

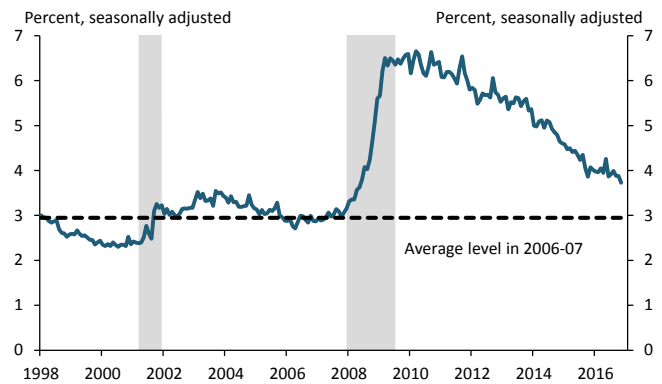
Stuck in Part-Time Employment

By Jonathan L. Willis

The elevated level of workers employed part time for economic reasons (PTER) can be attributed to both cyclical and structural factors. For workers in middle-skill jobs, elevated PTER is tied to broader structural factors such as advances in technology and globalization that have contributed to job polarization. For workers in low-skill jobs, elevated PTER is tied to cyclical factors associated with a weak recovery. However, labor demand appears to have picked up for low-skill jobs over the past two years, contributing to a faster decline in the number of PTER workers.

Seven years after the end of the Great Recession, the share of workers who report they are employed part time for economic reasons (PTER) remains elevated. During the recession, many firms laid off workers and reduced hours for those who remained. As a result, the share of workers who reported they were working part-time because of slack business conditions or because they could only find part-time work increased from 3.0 percent of total employment in October 2007 to 6.5 percent in May 2009 (Chart 1). Over the next four years, PTER declined very modestly to 5.6 percent of total employment in July 2013. As the pace of job growth picked up in 2014 and 2015, PTER declined more rapidly to 3.9 percent of employment in October 2015, and it has remained stable near that level over the past year. The slow recovery in PTER employment may be attributed to both cyclical and structural factors.

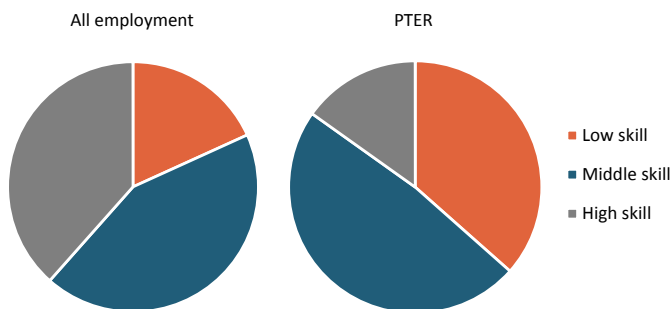
Chart 1: PTER as a share of total employment



Note: Gray bars denote National Bureau of Economic Research-defined recessions.

Source: Bureau of Labor Statistics (Haver Analytics).

Chart 2: PTER workers are more likely to be in middle-skill and low-skill jobs

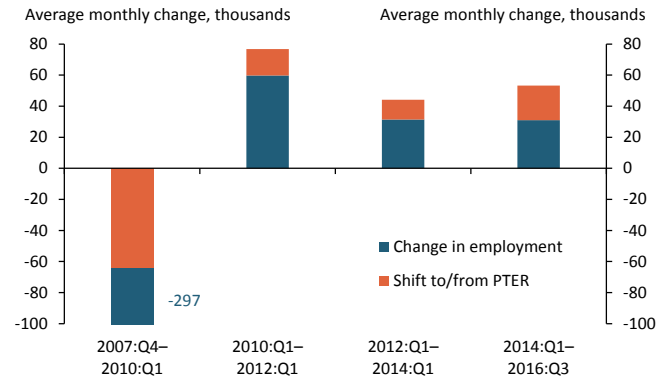


Sources: U.S. Census Bureau, Bureau of Labor Statistics, and author's calculations.

Workers who are PTER are more likely to be in low- and middle-skill jobs than the average worker. Using micro data from the Current Population Survey (CPS), I categorize workers based on their PTER status as well as by their occupation. For this analysis, I restrict the CPS sample to workers ages 16 to 64 who are not self-employed and not employed in the military or agricultural occupations. Chart 2 shows that PTER workers are much less likely to be in high-skill jobs: 15 percent of PTER workers were in high-skill occupations in November 2016 versus 39 percent of all employed workers. Instead, PTER workers are more likely to be in middle-skill jobs (48 percent versus 43 percent of all employed workers) and low-skill jobs (37 percent versus 18 percent).

