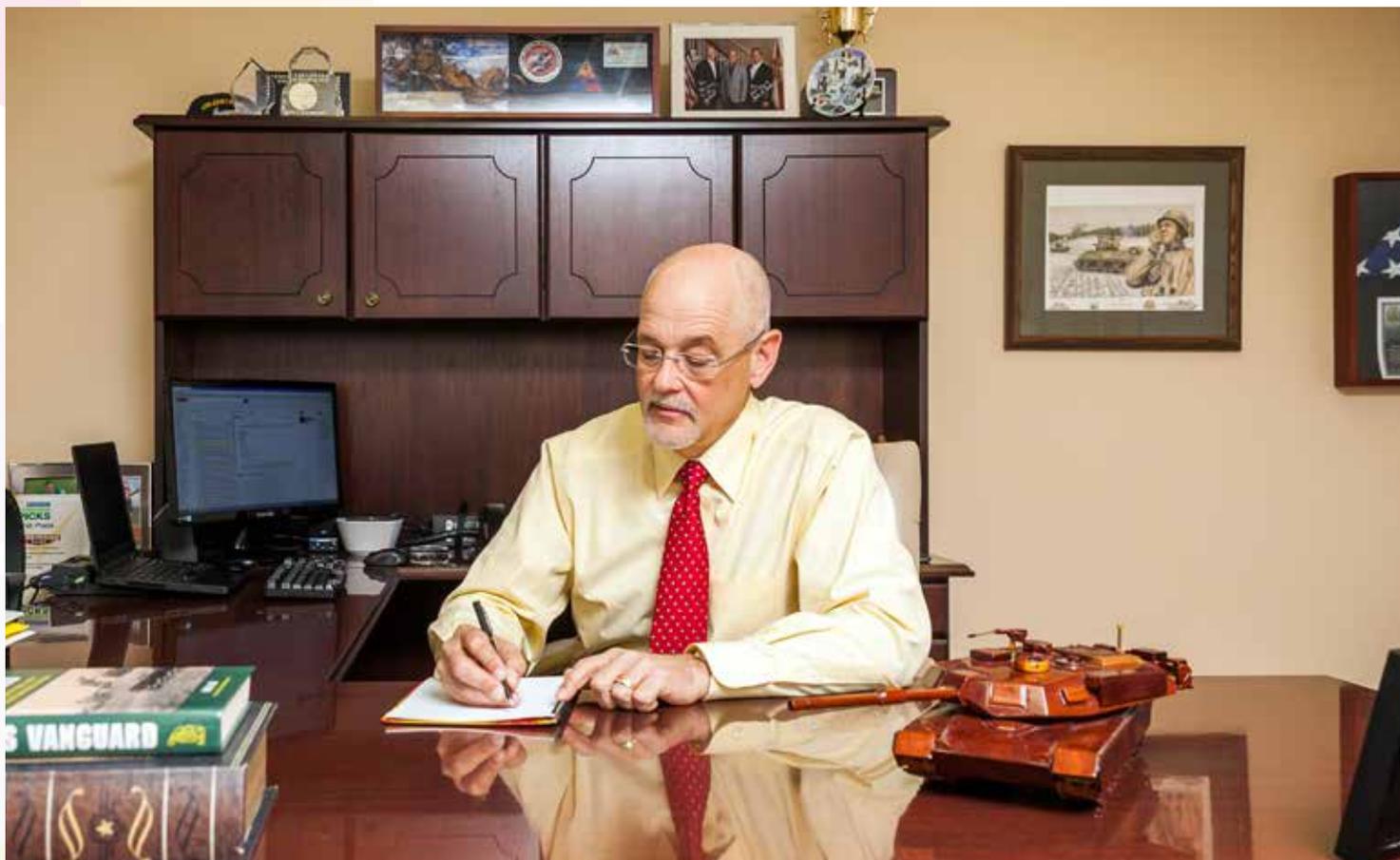


A MILLION FEWER INVOLUNTARY PART-TIMERS WAS STILL TOO MANY



"If you go all the way back to the recession, our average number of employees per restaurant may have dropped modestly. But that's simply a function of lower sales volume."

