US Job Market Shows Strong Gains, but How to Understand Uptick in Part-Time Work?

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With improvement in all the headline indicators, today’s report on the US employment situation was one of the strongest of the recovery. The unemployment rate fell 6.1 percent, a new low for the recovery. Payroll jobs rose by 288,000 in June. The broad unemployment rate and long-term unemployment also fell to new lows. At the same time, though, the number of people working part-time rose sharply. How should we understand the increase in part-time work even as the job market improves?

First, a look at the numbers

The monthly survey of business establishments showed gains in payroll jobs throughout the economy. The main goods-producing sectors—mining, construction, and manufacturing—all added jobs. In the service sector, retail trade and healthcare showed the largest gains. Government employment, which has been on a downward trend throughout most of the recovery, added 26,000 jobs, with local government, especially education, accounting for most of them.
The data for unemployment rates, which come from a separate monthly survey of households, showed that the civilian labor force grew by 81,000 and the number of employed workers by 407,000. (Job gains from the household and establishment surveys differ, in part, because the household survey includes self-employed and farm workers, in part because of the treatment of multiple jobholders, and in part because of sampling error.) The number of unemployed workers fell by 325,000. The standard unemployment rate, U-3, decreased to 6.1 percent, the lowest level since 2008. The broad rate, U-6, which takes discouraged workers and involuntary part-time work into account, also fell to a new low for the recovery.
One of the most disturbing features of Great Recession has been an unusually high level of long-term unemployment. As the next chart shows, the percentage of unemployed workers who have been out of a job for 27 weeks or more fell sharply in June. That, too, marks a new low for the recovery, although long-term unemployment is still less than halfway back to its prerecession percentage of the labor force.
How to understand the rise in part-time work?

At the same time that the headline numbers showed broad improvement, the share of the labor force working part time (fewer than 35 hours per week) rose sharply in June, reaching its highest level in more than two years. People who equate part time jobs with bad jobs will view that as a negative development, but the reality, as I discussed in a post a few months ago, is more complex. Here are some things to keep in mind in trying to understand the significance of the rise in part-time work.

First, it is important to keep in mind that, as the next chart shows, most of those who work part time do so voluntarily, for reasons such as childcare, family or personal obligations, school, retirement or Social Security limits on earnings. Involuntary part-time workers (part-time “for economic reasons” in BLS terminology), in turn, fall into two categories. Some have jobs that are, in principle, full-time, but which are not currently providing full-time hours because of slack business conditions. Others have taken jobs that are part-time because that is all they could find, even though they would prefer full-time work. The difference is that as business conditions improve, many of the first involuntary category will move back to full time without a change of jobs, whereas many of the second will have to quit their part-time jobs to take different ones that offer more hours in order to return to full-time status.
The different categories of part-time work have behaved quite differently over the course of the recession and recovery. To bring out the different trends more sharply, we can rebase the data so that the share of the labor force represented by each category of part-time work is assigned a value of 100 for June 2009, the month in which the recovery began. That gives us the next chart:
The chart shows that the recession and recovery did not have a great impact on voluntary part-time work. Some voluntary part-time jobs disappeared early in the recession and most have come back since, with a sharp uptick in the most recent month.

The involuntary categories behave very differently. Not surprisingly, as the economy fell into recession, the number of workers reporting that their employers had cut their hours because of slack business conditions grew substantially. As soon as the recovery began, the “slack work” category began to fall. A continued downward trend seems likely. The “only find part time” category also increased during the recession, presumably as full-time workers who lost their jobs took whatever work they could find. However, rather than falling as the economy recovers, this category continues to rise. Why?

One hypothesis is that the continued high level of involuntary part-time work is linked to the decline in long-term unemployment. Research by Alan Kruger (http://blogs.wsj.com/economics/2014/05/22/more-gloom-for-the-long-term-unemployed-from-alan-krueger/) noted that over half of a sample of long-term unemployed had left the labor force or were still unemployed when surveyed in 2013. Of those who had managed to return to work, only about 14 percent had found full-time jobs, while twice that many had taken part-time work. That suggests that as the economy improves, some involuntary part-time workers manage to find full-time jobs, but others who had previously experienced long-term unemployment take their place. If so, the “only find part time” category, too, will eventually begin to decrease as the economy fully recovers.
A different hypothesis is that the continued growth of “only find part time” reflects structural changes in the economy. Just what changes is not clear, however. Some people point to the Affordable Care Act, especially the employer mandate, which may provide an incentive to replace full-time workers with part-time workers. Some point to other changes in taxes and regulations that raise the effective tax rate on labor. As I pointed out in my January post on part-time work, neither of these explanations is very convincing, but that does not preclude the possibility that other structural factors, yet to be identified, may be at work.

