

## NEW WORK ARRANGEMENTS: FAD OR FIXTURE? SOME OF BOTH



*"Contract work has been growing significantly for a long time now. Ultimately, what that means is that for more companies, a larger part of their employment base is this contingent or flexible workforce."*

**HAROLD MILLS**, CEO, ZeroChaos, Orlando, Florida; helps big companies find and manage contract workers in 42 countries

As 2014 ended, it seemed certain that changes in employer-employee arrangements that intensified during the Great Recession would persist. **Trends in workforce management include the structuring of job positions as part-time and the use of temporary staff and contractors as a permanent and flexible workforce component.**

### **Pattern of restoring reduced hours different this time**

Typically, after cutting workers' hours in a recession—thus adding to the ranks of part-time workers—employers restore those hours during a recovery. However, during the sluggish recovery from the Great Recession, this restoration of hours has not been such a strong trend. Will the new work arrangements prove to be persistent? Evidence falls on both sides of the question: some employers view new types of work arrangements as a practice they will use longer term; others report that this phenomenon is

caused simply by overall weakness in economic demand and thus demand for workers..

### **Costs of full-time hiring, weak overall demand behind part-time surge**

Limited data are available to clarify how persistent nontraditional work arrangements might be. When data paint an incomplete picture, the Atlanta Fed carefully fills gaps with anecdotal information from business contacts. For example, in a summer 2014 survey of 340 businesses in the Southeast, a quarter of the business owners said they had a higher share of part-time workers than before the recession.

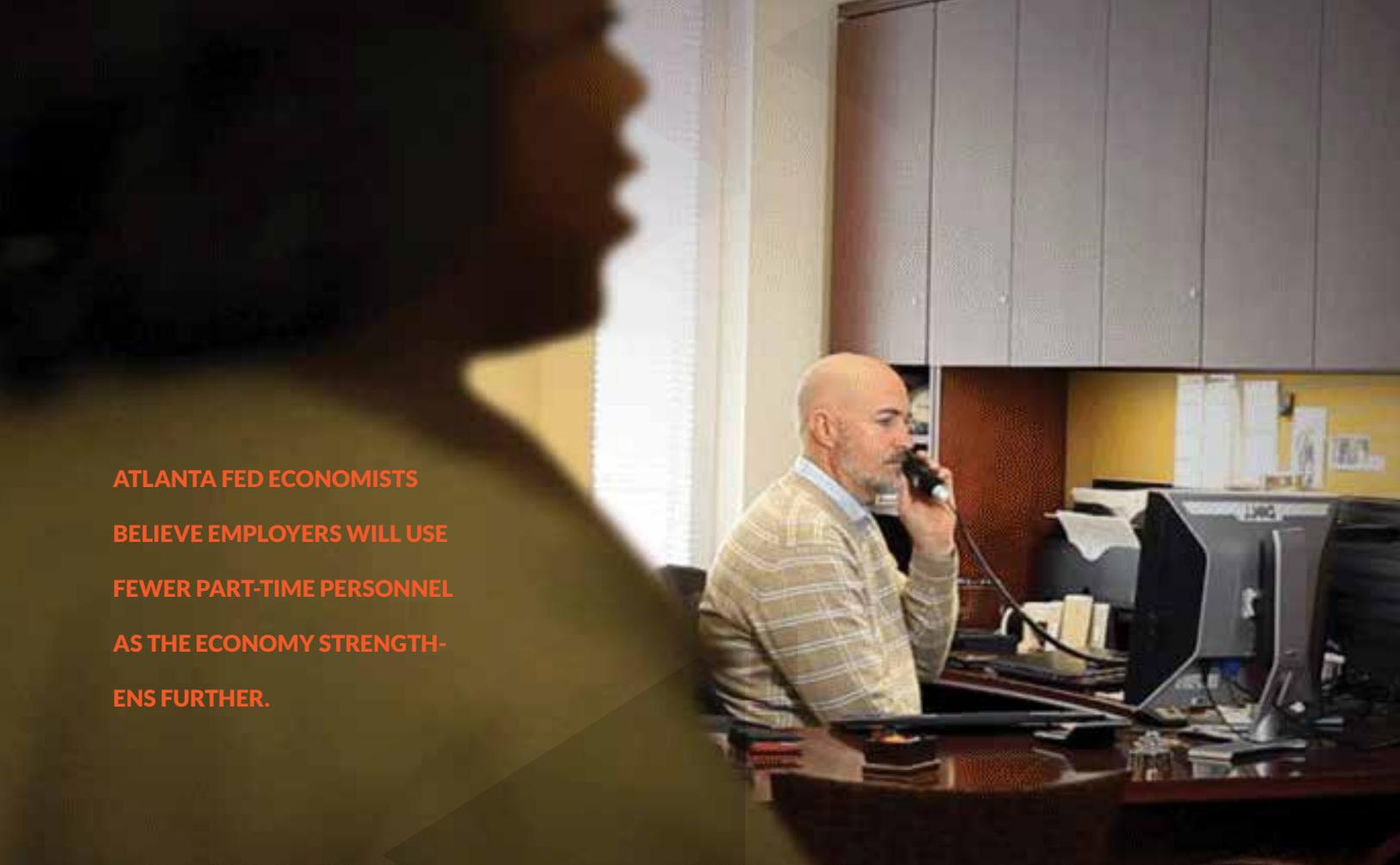
Two reasons for the increase in the use of part-time workers stood out: higher costs of employing full-time workers compared to part-time employees and weak general business conditions. Those two factors, the survey results suggested, have been about equally

important for the increase in the use of part-time employees.

