

**HALF A JOB**  
**How U.S. firms use part-time employment**

by  
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Submitted in Partial Fulfillment of the Requirements of the  
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HALF A JOB:  
HOW U.S. FIRMS USE PART-TIME EMPLOYMENT

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CHRISTOPHER CHARLES TILLY

Submitted to the Departments of Economics and Urban Studies and Planning on January 13, 1989 in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Economics and Urban Studies and Planning

ABSTRACT

This investigation of part-time employment grew out of a concern with broad changes shaping the U.S. labor market and consequently the size distribution of earnings and income. During the 1970s and 1980s, the earnings and income distributions in the United States became markedly more unequal. While aggregate studies have traced and decomposed the growth of inequality, aggregate analysis has proven unable to determine the causal processes underlying this growth. To discover these processes--which is essential to assessing the gravity of the problem and to devising possible policy response--it is necessary to focus on smaller pieces of the picture, and particularly on the institutional sinews that structure the labor market. Part-time employment, which occupies almost one fifth of the employed workforce, is one such piece of the picture.

Previous research indicates that indeed, part-time employment is a particularly promising site to search for clues about the changing earnings and income distribution. But at first glance, part-time employment appears to be a success, rather than a failure, of the U.S. labor market. Part-time jobs, it appears, are matches between employers and workers who both have a need for non-standard work schedules. If this is an explanation for increasing polarization in the earnings distribution, it would seem to be a fairly benign one. However, a closer look reveals serious problems with part-time employment. Over a quarter of part-time workers are working part-time involuntarily, and virtually all of the increase in the rate of part-time employment in the last two decades is explained by growth in involuntary part-time work. At the same time, as much as 7% of the full-time workforce is working full-time involuntarily, in the sense that they would prefer to work fewer hours and earn less money.

To explain why workers are constrained in their choice between part-time and full-time employment--in some cases unable to find full-time jobs, in other cases unable to find part-time jobs--it is necessary to carefully examine the demand for part-time labor. Although various theories of the labor market generate a priori predictions about employer use of part-time employment, surprisingly little attention has been devoted to direct study of this particular labor demand. This thesis specifically studies the demand for part-time labor. It

focuses on three questions about that demand: (1) Is the employer's choice between creating a part-time or a full-time job a simple two-way decision, or are there different types of part-time jobs--possibly with different implications for the distribution of earnings? (2) How do firms decide on the mix of part-time and full-time jobs? (3) What drives changes over time in the use of part-time employment by firms, and in particular, what has caused the recent secular growth in part-time work?

To answer these questions, the thesis draws primarily on a set of 82 open-ended interviews with managers, union officials, and workers. The companies and unions represented are mainly located in the retail and insurance industries--a high part-time employment and a low part-time employment sector, respectively--and in the Boston and Pittsburgh areas--a labor-shortage and a labor-surplus area, respectively. Analysis of these data is supplemented by inference from Current Population Survey microdata and aggregate data. The analysis utilizes both neoclassical and institutionalist theory. Given the emphasis on discrete choices (part-time vs. full-time) rather than continuous adjustment by employers, and on persistent excess demand and excess supply of part-time labor, as well as specific research questions that focus on qualitative distinctions and changes, the thesis draws most heavily on institutionalist theory, particularly the theory of internal labor markets.

This research strategy yields three sets of findings. First, there are two classes of part-time jobs--secondary and retention part-time jobs--in the industries under study. The more numerous secondary part-time jobs manifest low skill, high turnover, and low compensation compared to full-time jobs in the same organizations, whereas retention part-time jobs feature high skill, low turnover, and often higher hourly compensation than full-time jobs. Involuntary part-timers are generally in secondary part-time jobs, whereas involuntary full-timers are often trying to enter retention part-time jobs.

Second, the differences in the rate and type of part-time employment in cross-section across industries and firms are tied to firm choices of internal labor markets. A firm's internal labor market structure affects not only the relative levels of part-time and full-time employment, but also the way that decisions about this mix are made.

Third, both the long-term growth and the cyclical fluctuations of part-time employment are driven in large part by movements in the rate of secondary part-time employment. The secular growth, in particular, results both from the employment expansion of low-wage service industries that have traditionally employed large numbers of part-timers, and from the conversion of jobs from full-time to part-time in order to obtain schedule flexibility and lower-cost labor.

The thesis concludes with a discussion of the research's implications for equity and efficiency and for policy. The growth of secondary part-time employment clearly contributes to increasing inequality in the size distribution of individual earnings. Its effects on the distribution of family income are

less clear. The spread of secondary part-time work also threatens to undermine productivity growth. Involuntary part-time and involuntary full-time employment raise additional equity and efficiency issues.

Current policy approaches to part-time employment are scattered, incoherent, and incomplete. But once existing labor market policies and collective bargaining approaches are acknowledged as a de facto policy on part-time employment, steps can be taken to integrate them into an effective set of policy instruments, and to fill in the gaps in this set. A full set of policies would help to upgrade secondary part-time jobs where they exist, limit their further growth, and foster the growth of retention part-time jobs.