Finally, it is worth mentioning that continuing high levels of involuntary part-time work may be significant in another way. Writing for the Atlanta Fed’s Macroblog, Dave Altig and Pat Higgins point out that the level of involuntary part-time work is a key factor in restraining the growth of wages. Of course, that is bad news for those who would like to earn more, but it is also good news insofar as it means that the Fed will not have to apply the monetary brakes anytime soon in order to avoid a rise in inflation.

The bottom line is that part-time work is an important but ambiguous indicator. The “part time jobs are bad jobs” mindset is far too simplistic. June’s uptick in both the voluntary and involuntary categories may be an aberration, or they may be the beginning of trends that will help us sort out the good from the bad of part-time work.
"We needed more teachers in June than in September?"

Remember, these are seasonally adjusted data, and not all the education workers are teachers. What it means is the school systems are hiring more or laying off fewer this time of year than the normally do. Also, I don't think teachers with continuing contracts are counted as unemployed during school vacations (if I am wrong on this, someone please correct me).

"I wonder if we're heading for a economy that sells each other insurance"

There is nothing wrong with an economy that produces mostly services. Not every country needs to be a major manufacturing powerhouse any more than every country needs to grow coffee. The US has a comparative advantage in services, and that is what trade is for.

"Medtronic is moving its headquarters offshore to avoid US taxes, as have many other large, nominally US companies. They seem to have outgrown the society that gave them birth and cultivation, and like crass nouveaux riches, they'd prefer not to give back to the communities that fostered them.

Don't blame it on Medtronic. The US has the stupidest and most dysfunctional corporate tax system in the world, so no wonder people want to get out from under it. Last year all the mud was being thrown at Apple, same story as Medtronics, and I wrote this post to explain what I think is going on:


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"Don't blame it on Medtronic. The US has the stupidest and most dysfunctional corporate tax system in the world,"

That is a difficult assertion to contest. But then thousands of smaller companies manage to operate under this "stupidest and most dysfunctional corporate tax system." Apple and Medtronic managed to operate and prosper under this system before they got large enough to buy their way out. As dysfunctional as it may be, American businesses have largely done OK.

Corporations are constructs of the state and are awarded special privileges like limitations of shareholder liability, one presumes, with the larger goal of enhancing the public good. It is desirable to encourage corporations to excel but it is unacceptable for corporations to enjoy the quid while avoiding the quo.

Large corporations are increasingly becoming stateless entities operating entirely opportunistically. One might accept that as a fait accompli, these corporations having achieved what amounts to escape velocity from their legal responsibilities to the society that spawned them. It seems a reasonable counter stroke to levy a substantial penalty on the shareholders who benefit by, for instance, eliminating preferential tax treatment of 'qualified dividends' and by eliminating preferential capital gains treatment for stock transactions.

Economics is a tool, not an end. If the corporate tax system is unfair, debate it and change it. But the value in life and the ultimate goal of politics and political economy is not solely the maximizing of net profits.
Your points and arguments are well taken. The final comments on economics as a tool, not an end, says it all. I may add that taxpayers/citizens/customers will not tolerate much longer how skewed the focus of laws and regulations are in application and direction. I for one believe it is time to demand the end of all corporate and bank subsidies for any billion dollar profit-making business. Subsidies were quietly negotiated but have long since become not only unnecessary but more a welfare grab at the expense of the usual payers, while also scheme to avoid paying their legal taxes. This is akin to the Soviet system which produced oligarchies. The only other missing profit guarantee would seem to be waiting in the wings of those secret trade agreements with their ‘investor-state dispute settlement ’ clauses geared so corporations can pursue tailor-made lawsuits for any legal change in domestic competition or environmental protective laws enacted. This leaves very little room for local economies to function let alone flourish. Leaving one to wonder, why pay for policies and agreements that are bent on destroying all that is local and individual?

"I may add that taxpayers/citizens/customers will not tolerate much longer how skewed the focus of laws and regulations are in application and direction."

Would that you were right. But never underestimate the propensity of the American voter to not give a sh*t.

Many of the issues that you raise are worthy of address. But where are the pressures to address them? Who will press the case? And how? The danger inherent in great wealth is the ability to purchase great influence; the ability to shape public opinion through the media and through political contributions.