

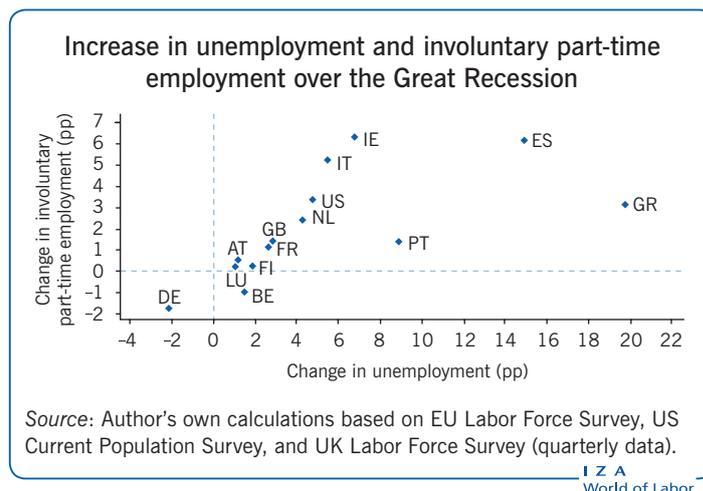
Why does part-time employment increase in recessions?

Jobs can change quickly from full- to part-time status, especially during economic downturns

Keywords: part-time work, involuntary, business cycles

ELEVATOR PITCH

The share of workers employed part-time increases substantially in economic downturns. How should this phenomenon be interpreted? One hypothesis is that part-time jobs are more prevalent in sectors that are less sensitive to the business cycle, so that recessionary changes in the sectoral composition of employment explain the increase in part-time employment. The evidence shows, however, that this hypothesis only accounts for a small part of the story. Instead, the growth of part-time work operates mainly through reductions in working hours in existing jobs.



KEY FINDINGS

Pros

- + During the Great Recession, in the US and the UK the increase in the share of workers employed part-time accounted for the bulk of the drop in hours per worker and almost all its persistence during the recovery period.
- + The lion's share of the cyclical variation in part-time employment is accounted for by changes in the rate at which workers move between part-time and full-time work at their current employer.
- + Because part-time workers are more likely than the unemployed to return quickly to full-time hours, the effects of part-time work on consumption are much lower.

Cons

- The increase in part-time employment observed during recessions is mainly involuntary; either because business conditions are poor at the current job or because workers cannot find a full-time job.
- Individuals who move from full-time to part-time employment experience a substantial reduction in earnings.
- Several years after the end of the Great Recession, the involuntary part-time employment share remains above its pre-crisis level in the UK and the US; the causes behind this persistence are not well understood.

AUTHOR'S MAIN MESSAGE

Part-time work is associated with low-quality jobs. In recessions, the share of workers employed part-time increases substantially and is chiefly involuntary. It is important to assess if this increase induces a reduction in aggregate job quality, by reallocating workers from full-time ("good") to part-time ("bad") jobs. Recent evidence suggests that this is not the case. The bulk of the increase in part-time employment is due to workers who suffer a reduction in working hours at their current employer. Since many part-time workers return quickly to full-time hours, unemployment should remain the focus of policy action during recessions.