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## Chapter 1 Introduction

This investigation of part-time employment grew originally out of a concern with changes shaping the U.S. labor market and the size distribution of earnings and income. During the 1970s and 1980s, the earnings and income distributions in the United States became markedly more unequal. Analysts reviewing the change have variously dubbed it a "great U-turn" away from equality (Harrison and Bluestone, 1988), a "surge in inequality" (Thurow, 1987), and a "rising tide of inequality" (Tilly, 1988). While aggregate studies have traced and decomposed the growth of inequality (for recent reviews, see Loveman and Tilly, 1988; Tilly, 1988), aggregate analysis has proven unable to determine the causal processes underlying this growth. To discover these processes--which is essential to assessing the gravity of the problem and to devising possible policy response--it is necessary to focus on smaller pieces of the picture, and particularly on the institutional sinews that structure the labor market. Part-time employment<sup>1</sup>, which occupies almost one fifth of the employed workforce, is one such piece of the picture.

Previous research indicates that indeed, part-time employment is a particularly promising site to search for clues about the changing earnings and income distribution. Part-timers--with median hourly wages 40% below those of full-time workers, fewer hours of work per week than full-timers, and on average fewer weeks of work per year than full-timers--are a



growing group with low hourly wages and very low annual wages. In fact, part-time workers make up two thirds of all people working at or below the minimum wage (Mellor and Haugen, 1986). Tilly, Bluestone, and Harrison (1986) discovered that some 42% of the growth of inequality in annual wages and salaries between 1978 and 1984 could be accounted for by the growth of part-time employment and the spreading apart of the earnings of part-time and full-time workers<sup>2</sup>.

Furthermore, families of part-time workers, and particularly of involuntary part-timers, tend to be families at economic risk. Part-time workers had a median total family income approximately \$5000 less than full-timers in 1982 (unpublished finding communicated by James Rebitzer). Involuntary part-timers, in turn, had a median family income \$5,000 below that of voluntary part-timers in 1978 (Terry, 1981). About one in six part-time workers--and one in five involuntary part-time workers--has family income below the poverty rate, compared to one in thirty-seven year-round, full-time workers (Levitan and Conway, 1988). And in half a million two-earner families a spouse's part-time job is the slim margin keeping the family out of poverty (Levitan and Conway, 1988). In short, questions about what regulates the creation and compensation level of part-time jobs have major implications for understanding the income distribution.

Closely related to the concern about income distribution are debates over the quality of jobs being created in the United States and over the growth of "contingent" or "flexible"

work forms, including temporary and other work arrangements as well as part-time ones. The job quality debate starts from the fact that the United States generated 28 million new jobs between 1973 and 1987, a period during which employment growth in Europe was essentially zero. It is common to attribute the difference to the greater "flexibility" of employment arrangements in the United States. But observers have questioned the advantage of such flexibility. For example, a participant at a recent OECD conference on "The Mechanisms of Employment Creation" expressed skepticism:

"He returned to the familiar question of the flexibility of American workers, but pointed out that it ha[s] major drawbacks. Flexibility [is] associated with low wages, precarious jobs, poor social protection and poverty." (OECD Observer (1988)p.12)<sup>3</sup>

The claim (by Bluestone and Harrison, 1986, among others) that U.S. employment growth has been fueled by low-paid, dead-end jobs has provoked a flurry of research and polemic (of which the research is reviewed in Loveman and Tilly, 1988).

One finding about job creation that has emerged is that the vast majority of jobs with low annual wages<sup>4</sup>--89% of these jobs in 1985--are part-time or part-year jobs (Norwood, 1987). The AFL-CIO's Industrial Union Department (1986) calls the growth of involuntary part-time employment in particular an important reason "to be concerned not only with job creation but also with the quality of the jobs created" (p.19).

The controversy over contingent labor highlights the growth of a variety of non-standard forms of work, including temporary, leased, contracted, and at-home work in addition to

part-time work (Nine to Five, 1986; Bureau of National Affairs, 1986; Worsnop, 1987; Christensen and Murphree, 1988). In a variety of forums, experts are arguing whether such work forms represent "innovation and flexibility" that are "the keys to successful work patterns of the future" (Randolph Hale of the National Association of Manufacturers, in Bureau of National Affairs, 1986, p.91) or the basis of "a new sub-class of workers" (John Zalusky of the AFL-CIO, in *ibid.*, p.99).

### Sizing up part-time employment

The optimistic view of part-time job growth is that it is responsive to the needs of the labor force. Potential workers--students, housewives, retirees--want jobs on non-standard schedules, and perhaps are willing to accept somewhat lower compensation in return for this flexibility. Employers are looking for workers to staff peak times or odd hours. Part-time employment brings the two groups together in a felicitous match. The gradual growth of part-time employment reflects the growth of both sets of needs. If this is an explanation for increasing polarization in the earnings distribution, it would seem to be a fairly benign one.

But it does not appear to be. Over a quarter of part-time workers in the United States are working part-time involuntarily<sup>5</sup>--most of them because they are unable to find a full-time job. Even more alarming, virtually all of the increase in the rate of part-time employment (part-time workers as a percentage of the total) in the United States during the

last two decades is due to expansion of involuntary part-time employment, while the rate of voluntary part-time employment has remained flat. At the same time, millions of full-time workers are working full-time involuntarily in that they would prefer part-time hours but are unable to obtain them; millions of others remain jobless as they search for a part-time job.

