns among scholars, policy-makers and the general public. In the long run, we find a rising instability of the part-time/full-time employment status, partly explained by an upward trend in turnover between voluntary part-time and full-time employment. Thus, this job instability may not be fully matched by an increase in job insecurity.

The data are similarly ambivalent for the short run: during downturns, workers who remain in employment face greater job insecurity through involuntary part-time work, which may be a better alternative than becoming unemployed.

In the aftermath of the Great Recession, in the face of continued economic slack, understanding involuntary part-time employment became a priority for the Federal Reserve Board. A related concern points to the difficulty in using standard statistics (the unemployment rate) to measure the amount of remaining slack in the labour market.

Our research highlights how part-time work contributes to the employment gap during a sluggish recovery, and that it should be part of a comprehensive assessment of the state of the labour market.

Finally, the historical perspective provided by our data shows that the high levels of part-time employment since the Great Recession are not only a cyclical event: they reflect a more persistent trend in the US labour market.

ENDS

‘The Rise of Part-time Employment’ by Daniel Borowczyk-Martins Copenhagen Business School and IZA) and Etienne Lalé (University of Bristol and IZA)

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