

The Rise of Part-time Employment

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Part-time employment plays an increasingly important role in shaping the experience of U.S. labor market participants, both in normal times and during recessions. That is the central finding of our research based on a new dataset that we construct and analyze using state-of-the-art measurement tools. We find that:

- The stability of the average levels of the part-time employment share (the number of part-time workers among the employed) over the past 40 years masks an increase in worker turnover between full-time and part-time employment.
- In the long run, worker transitions from full-time to part-time employment tend to offset transitions in the opposite direction. This is why the rising importance of part-time work is not directly observable by looking at a series of snapshots of the part-time employment share.
- In the short run, movements in transitions between part-time and full-time employment do not offset one another, triggering dramatic increases in part-time employment during recessions. These occur mostly through increases in *involuntary* part-time work. The scale of these changes is so large that, since the Great Recession, employed workers are at a greater risk of working part-time involuntarily than being unemployed.
- The long-run and short-run patterns are interrelated: the spectacular cyclical response of involuntary part-time work during the Great Recession of 2007-2009 compared to the twin recessions of 1980-1982 is fully explained by its interaction with full-time employment, which slowly became stronger throughout the past four decades.

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The facts that emerge from our analysis are relevant for a number of actively researched issues.

First of all, a large body of studies documents a slowdown in the dynamism of the U.S. labor market. The facts that we document reveal that the decrease in turnover highlighted in these studies needs to be qualified: workers rotate more frequently between part-time and full-time work, and thus they are increasingly mobile *within* employment. This raises two questions for future research. Is there a causal link between the rise of the part-time employment and the symptoms of fading dynamism of the U.S. labor market found in previous research? Compared to reallocation across employers, how does reallocation between full-time and part-time work, which occurs mostly at the same employer, affect aggregate labor productivity?

Our findings also contribute to the debate on changes in job stability and job security – a recurrent cause for concerns among scholars, policy-makers and the general public. In the long run, we find a rising instability of the part-time/full-time employment status, partly explained by an upward trend in turnover between *voluntary* part-time and full-time employment. Thus, this job instability may not be fully matched by an increase in job insecurity. The data are similarly ambivalent for the short run: during downturns, workers who remain in employment face greater job insecurity through involuntary part-time work, which may be a better alternative than becoming unemployed.

In the aftermath of the Great Recession, in the face of continued economic slack, understanding involuntary part-time employment became a priority for the Federal Reserve Board. A related concern points to the difficulty in using standard statistics (the unemployment rate) to measure the amount of remaining slack in the labor market. Our research highlights how part-time work contributes to the employment gap during a sluggish recovery, and that it should be part of a comprehensive assessment of the state of the labor market. Finally, the historical perspective provided by our data shows that the high levels of part-time employment since the Great Recession are not only a cyclical event: they reflect a more persistent trend in the U.S. labor market.