Overall, Atlanta Fed economists believe employers will use fewer part-time personnel as the economy strengthens further. At the same time, the proportion of part-time workers probably will not return to prerecession levels, Fed research suggests. In other words, preference for part-time workers is likely to persist..

### **Income varies with work schedules**

In addition to results in the Atlanta Fed survey, the spread of nontraditional arrangements is evident in a broader Fed study. In the Board of Governors' *Report on the Economic Well-Being of U.S. Households in 2013*, published in July 2014, 21 percent of respondents said that they occasionally experience months with unusually high or low incomes, and 10 percent said that their



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income varies quite a bit from month to month. Among those whose income varies, 42 percent reported that it was because of an irregular work schedule.

Some work schedules will likely remain erratic. Employers want to stay nimble so they can adjust quickly to a dip in business. They increasingly seek the flexibility afforded by a mix of employment arrangements with varying degrees of commitment to

categories of employee, Atlanta Fed analysis suggests. One tool that increases employers' flexibility is sophisticated software that allows management to schedule staff only when they are needed most, perhaps contributing to the spread of irregular working schedules noted in the Fed report.

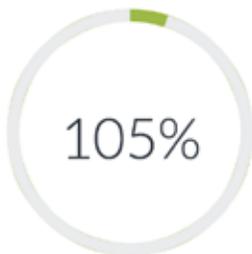
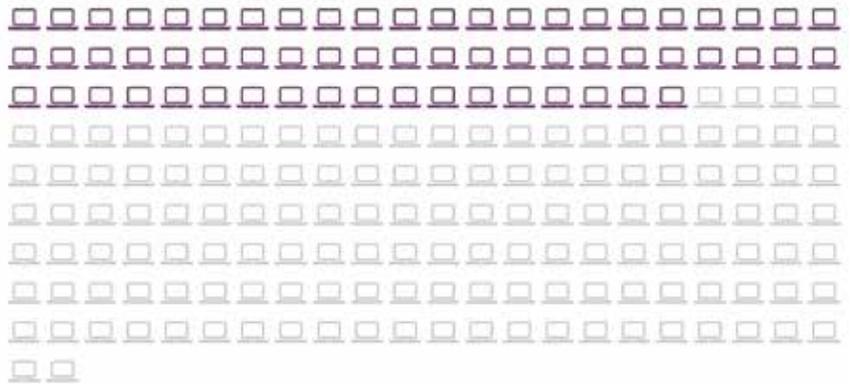
The dynamics of employer-worker relationships matter to the Fed because those dynamics affect the conduct of monetary policy. The

core question in this case: what is underlying the growth in new work arrangements? Is it a product of insufficient overall demand for labor, which monetary policy can arguably affect? Or is it a change in the fundamental nature of work in the United States, which is theoretically impervious to the effects of monetary policy? There is good evidence on both sides, and researchers are continuing to investigate

# HOW MANY COMPANIES HAD A HIGHER SHARE OF PART-TIME WORKERS THAN BEFORE THE RECESSION?

**25% OF COMPANIES**

Source: July 2014 Atlanta Fed Survey



**Increase in PTER in Great Recession**



**Increase in PTER in 2001 recession**

Source: U.S Bureau of Labor Statistics

## All Employees:

### Professional and Business Services: Temporary Help Services



Note: Shaded areas indicate recessions.  
Source: U.S Bureau of Labor Statistics



## HOW ANECDOTES ENRICH DATA

**Patel:** The Atlanta Fed relies on data to further our understanding of local, regional, national, and global economies. But the numbers don't always tell the whole story.

**Graefe:** When that happens, we fill the gaps with anecdotal information from business contacts throughout the Southeast.

**Patel:** Through our Regional Economic Information Network, or REIN, we collect grassroots economic intelligence. We speak with hundreds of businesses in the region.

**Graefe:** Atlanta Fed officials and REIN leaders meet extensively with the community groups and business leaders who are making decisions about hiring, investing, and other activities that fuel the economy.



### Laurel Graefe

Regional Economic Information Network director  
Federal Reserve Bank of Atlanta

**Patel:** Our contacts range from small, owner-operated companies with a local focus to large national and even international corporations.

**Graefe:** So we not only get a sense of activity in the region, but we also learn about the national and local economy more broadly.

**Patel:** The information we collect adds color and texture to our data. And through these conversations, the public's voice makes an important contribution to the Federal Reserve's formulation of sound monetary policy.

### **Shalini Patel**

Regional Economic Information Network director  
Federal Reserve Bank of Atlanta