Throughout 1987, an average of 5.4 million Americans, or 5.1% of those at work<sup>6</sup>, were working part-time involuntarily--a number comparable to the annual average of 7.5 million who were unemployed (U.S. Bureau of Labor Statistics, Employment and Earnings, January 1988). The number of involuntary part-timers climbed at high as six million people--6.5% of those at work--during the last recession. Although the rate of involuntary part-time employment drops during economic expansions, the long-term trend of this rate has been upward over the last twenty years (Ichniowski and Preston, 1985; Ehrenberg, Rosenberg, and Li, 1986).

If involuntary part-time jobs were transitory, or if they involved only a few hours less than full-time jobs, there would be less cause for concern. But neither is true. Involuntary part-time employment is in many cases a prolonged predicament. Of persons with involuntary part-time employment during 1985, 38% experienced the problem for fifteen weeks or more--including 19% who were involuntarily working part-time for over 26 weeks (U.S. Bureau of Labor Statistics, 1987). As for hours, average hours worked by involuntary part-timers in 1987

were 22.1 hours per week, even lower than the average of 22.5 worked by voluntary part-timers.

Simultaneously with involuntary part-time employment, many people who want part-time jobs are unable to find them. As many as three million people, 7% of the full-timers in nonagricultural industries, are involuntary full-time workers, in the sense that they would prefer to work fewer hours and earn less money (Shank, 1986). Another 1.5 million are unemployed workers seeking part-time jobs<sup>7</sup>. Inability to find a part-time job traps both groups in an unpleasant choice between giving up income or sacrificing other needs, such as time spent on family or school responsibilities.

To explain why workers are constrained in their choice between part-time and full-time employment--in some cases unable to find full-time jobs, in other cases unable to find part-time jobs--it is necessary to carefully examine the demand for part-time labor. Although various theories of the labor market generate a priori predictions about employer use of part-time employment, surprisingly little attention has been devoted to direct study of this particular labor demand. This thesis specifically studies the demand for part-time labor. It focuses on three questions about that demand: (1) Is the employer's choice between creating a part-time or a full-time job a simple two-way decision, or are there different types of part-time jobs--possibly with different implications for the distribution of earnings? (2) How do firms decide on the mix of part-time and full-time jobs? (3) What drives changes over

time in the use of part-time employment by firms, and in particular, what has caused the recent secular growth in part-time work?

### Theoretical tools

In this thesis, both neoclassical and institutionalist economic theory are used to address these questions. Given the emphasis on discrete choices (part-time vs. full-time) rather than continuous adjustment by employers, and on persistent excess demand and excess supply of part-time labor, as well as specific research questions that focus on qualitative distinctions and changes, the thesis draws most heavily on institutionalist theory, particularly the theory of internal labor markets. Internal labor markets are sets of jobs within the firm linked by common features: breadth of job definition, level of skill and responsibility, connection with job ladders, level of compensation, expected tenure. Firms choose combinations of internal labor markets to pursue objectives of cost minimization, labor flexibility, and labor predictability (Osterman, 1988).

Osterman (1988) identifies several types of internal labor markets, in a taxonomy that proves useful for analyzing part-time employment. For this dissertation, the key distinction is between the secondary labor market--low-wage, low-skill jobs with little or no job ladder and high turnover--and all other labor markets, which share none of these features, although they differ in other ways. The internal labor markets other

than the secondary one are collectively referred to as primary labor markets.

### **Research design**

Two kinds of analysis are employed to search for answers to the questions about part-time work. First and foremost is qualitative analysis of an extensive data set of 82 open-ended interviews with 31 companies and fifteen unions and other labor organizations. The companies and labor organizations are located primarily in the retail and insurance industries--a high-part-time-employment and a low-part-time-employment sector, respectively--and in the Boston and Pittsburgh areas--a labor-shortage and a labor-surplus area, respectively. The qualitative analysis draws on these data to formulate inductive hypotheses about the determinants of employer use of part-time employment.

In addition to the qualitative analysis, econometric analyses of data from the U.S. Current Population Survey are undertaken. These quantitative analyses serve two purposes. They test--and reject--some simple hypotheses that are alternatives to the interview-based hypotheses. And they provide some limited, initial tests of the generalizability of the interview findings.

### **Three sets of findings**

This research strategy combining qualitative and quantitative techniques, guided primarily by institutionalist

theory, yields three sets of findings. First, there are two classes of part-time jobs in the industries under study. Second, the differences in the rate and type of part-time employment in "cross-section" across industries and firms are tied to firm choices of internal labor markets. Third, the secular growth of the rate of part-time employment is due to the spread of secondary labor markets, and cyclical fluctuations in part-time employment are due to temporary expansions and contractions of secondary labor markets.

a) Two types of part-time employment

The first finding is that part-time employment in the retail and insurance industries is not homogeneous: it appears in two major types, secondary and retention part-time employment<sup>8</sup>. In effect, these are "bad" and "good" part-time jobs<sup>9</sup>.

Secondary part-time employment is the form that part-time jobs take in secondary labor markets. It is marked by low skill, low pay and fringe benefits, low productivity, and high turnover. Managers cite low compensation and scheduling flexibility as the key advantages of this form of part-time employment. Secondary part-time work is founded upon the distinction between breadwinners and secondary workers, and is explicitly designed for the latter.

