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Involuntary Part-time Work On The Rise

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Involuntary Part-time Work On The Rise

Abstract

[Excerpt]

A number of labor market indicators from the Current Population Survey (CPS) have pointed to a weakening labor market for more than a year, even before the onset of the current recession in December 2007 (as designated by the National Bureau of Economic Research). The official unemployment rate, for example, rose by 2.3 percentage points from its recent low of 4.4 percent in March 2007 to 6.7 percent in November 2008. The employment-population ratio, which is the proportion of the working-age population that is employed, trended down from a recent peak of 63.4 percent in December 2006 to 61.4 percent in November 2008.

Keywords

labor market, weakening, part time, underemployed, slack work, unemployment

Comments

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Involuntary part-time work on the rise

A number of labor market indicators from the Current Population Survey (CPS) have pointed to a weakening labor market for more than a year, even before the onset of the current recession in December 2007 (as designated by the National Bureau of Economic Research). The official unemployment rate, for example, rose by 2.3 percentage points from its recent low of 4.4 percent in March 2007 to 6.7 percent in November 2008. The employment-population ratio, which is the proportion of the working-age population that is employed, trended down from a recent peak of 63.4 percent in December 2006 to 61.4 percent in November 2008.

Another important indicator of labor market difficulty, the number of persons working part time for economic reasons, has suggested a softening in the demand for labor since about mid-2006. (See chart 1.) Sometimes referred to as involuntary part-time workers and viewed as underemployed, these individuals wanted full-time jobs but worked less than 35 hours during the survey reference week primarily due to slack work (a reduction in hours in response to unfavorable business conditions) or the inability to find full-time work.¹ In November 2008, 7.3 million persons were employed part time for economic reasons, up by 3.4 million from a recent low of 3.9 million in April 2006. (See table 1.) The

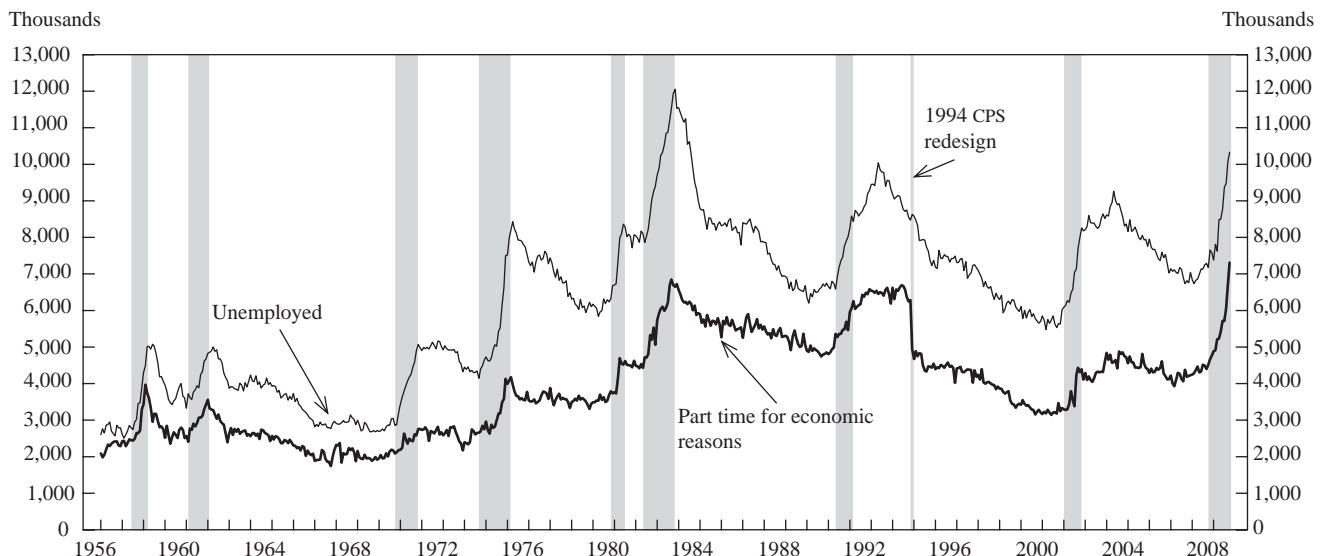
percentage of total employment made up of involuntary part-time workers increased by 2.4 percentage points to 5.1 percent over the same period.

As is typical during labor market downturns, the bulk of the 3.4 million increase in economic part-time employment was due to an increase in the number of workers whose hours were cut back due to slack work (as opposed to the inability to find full-time work). In November 2008, workers employed part time for economic reasons due to slack work made up 3.8 percent of total employment, more than twice the recent low of 1.7 percent in April 2006. Those employed part time for economic reasons because they could only find part-time work

accounted for 1.1 percent of total employment in November 2008, up slightly from 0.8 percent in April 2006.

