



Rise in part-time workers worries some experts

Paul Davidson, USA TODAY

July 6, 2014

Economists have few concerns about the number of workers employers are hiring this year, with the government reporting Friday that the economy added a surprising 288,000 jobs in June.

The number of hours employees are working?

That's a different story.

Among the few worrisome signs in Friday's generally encouraging employment report was a sharp rise in the number of part-time workers who prefer full-time jobs. The total jumped by 275,000 to 7.5 million, the Labor Department said.

JOBS BLOWOUT:Labor market holds its momentum

Monthly changes in the jobs data are volatile and the ranks of so-called involuntary part-time workers fell by 196,000 previous month. Still, June's total is the highest this year. Since the recovery began five years ago, the drop in the number of these part-time workers had been tracing the decline in the overall unemployment rate, but it has lagged so far this year, says Jim O'Sullivan, chief U.S. economist of High Frequency Economics.

The high number of involuntary part-time workers is consistent with an average workweek that was unchanged at 34.5 hours for the fourth straight month in June, says **Bernard Baumohl, chief global economist of The Economic Outlook Group.**

"It stands to reason that if the economy is improving, we would see employees put in more time on the job," **Baumohl** says. "This is usually a leading indicator of both future hiring and pay increases."

Instead, he notes, the economy has been running in place this year. Second-quarter growth will likely offset a 2.9% first-quarter contraction caused partly by bad weather.

Baumohl also cites a shift in the labor market, with employers increasingly using part-time and temporary workers to handle short-term projects. "Companies view labor more as inventory that is to be hired when they need it and let go when they don't need it."

The Affordable Care Act, which requires firms with at least 50 employees to provide health insurance to those working at least 30 hours, also could be prompting some businesses to hire more part-time workers, O'Sullivan says.

Baumohl says the shift toward part-time work is a big reason wage gains remain modest. In June, average wages were up just 2% over the previous 12 months.

O'Sullivan is more bullish. Despite the recent increase, he says, the number of involuntary part-time workers has fallen by 650,000 the past year. And he downplays concerns over the stable workweek. Employers, he says, simply may have squeezed all they can from workers and must hire to meet new demand.

Citing average monthly job gains of 231,000 so far this year, O'Sullivan says: "It's pretty unambiguous — the labor market is improving."

He also expects wage growth to accelerate. He pointed to a survey released last week by the National Federation of Independent Business that shows 24% of small businesses had openings they couldn't fill last month — the highest since 2007.

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