Secondary part-time workers include a substantial contingent of involuntary part-timers among their ranks. The involuntary part-time employment encountered in this study was



not the result of temporary hours reductions, but of persons unable to find full-time jobs. Although some of the part-time employment is frictional or search-related, much of it results from rigid part-time/full-time compensation differentials, and from macroeconomic slack.

Retention part-time jobs are created to retain (or in some cases attract) valued employees whose life circumstances prevent them from working full-time--particularly women with young children. Retention part-time jobs are found in primary labor markets, and tend to be relatively skilled jobs. Contrary to secondary part-time employment, retention part-time employment involves high compensation, high productivity, and low turnover. Rather than gaining schedule flexibility as an advantage, managers must flex around the worker's schedule.

There are queues for retention part-time jobs, so that in general, firms with retention part-timers tend to have some involuntary full-timers. Involuntary full-time employment exists for the same reasons as involuntary part-time employment: labor market friction, rigid compensation differentials, and macroeconomic slack. Some involuntary full-time employment is also due to the force of tradition and managers' beliefs about the appropriateness of part-time employment, rather than any economic calculus by employers.

**b) Differences in part-time employment across industries and firms**

The difference between secondary and retention part-time employment, coupled with the notion that firms choose their

internal labor markets, helps to understand the striking variations in the amount of part-time employment used in different industries. Retail and insurance workers sampled in the Current Population Survey in March 1985 had rates of part-time employment of 38% and 11% respectively, and the retail and insurance companies surveyed in this study had even more divergent average part-time rates of 60% and 5%.

This difference between retail and insurance, though partly the result of different time patterns of product demand in the two industries, is due in large part to the fact that insurers and retailers have chosen very different labor markets. Insurers have chosen to arrange most of their labor force in what Osterman (1988) calls a salaried labor market. This labor market is characterized by job designs entailing responsibility and broad job definitions--hence, continuity--and substantial training ladders. To secure a stable workforce to fill these jobs, insurers aim for primary earners. All of these features of the salaried labor market make it difficult to accommodate part-time work. To the extent that a company using this labor market employs part-timers, it will create retention part-time jobs. But retention part-time employment is by its nature an exception--a particular arrangement granted to a valued employee in exceptional circumstances--so that few retention part-time jobs are created.

Retailers, on the other hand, have chosen to place most of their jobs in a secondary labor market. This means breaking down jobs to units involving little skill or responsibility.

They seek a workforce that need not be especially stable or committed, but must be cheap. Secondary part-time employment is consistent with this labor market. In fact, creating part-time jobs is a way to attract a secondary workforce and to legitimize a lower standard of pay. Whereas retention part-time jobs are created one at a time, secondary part-time jobs are created in whole classes of jobs at a time. To put it another way, the creation of retention part-time jobs is opportunistic, whereas the creation of secondary part-time jobs is often strategic.

One consequence of the compatibility of part-time employment with secondary labor markets is that secondary part-time jobs outnumber retention part-time jobs. In fact, although there are other varieties of part-time employment in addition to secondary and retention, the evidence is that secondary part-time jobs make up the majority of part-time jobs in the economy.

To some extent, firms' choices of internal labor markets are constrained by the shape of the product markets that the firms confront (Berger and Piore, 1980). But there is an element of employer discretion in these labor market arrangements. This element is highlighted by the exceptions to the rule: companies that have shifted the boundaries between primary and secondary labor markets away from their usual positions in each industry. Some insurance companies run many of their clerical functions as a secondary labor market--staffed with part-timers. Some retailers organize their

workforce in a primary labor market, and use many fewer part-timers.

Just how do employers make these choices? The particular distribution of part-time and full-time jobs at a firm is the final outcome of interaction and, at times, contention among a large and varied cast of economic characters, including different levels and sections of management, unions (if any), unorganized workers, and the state. In retail, for example, secondary part-time employment is an integral part of a strategic labor market choice laid down and enforced by top operations management, over the resistance of unions and in some cases store-level management. On the other hand, in insurance, retention part-time employment is generally negotiated by department managers with individual employees, as a creative extension of a salaried labor market.

### **c) Change in part-time employment over time**

As noted above, the rate of involuntary part-time employment has trended upward during the 1970s and 1980s, while the rate of voluntary part-time employment has remained roughly constant. Overlaying this trend, involuntary part-time employment fluctuates contracyclically, increasing during recessions and dropping during expansions. Both the growth trend and the contracyclical pattern demand explanation.

The secular increase in part-time employment is tied to two major changes that have led to the spread of secondary labor markets. First, the industry composition of employment has

shifted away from manufacturing and toward industries such as trade and services that employ large numbers of part-timers. The reason that these industries employ so many part-time workers is that they are predominantly made up of firms that have adopted a low-wage, low-skill, high-turnover secondary labor market, built in many cases around secondary part-time employment. The second major change is that larger numbers of jobs within every industry--including services and trade--have been absorbed into this type of labor market. These changes have swelled the ranks of part-time workers even though the workforce's desire for part-time jobs has not kept pace, resulting in the growth of involuntary part-time employment.