The number of workers on part-time schedules due to slack work often increases prior to a downturn in the business cycle. Similarly, a rise in economic part-time employment due to slack work frequently occurs before a rise in unemployment, mainly because many employers tend to reduce workers' hours before implementing layoffs when faced with a decline in demand for their goods and services. Conversely, during a recovery, some employers increase the hours of their workers before hiring new workers. (See chart 2.)

Chart 1. Part-time employment for economic reasons and total unemployment, seasonally adjusted, 1956–2008



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research (NBER). NBER has not yet determined an endpoint for the recession that began in December 2007. Beginning in 1994, data reflect the introduction of a major redesign of the Current Population Survey (CPS). Updated population controls were incorporated into the data in January of various years. These changes can affect comparability with data for prior periods.

SOURCE: Bureau of Labor Statistics, Current Population Survey.

In general, workers under age 25 are overrepresented among those employed part time for economic reasons. In the third quarter of 2008, persons aged 16 to 24 accounted for about 25 percent of all workers employed part time for economic reasons while representing just 14 percent of all employed workers. However, workers aged 25 years and older have accounted for a disproportionately large share of the recent rise in involuntary part-time employment. From the third quarter

of 2006 to the third quarter of 2008, 84 percent of the increase in involuntary part-time employment occurred among workers aged 25 years and older; they made up 75 percent of all involuntary part-time employment in the third quarter of 2008.² (See table 2.)

In terms of industries affected, three industries accounted for about two-fifths of involuntary part-time employment in the third quarter of 2008: retail trade, food services, and construction. The same three industries accounted for ap-

proximately the same proportion (about two-fifths) of the total increase in involuntary part-time employment from the third quarter of 2006 to the third quarter of 2008. About 1 in 20 workers at work part time for economic reasons in the third quarter of 2008 was employed in manufacturing, a share unchanged from 2 years earlier. (See table 2.)

In summary, the recent rise in involuntary part-time employment was mainly due to an increase in the number of workers whose hours have

been reduced because of slack work and occurred mostly among workers aged 25 years and older. Also notable were contributions to the increase from construction (reflecting the downturn in the housing market), food services, and retail trade.

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NOTES

¹ A very small number are in the involuntary part-time employment category because of a seasonal decline in demand or because their job started or ended during the week.

² Quarterly data are used in the analysis of involuntary part-time employment by age and industry to improve the reliability of the estimates. Because these data are not available on a seasonally adjusted basis, unadjusted data for the same period of the year are used in the analysis.

Table 1. Involuntary part-time employment, by reason, selected monthly data, seasonally adjusted

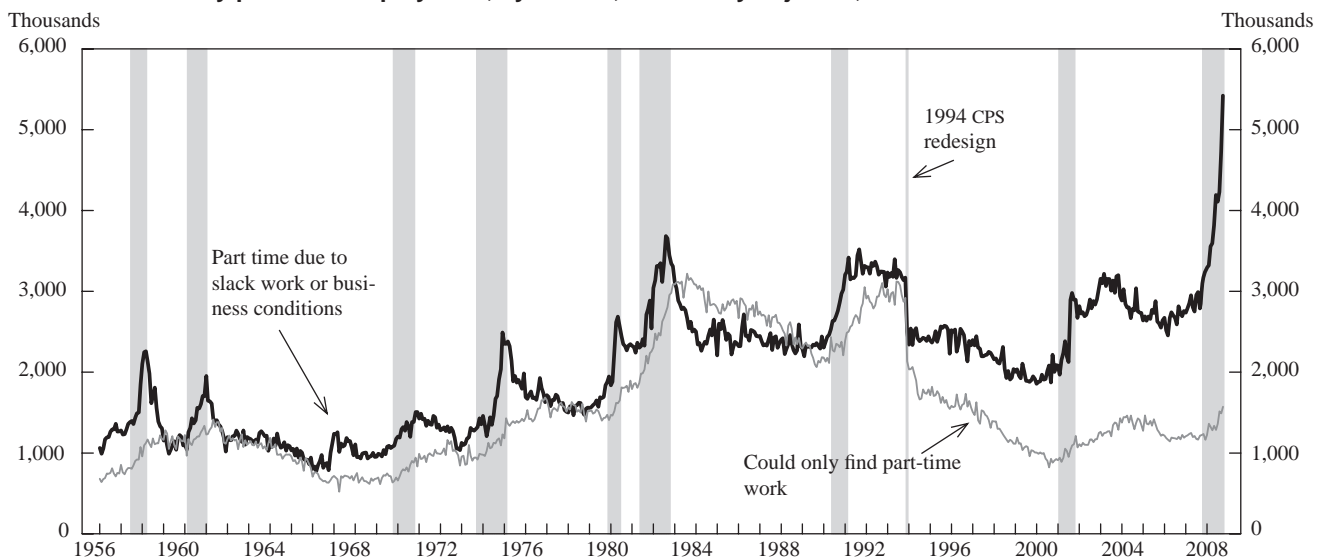
(Numbers in thousands)

