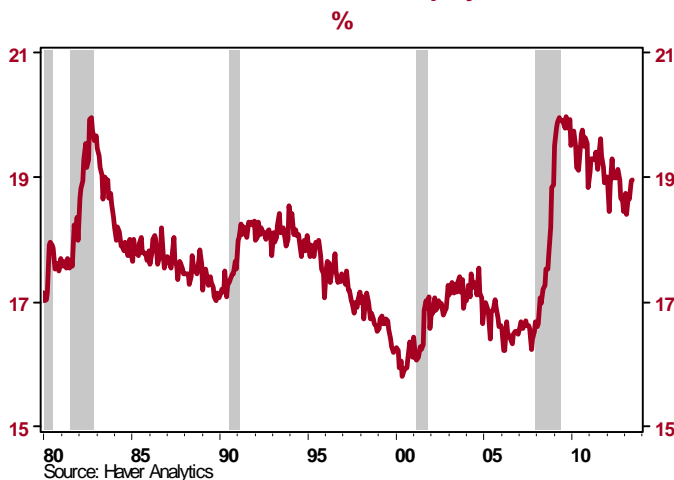


Part-Timers and the Labor Market

Over the past few weeks we keep getting the same two questions about the labor market. Basically, investors want to know whether the labor market is really improving if so many of the jobs are going to part-timers and if the more expansive definition of the unemployment rate (the one that includes discouraged workers and part-timers who want to work full-time) is about double the regular unemployment rate.

Part-Time Share of Civilian Employment



The simple answer is yes, the labor market is still getting better. It should be getting better much faster, but don't be thrown off track by analysts who cherry-pick and highlight supposedly bad data or don't provide a historical context for the numbers they use.

The Labor Department does two major surveys each month for counting jobs. The one that grabs most of the headlines is the payroll survey, where we get numbers on nonfarm payrolls and changes in payrolls by sector. Then there's the civilian employment survey, which is mainly used for generating the unemployment rate. Both surveys provide good useful information on the labor market and we love using the civilian employment survey over long periods of time (a year or more) because it includes job creation at small business start-ups (which the payroll survey misses). The problem with the civilian employment survey is that it

uses a much smaller sample and so, statistically, it is very volatile from month to month.

It is true that using the civilian employment survey most of the net increase in jobs so far in 2013 has been part-time jobs, 71% to be exact. But, again, that survey is very volatile for periods shorter than a year and this is one of those cases. Notice how random it is to use year-to-date, which means just the past seven months.

It just so happens that part-time jobs plummeted late last year even as total jobs kept rising, so using the year-to-date figures artificially ignores those numbers from late 2012. Looking back over the past twelve months, total civilian employment is up 2.035 million while part-timers are up 282,000, or 14% of the job gains. Please see the chart to the left on the part-time share of civilian employment, which has been trending down since the recession (grey areas are recessions).

The other question people have, about the expansive definition of unemployment, also known as the U-6 unemployment rate, is also true, but misleading. At 14%, the U-6 unemployment rate is 89% higher than the regular unemployment rate of 7.4%. But, long-term, the U-6 rate, whether in good times or bad, tends to run about 80% higher than the regular rate. So the gap is larger than usual, but not beyond what we would expect given the chart on the left, where we show part-timers are still a larger than normal share of the workforce.

The bottom line is that the labor market is still far from fully healed from the disaster of 2008-09. But that shouldn't blind us to the steady improvement we've made over the past four years. Just because we should be getting better faster if public policies were better doesn't mean we're not getting better at all. We think some analysts are letting their politics color their economics because they're scared President Obama will get credit for whatever (gradual) improvement we are getting.

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