A closer look at how supermarkets and health insurance companies decided to make more jobs part-time illuminates how firms change labor markets. These firms moved the boundary between primary and secondary labor markets, expanding the secondary labor market to include more of their workforce. In the examples studied, it was not just that "one day the light bulb went on," in the words of a union representative (Interview I.B)<sup>10</sup>. The companies developed a new internal labor market in response to changing competitive and technological conditions. Specific scheduling issues--such as the extension of store hours and the adoption of video display terminal technology, for which peak productivity is achieved with short shifts--led the companies to focus on part-time workers rather than some other secondary workforce. And the receptiveness of a given firm to a new type of labor market--as

well as the speed with which it made the change (if any)-- depended on a variety of institutional features of the firm. For example, all of the companies converted full-time jobs to part-time jobs on the basis of attrition, slowing the transition.

When employers expand the secondary labor market, they get low productivity along with low labor costs. And indeed, in retail food productivity growth was actually negative in the 1970s and early 1980s. Unfortunately, in the product markets in question, this "low road" approach was an effective competitive strategy: savings on compensation outpaced losses in productivity. Once a critical mass of employers in a given product market shifted to a secondary labor market using part-time workers, competitive pressures tended to compel other employers to follow suit.

As for the cyclical pattern of part-time employment, part of it can be explained by the cyclical incidence of work-sharing (temporarily reduced hours used as an alternative to layoffs) and by changes in the industry composition of employment over the business cycle (since services are more recession-proof and use more part-timers than goods-producing industries). But there remains the baffling problem of explaining cyclical movements of the rate of part-time employment within noncyclical industries. A plausible explanation is that switching from full-time to part-time employment serves as a reduction in average compensation, since part-timers receive lower compensation than full-timers. When

unemployment rises, workers are more willing to accept part-time jobs. More precisely, the turnover of involuntary part-time employees falls, making the average part-time employee less costly. Then firms hire more part-timers, leading to a reduction in average compensation. When unemployment falls, the reverse takes place.

In industries such as insurance where involuntary full-timers are numerous, this cyclical model works in reverse, leading to procyclical movement of voluntary part-time employment. In these industries, involuntary full-time employment presumably rises in recessions and falls during expansions (although it is not measured in standard statistical sources). In the economy as a whole, the procyclical pattern of voluntary part-time employment is swamped by the more common contracyclical pattern of involuntary part-time employment.

The difference in the utilization of part-time employment between Boston and Pittsburgh points to the importance of cyclical effects, but also to the limits of these effects. Pittsburgh's higher rate of part-time employment in retail and lower rate of part-time employment in insurance result in part from the cyclical model outlined above. But despite the quantitative differences, there is no qualitative difference in the way part-time employment is used in the two cities.

### **Equity, efficiency, and policy consequences**

The research presented in this thesis does not fully elucidate the connections between part-time work and economic

equity and efficiency; nor does it provide the basis for a detailed policy agenda. However, it offers insights on both scores.

The growth of part-time employment has most certainly contributed to polarization of the earnings distribution. The rapidly-growing segment of part-time jobs is made up of low-paid secondary part-time jobs. Employer creation of such "bad" part-time jobs has outrun the desire for these jobs in the workforce, so that on the margin involuntary part-time jobs are being created (although it is important to keep in mind that on average, about 75% of part-time jobs are voluntary). Part-time employment can take the form of well-compensated, "good" retention part-time jobs--but the internal labor market context of such jobs makes them the exception.

Less clear is the effect of increasing part-time employment on the distribution of family income. Secondary part-time jobs are mainly held by secondary earners--persons who are not the sole support of a family. The growth of part-time work appears to be part of a more general movement away from the traditional (though never universal) model of a family supported by one breadwinner. The distributional consequences of this change are not obvious, and await further research.

In addition to the distributional effects of of the spread of secondary part-time employment, this research raises two related issues. First, the problem with secondary part-time jobs is not just low compensation, but low productivity and slow (or even negative) productivity growth. And second,



involuntary part-time and full-time employment pose equity and efficiency problems in their own right.

Current policy approaches to part-time employment are scattered, incoherent, and incomplete. Governmental policies include some that favor part-time employment (such as the overtime wage premium) and some that discourage part-time employment (such as Section 89 of the Tax Reform Act of 1986, which constrains differences in fringe benefits between high-paid and low-paid workers). Few policies in either category were designed with part-time employment itself in mind. U.S. unions are debating whether to try to prevent the creation of (secondary) part-time jobs, equalize the compensation of part-time and full-time employees, or win the right to move to (retention) part-time status.

Once existing labor market policies and collective bargaining approaches are acknowledged as a de facto policy on part-time employment, steps can be taken to integrate them into an effective set of policy instruments, and to fill in the gaps in this set. To limit the spread of low-compensation secondary part-time employment, it is appropriate to use policies designed to discourage secondary labor markets in general. These policies include labor law reform to give unions a larger role, and direct controls on compensation differentials, such as Section 89. Policies to reduce reduce involuntary part-time and involuntary full-time employment would range from promoting the role of women and older workers--who tend to be the main advocates for retention part-time work--in labor and

management, to explicitly taking involuntariness into account when setting macroeconomic targets. Taken together, all of these policies would help to upgrade secondary part-time jobs where they exist, limit their further growth, and foster the growth of retention part-time jobs.