The high level of PTER workers in middle-skill jobs may be due to longer-run structural factors associated with advances in technology and increases in globalization that contributed to job losses in the recession and only limited employment growth in the recovery (Acemoglu and Autor; Tüzemen and Willis). Over the past four decades, job growth has been increasingly concentrated in low- and high-skill positions—a phenomenon called job polarization. The recession saw this polarization continue: employment losses in the recession were heavily concentrated in middle-skill jobs (Chart 3). On top of net employment losses of nearly 300,000 middle-skill jobs per month on average during the recession, an additional net 64,000 workers in middle-skill jobs per month reported they had shifted to PTER status.

Chart 3: Non-PTER employment in middle-skill jobs



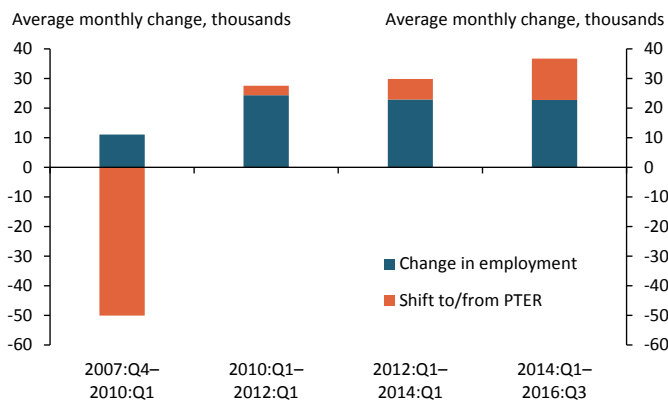
Note: The change in employment in the 2007:Q4–2010:Q1 period was –297,000.

Sources: U.S. Census Bureau, Bureau of Labor Statistics, and author’s calculations.

During the recovery, employment in middle-skill jobs has consistently increased and the number of PTER workers in middle-skill jobs has steadily declined. But these numbers are still nowhere near their pre-recession levels. Currently, the economy has five million fewer middle-skill jobs than in December 2007. If the employment growth rate over the past four years continues, it would take an additional 13 years for the number of middle-skill jobs to return to December 2007 levels. Given this long-term weakness in labor demand, elevated PTER in middle-skill jobs appears to be a structural issue.

In low-skill jobs, however, elevated PTER appears to be more closely related to cyclical factors. Employment growth remained positive during the recession for low-skill jobs, but many workers in low-skill jobs reported they had shifted to PTER status during the recession (Chart 4). This shift suggests firms adjusted to declining demand during the recession through reductions in hours per worker rather than reductions in low-skill jobs.

Chart 4: Non-PTER employment in low-skill jobs



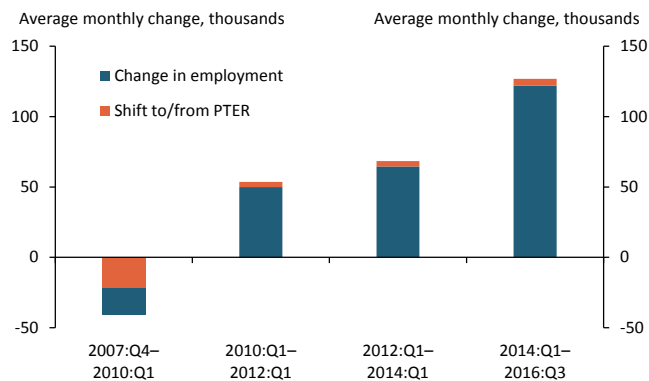
Sources: U.S. Census Bureau, Bureau of Labor Statistics, and author’s calculations.

Throughout the recovery, net employment growth for low-skill jobs has remained at a modest level of 20,000 jobs per month (compared with 60,000 jobs per month in the years preceding the recession). As the recovery has progressed, the net number of workers reporting that they have transitioned from PTER to non-PTER status has steadily increased. If the labor recovery continues at the pace of the past two and a half years, the number of PTER workers in

low-skill jobs will return to pre-recession levels by mid-2020.

Labor demand has been strongest for high-skill jobs in the recovery. Following a modest decline in labor demand during the recession, employment growth in high-skill jobs has steadily increased throughout the recovery (Chart 5). While PTER employment in high-skill jobs remains somewhat above pre-recession levels, this does not appear to be related to weak labor demand, as employment growth has averaged 121,000 jobs per month over the past two and half years, well above average growth of 60,000 over the 2002–07 period.

Chart 5: Non-PTER employment in high-skill jobs



Sources: U.S. Census Bureau, Bureau of Labor Statistics, and authors' calculations.

Going forward, structural factors tied to job polarization will continue to limit the recovery for PTER workers in middle-skill jobs. But if the cyclical recovery for PTER workers in low-skill jobs continues, the overall PTER employment share should drop to 3.4 percent by mid-2020. Even so, the share of PTER workers is unlikely to return to its pre-recession level of 2.9 percent for some time.

References

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Jonathan L. Willis is a vice president and economist at the Federal Reserve Bank of Kansas City. The views expressed are those of the author and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.