DON FOX, CEO, Firehouse of America LLC, Jacksonville, Florida; 800+ restaurants staffed mostly by part-time workers

U.S. labor market conditions improved significantly in 2014, but 6.8 million people who wanted full-time jobs were still working part-time. The number of people in this category, which the U.S. Bureau of Labor Statistics defines as working “part-time for economic reasons,” or PTER, remained unusually large even though most of the jobs created in recent years have been full-time.

Many economists, including those at the Atlanta Fed, have noted that the still-elevated level of part-time employment indicates the labor market still has underutilized resources, or slack. That is slack that the official unemployment rate does not capture. In 2014, Atlanta Fed research explored trends in PTER employment to help clarify how much remains to be done to achieve full employment. **Data that inform researchers about the health of the economy will help the Federal Open Market Committee decide when to begin raising the federal funds rate.**

PTER trends vary by type of job

Although the number of people working part-time involuntarily remained elevated in 2014, there was progress. That number fell by about a million last year, compared to a decline of only 160,000 in 2013. What’s more, the decline in the number of PTER workers was widespread across industries and occupational skill levels, which is a change from previous years, according to the Atlanta Fed’s analysis. In previous years, declines in the number of involuntary part-time workers occurred largely in goods-producing industries. However, in 2014, service-providing industries also had notable declines.

This is significant because service-providing industries account for nearly 85 percent of PTER employment, much of it among low- and middle-skill occupations. The PTER share of employment in these types of jobs remained elevated at 6.7 percent in the fourth quarter,

nearly 3 percentage points above the prerecession level, despite last year’s broader decline in the number of involuntary part-time workers.

A permanent or cyclical trend?

A key question is whether monetary policy can address the elevated level and share of involuntary part-time work. In other words, are these conditions tied to ups and downs in the economy—or cyclical changes—or they are the result of more lasting, secular—or structural—changes? Research seems to indicate that there are elements of both.

Employers in an August 2014 survey noted two main reasons for increased reliance on part-time employees within their own firms: a higher cost of employing full-time workers relative to part-time employees and weak business conditions. The first reason is more of a structural issue; it’s not

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tied to a dip in the business cycle, for example, or a fall in demand. The second reason is cyclical. In the survey, the equal weighting respondents gave to both the cyclical and structural factors suggests both elements are at play.

As Fed Chair Janet Yellen noted in an August 2014 speech, “the sharp run-up in involuntary part-time employment suggests that cyclical factors are significant.” Yet as the U.S. economy continues to gain strength and create more full-

time jobs, the number of people working part-time involuntarily is likely to decline further.

The number of involuntary part-time workers finally fell faster last year but remained high.



Note: Shaded areas indicate recession.

Sources: U.S. Bureau of Labor Statistics; Federal Reserve Economic Database, St. Louis Fed.

PTER RATE BY INDUSTRY

MANUFACTURING: 2%

After peaking at 4%, the PTER share of employment has declined faster for manufacturing jobs than for those in service-providing industries.



LEISURE & HOSPITALITY: 9%

Similar to many service-providing sectors, the PTER share of employment in leisure and hospitality has declined slowly since peaking at 11%.



RETAIL & WHOLESALE TRADE: 7%

After peaking at 4%, the PTER share of employment has declined faster for manufacturing jobs than for those in service-providing industries.



HOW WE USE THE CURRENT POPULATION SURVEY

The Current Population Survey helps economists gauge the health of the labor market. Each month, the U.S. Census Bureau contacts about 60,000 households. If you were a survey participant, one of the first things the interviewer would ask you is, do you have a job? If you do, the interviewer asks about the occupation, who you work for, how much you earn, and how many hours you work per week. If you don't have a job, the interviewer asks if you want a job and what you are doing to find one. If you don't want a job, the interviewer asks, why not? The structure of the survey allows us to track participants over time and measure how freely people are moving around the labor market. For example, we can determine the rate at which people working part-time for economic reasons are able to find full-time jobs. The Bureau of Labor Statistics uses the data to produce headline statistics such as the labor force participation rate and the unemployment rate.



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A chef in a white uniform and green hat is pouring a purple sauce from a bottle onto a white plate on a stove. The background shows a kitchen with a range hood and a gas burner with a flame. The image is overlaid with a semi-transparent geometric pattern of overlapping triangles in shades of brown and gold.

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