### The chapters

The full argument is presented in ten chapters following this one. Chapter 2 offers a review of the literature and an assessment of the gaps remaining in that literature. Chapter 3 lays out the neoclassical and institutional frameworks, and examines what each suggests about how firms set the rate of part-time employment and why firms change that rate. Chapter 4 provides background information on the retail and insurance industries and on the Boston and Pittsburgh economies, and describes the data sets used. In Chapter 5, the interview data are used to define secondary and retention part-time employment. Some implications of the secondary/retention distinction are studied in Chapter 6, and additional data are used to assess the generalizability of these findings. Chapter 7 is an exploration of the reasons for the different utilization of part-time employment in retail and insurance. Then in Chapter 8, there is an examination of how different economic actors within and outside of a firm interact to determine the firm's rate of part-time employment. Chapter 9 gives an explanation of the cyclical pattern of part-time employment, and Chapter 10 explains the secular growth of

. involuntary part-time employment. Finally, Chapter 11 suggests policy implications.

## Notes

<sup>1</sup>Part-time employment is defined in Appendix A. Two different definitions are used somewhat interchangeably.

<sup>2</sup>The figure of 42% results from a univariate analysis. The effects of other variables correlated with part-time status may be included in this estimate.

<sup>3</sup>Another recent European source on this debate is Standing (1988).

<sup>4</sup>Bluestone and Harrison (1986) define low-wage jobs as persons with total annual wages and salaries below half of the 1973 median, inflated by the Consumer Price Index. The fact that these and other researchers define a "job" as a person's total complement of paid work, regardless of how many jobs are involved, is one of the peculiarities of this literature, induced by data limitations. See Loveman and Tilly, 1988.

<sup>5</sup>Involuntary part-time employment is defined in Appendix A. Note that involuntary part-time employment may be understated because it only includes workers who are unable to work full-time for narrowly economic reasons--not, for example, people unable to find dependent care.

<sup>6</sup>The rate of involuntary part-time employment is given here as a proportion of those at work, rather than those employed, because persons with a job but not at work are by definition excluded from the total of involuntary part-time workers, according to Bureau of Labor Statistics definitions.

<sup>7</sup>Where the source for statistics such as this one are not otherwise given, it is U.S. Bureau of Labor Statistics, Employment and Earnings, various volumes.

<sup>8</sup>These two types do not exhaust the types of part-time employment in the economy. For example, work-sharing in manufacturing and construction represents a third type. However, secondary and retention part-time jobs are the major species of part-time work in retail and insurance, and probably in the service industries as a whole.

<sup>9</sup>The terms "good" and "bad" jobs are used as shorthand for high-wage, high-productivity jobs and low-wage, low productivity jobs.

<sup>10</sup>Names of persons and companies interviewed are withheld. However, each interview is coded with an identifying number for purposes of comparison.

## Chapter 2 The facts about part-time employment

The inquiry in this thesis focuses on three questions: Are there different types of part-time employment that differ from full-time employment in distinct ways? What determines which and how many jobs will be part-time? And why has employer utilization of part-time employment changed over time? The literature and published U.S. government statistics provide at best limited answers to these questions, but demonstrate that they are indeed good questions to ask.

### **Are there different types of part-time employment?**

Economic analysis to date has tended to focus on the average part-time job, rather than looking for different types of part-time work. The literature indicates that part-time jobs are, on average, inferior to full-time jobs by most conventional measures. Part-time workers get low pay, reduced fringe benefits, have high turnover, are considered less promotable, and often get fewer hours than they want. But under what circumstances, if any, can part-time jobs be equal or superior to full-time jobs? The literature offers little guidance on this question. An exception is Kahne (1985), who distinguishes between "Old Concept" and "New Concept" part-time jobs.

The remainder of this section reviews research on part-time/full-time differences in wages, fringes, tenure and promotability, and hours worked, with a final section reviewing

indications that there is more than one type of part-time employment, including Kahne's research.

a) Pay

On average, part-time workers earn less on an hourly basis than full-timers. Part-timers in 1987 had a median hourly wage of \$4.42, about 60% of the full-time median of \$7.43--a wage differential of 40%. The differential was wider for men than for women (51% and 28%, respectively)<sup>1</sup>. Part-time workers are disproportionately crowded at the very bottom of the wage distribution. 28% of part-time workers earned the minimum wage or less in 1984, compared to 5% of full-time workers. Part-timers comprise 65% of all people working at or below the minimum wage (Mellor and Haugen, 1986).

The discrepancy in weekly wages is, of course, much greater. In 1987, part-timers earned \$101 a week at the median, against full-timers' \$373. Many part-time workers also work only part of the year. 60% of all persons who worked in 1978 worked year-round. Among persons with part-time work experience, only 40% worked year-round, and a full 31% worked less than half the year (Terry, 1981).

How much of the full-time/part-time hourly wage differential is due to part-time status itself, as opposed to other characteristics of the part-time workers or jobs? Owen (1978, 1979) finds that after controlling for sex, race, education, and experience, there remains a 29% full-time/part-time wage differential. However, he estimates that as much as

19% of the 29% is due to the concentration of part-timers in low-paid industries and occupations. Steuernagel and Hilber (1984) find that segregation of part-timers by industry and occupation explains about one third of the raw wage differential.