Reason	April 2006		November 2008		Change	
	Total	Percent	Total	Percent	Total	Percent distribution of change
Total part time for economic reasons ¹	3,932	100.0	7,321	100.0	3,389	100.0
Slack work or business conditions.....	2,455	62.4	5,426	74.1	2,971	87.7
Could only find a part-time job.....	1,163	29.6	1,572	21.5	409	12.1

SOURCE: Bureau of Labor Statistics, Current Population Survey.

¹ Includes other categories not shown.

Chart 2. Involuntary part-time employment, by reason, seasonally adjusted, 1956–2008



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research (NBER). NBER has not yet determined an endpoint for the recession that began in December 2007. Beginning in 1994, data reflect the introduction of a major redesign of the Current Population Survey (CPS). Updated population controls were incorporated into the data in January of various years. These changes can affect comparability with data for prior periods.

SOURCE: Bureau of Labor Statistics, Current Population Survey.

Table 2. Involuntary part-time employment, by age, class of worker, and industry, selected quarterly data, not seasonally adjusted
(Numbers in thousands)

Age, industry, and class of worker	Involuntary part-time employment					
	2006 Q3		2008 Q3		Change	
	Total	Percent distribution	Total	Percent distribution	Total	Percent distribution of change
Age						
Total, 16 years and over, both sexes	4,096	100.0	5,830	100.0	1,734	100.0
16 to 19 years.....	406	9.9	477	8.2	71	4.1
20 to 24 years.....	759	18.5	958	16.4	199	11.5
25 years and over.....	2,932	71.6	4,395	75.4	1,463	84.4
25 to 34 years.....	895	21.9	1,346	23.1	451	26.0
35 to 44 years.....	785	19.2	1,120	19.2	335	19.3
45 to 54 years.....	704	17.2	1,077	18.5	373	21.5
55 years and over.....	547	13.4	852	14.6	305	17.6
Industry and Class of Worker						
Total, nonagricultural industries.....	4,007	100.0	5,739	100.0	1,732	100.0
Self-employed workers.....	478	11.9	726	12.7	248	14.3
Unpaid family workers.....	3	0.1	5	0.1	2	0.1
Wage and salary workers.....	3,526	88.0	5,008	87.3	1,482	85.6
Mining.....	5	0.1	11	0.2	6	0.3
Construction.....	399	10.0	602	10.5	203	11.7
Manufacturing.....	221	5.5	314	5.5	93	5.4
Wholesale and retail trade.....	619	15.4	970	16.9	351	20.3
Wholesale trade.....	55	1.4	80	1.4	25	1.4
Retail trade.....	565	14.1	890	15.5	325	18.8
Transportation and utilities.....	144	3.6	237	4.1	93	5.4
Transportation and warehousing.....	139	3.5	229	4.0	90	5.2
Utilities.....	5	0.1	8	0.1	3	0.2
Information.....	57	1.4	87	1.5	30	1.7
Financial activities.....	123	3.1	169	2.9	46	2.7
Professional and business services.....	323	8.1	452	7.9	129	7.4
Professional and technical services.....	86	2.1	127	2.2	41	2.4
Management, administrative, and waste services.....	237	5.9	324	5.6	87	5.0
Education and health services.....	643	16.0	801	14.0	158	9.1
Educational services.....	264	6.6	331	5.8	67	3.9
Health care and social assistance.....	379	9.5	469	8.2	90	5.2
Leisure and hospitality.....	720	18.0	1,006	17.5	286	16.5
Arts, entertainment, and recreation.....	92	2.3	146	2.5	54	3.1
Accommodation and food services.....	628	15.7	860	15.0	232	13.4
Accommodation.....	94	2.3	111	1.9	17	1.0
Food services and drinking places.....	534	13.3	749	13.1	215	12.4
Other services.....	238	5.9	303	5.3	65	3.8
Public administration.....	33	0.8	56	1.0	23	1.3

SOURCE: Bureau of Labor Statistics, Current Population Survey.