Ehrenberg et al (1986) estimate wage equations for 46 industry subsamples, controlling for human capital, cost of living, and other variables in addition to part-time status. They find negative part-time differentials in all but four industries. About half of the coefficients are significant at the 5% level; the statistically significant differentials range roughly from 10% to 40%. The employment-weighted average of the differential across all 46 industries is 12.6%.

Blank (1987) estimates separate wage equations (including human capital variables) for women within each major occupation. She finds significant differentials in every occupation, ranging from 1% to 16%. Based on more extensive modelling, she concludes that in fact part-time status affects the entire wage determination model.

These econometric findings can be summarized in a few statements. (1) Much of the raw full-time/part-time differential can be accounted for by other variables, particularly industry and occupation. This accounting does not really inform us about causality: are part-timers' wages low because so many of them work in low-wage industries such as retail, or are wages in industries like retail low because there are so many part-timers? Most likely, the answer is some

of both. (2) A substantial portion of the full-time/part-time wage differential persists even after controlling for industry, occupation, demographic, and/or human capital variables. That is, a part-timer who is identical in almost every measurable feature with a full-timer still earns lower hourly wages, on average.

**b) Fringe benefits**

Part-timers receive fewer fringe benefits than full-timers. The Current Population Survey offers a comprehensive look at health and pension coverage. Based on the 1983 CPS, only 22% of part-timers receive health insurance as a benefit, compared to 78% of full-timers (Rebitzer and Taylor, 1988). While some gain health coverage through their spouses, the Employee Benefits Research Institute estimates that 42% of part-timers have no employer-provided health coverage (Chollett, 1984). In fact, Levitan and Conway (1988) find that close to one fifth of workers who spent one or more weeks working part-time voluntarily in 1985--and almost one third of those spent at least one week working part-time involuntarily--had no health insurance from any source, including the government. Similarly, only 26% of part-timers have employer-supplied pension coverage, whereas about 60% of full-timers enjoy such coverage (Rebitzer and Taylor, 1988).

The benefits shortfall of part-timers is confirmed by Ichniowski and Preston (1986), using two other data sets--the 1977 Quality of Employment Survey and the 1979 Survey of Job



Characteristics. They find that the probability of having sick leave, paid vacation, pension, and health insurance is significantly decreased for part-timers. Depending on the specific benefit and data source, part-timers are from 11% to 33% less likely to obtain these benefits.

A 1985 survey of 484 medium-to-large employers by Hewitt Associates, a Chicago consulting firm, indicates that benefit coverage drops off sharply with hours worked. For example, 99% of the employers offer health insurance to full-timers, and a substantial 73% offer this benefit to part-timers working 30 hours or more, but only a tiny 13% provide health coverage for people working less than 20 hours a week. This general pattern is echoed for dental, life insurance, accidental death and dismemberment, paid sick leave, long-term disability, paid holidays, and paid vacation (Worsnop, 1987).

Research indicates that otherwise identical workers and jobs receive fewer fringes when they are part-time. Ehrenberg et al (1986) estimate pension and health insurance differentials in 46 industries, controlling for worker characteristics and other variables (as described in the "Wages" section above), and found that part-timers were less likely to receive these benefits in every industry. Blank (1987) finds that part-time women are less likely to be included in health and pension plans in all major occupation groups, after controlling for other worker characteristics.

Not all part-timers get less. Levine (1987) reports that 11% of the companies she surveyed pay full benefits to part-

timers. And in a 1977 survey of (mostly large) companies, Nollen, Eddy, and Martin (1978, p.117) find that although half of the companies give part-timers no health insurance at all, one third offer part-time workers the full, non-prorated benefit. In effect, the latter companies pay out more for health benefits on a per-hour basis for part-timers than for full-timers.

c) Tenure, turnover, and advancement

Part-time workers stay at jobs for much shorter average periods than full-timers. Part-timers also are often less able to advance within companies than full-timers.

The average current job tenure of part-timers is 3.4 years, well below the average of 5.7 years for full-time women and 8.1 years for full-time men (Rebitzer and Taylor, 1988). Nollen et al (1978) asked individual unit managers and chief personnel specialists of 39 companies, all part-time users, to compare the turnover of part-time and full-time employees. Unit managers generally responded that part-timers were worse (36%) or no different (44%) than full-timers. Personnel specialists, on the other hand, were almost evenly divided between "worse," "better," and "no different."

Some evidence points to part-timers being less likely to advance than full-timers. The unit managers and personnel specialists surveyed by Nollen et al tended to consider part-timers "less promotable" than full-time workers. According to Nine to Five (1986), company policies block promotion of part-

timers in many cases. For example, Control Data Corporation, the University of Cincinnati, Los Angeles Community College, and Cigna Corporation treat applications for full-time jobs from part-timers no differently than applications from outsiders. "Peak-time" work in banks (part-time work matched to busy banking hours) has been designed to exclude advancement. Says Stuart Martin, the originator of peak-time work,

"Peak-time is not meant to provide job security rights or career mobility. The point is to get workers who want to remain in part-time jobs." (Nine to Five, p.30)

#### **d) Hours**

There is no inherently "good" number of hours to work. But recent research suggests that in addition to the 27% of part-time workers who would prefer full-time jobs, many others would like to have longer hours. Shank (1986) reports that 45% of 25-54-year-olds working 1-14 hours would prefer to be working more hours (and earning more money) (see Table 2.1). As current hours of work increase, the fraction of workers who would prefer more hours declines. Full-time workers tend to be more content with their hours, although a fraction of them--the involuntary full-timers--would rather work fewer hours (and earn less money).

#### **e) Indications of diversity**

Behind these averages, fascinating glimpses of diversity emerge. Blank (1986) finds that after controlling for other worker and job characteristics, part-time women earn lower

hourly wages than comparable full-time women in most occupations--but that part-time women earn higher hourly wages than full-timers in managerial and professional occupations. Nollen et al report that although half the companies surveyed give part-time workers no health insurance at all, one third offer part-timers the full, non-prorated benefit--in effect offering more health benefits on a per-hour basis to part-timers than to full-timers. Even more interesting, although 36% of the unit managers and 35% of the personnel officers surveyed by Nollen et al described part-time workers as having higher turnover rates than full-timers, another 21% of unit managers and 35% of personnel officers reported that part-timers had lower turnover rates. The survey yielded similar split opinions on the relative productivity of part-time and full-time workers.

As noted above, Kahne (1985), in contrast to most economists discussing part-time work, does identify two categories of part-time employment: "Old Concept" and "New Concept" part-time jobs. According to Kahne, New Concept part-time workers are viewed by employers as being permanent workers with career potential, rather than as temporary or intermittent workers. The New Concept part-time job also generally provides fringe benefits, unlike Old Concept part-time jobs. The Old Concept/New Concept distinction is a helpful start in thinking about "good" and "bad" part-time jobs.

**Which jobs will be part-time?**

The distribution of part-time employment is quite uneven. By major industry, the rate of part-time employment ranged from 4% in durable manufacturing to 30% in trade in 1987 (Table 2.2). By major occupation the spread is even more extreme-- from 6% of managers to 63% of private household employees (Table 2.3). Surveys of firms indicate that the variance within industries is also large (Nollen and Martin, 1978). Why?

The answer lies in how firms weigh the advantages and disadvantages of part-time employment. Research on this topic includes both econometric analysis and case studies.

The econometric studies have zeroed in on two determinants of employer demand for part-time workers: compensation differentials and quasi-fixed costs of labor. Quasi-fixed costs are costs that are incurred per worker rather than per hour worked--hiring and training costs being a chief example. Quasi-fixed costs are higher per hour of part-time labor than per hour of full-time labor.

Owen (1979) and Ehrenberg et al (1986), using two-stage least squares procedures, find that employers demand more part-timers where wage and fringe differentials are greater. Owen also finds that demand for part-timers goes down as the absolute wage level in a sector (after controlling for worker characteristics) increases. He speculates that high pay is linked to training, promotion, and complex organizational structures. These features could be antithetical to use of part-timers, since part-timers offer less payoff to training

(both because they tend to stay at jobs for shorter periods than full-timers and because they use their training for fewer hours per week) and are seen by managers as less promotable.

Montgomery (1986), using a unique survey of over 5000 private employers, implements a censored data model that combines a probit of the firm's decision to hire any part-time workers with a regression of part-time as a percentage of total establishment employment. He also conducts probits for the probability that an establishment will have over 5% or over 10% of jobs part-time. He reports that lower quasi-fixed costs of employment (based on reported time spent recruiting and training employees), smaller firm size, and a larger wage gap between part-time and full-time workers tend to lead to a higher use of part-time workers. Montgomery hypothesizes that per-worker supervision costs rise with firm size, so that size proxies for this quasi-fixed cost. Coefficients on industry dummies also indicate that service industries tend to have more part-timers, after controlling for other firm descriptors. However, data problems cast some doubt on the results<sup>2</sup>.

More can be learned from studies based on original surveys and interviewing. For example, Levine (1987) reports on a survey of 73 employers using permanent part-timers. The advantages these employers most often cited were, in declining order: better coverage of the workplace, reduced labor costs, reduced benefit costs, reduced overtime costs, and better work schedules. The disadvantage most often cited was higher turnover.

Nollen, Eddy, and Martin (1978) explore the manager's view of permanent part-time work in a detailed study that includes several surveys and open-ended interviewing of principals in firms that use part-time workers as well as firms that don't. Their sample is dominated by manufacturing and insurance companies. They find that (A) Part-time employment often yields greater productivity and requires lower compensation, but entails more difficult supervision. However, these considerations are not decisive in explaining where part-time employment gets used. (B) Organizational climate is not a primary determinant of part-time use, either. (C) Technology and the pattern of demand/output over time are important in determining where part-time employment gets used. (D) Employers mainly use part-time employment to solve scheduling problems on a case-by-case basis, and generally will not consider part-time employment at all unless a problem comes up. (E) The decision to use part-time employment usually originates with unit managers. (F) Non-users of part-time employment imagine numerous obstacles that are not noted by users.

Christopherson (1988), reviewing a corpus of case study literature, places the Nollen et al finding in a historical and sectoral context. She notes that up to the 1960s part-time work was limited to certain "backward" sectors of the economy (agriculture, household service, retail trade, and so on) or to serving as a "back-up" for full-time labor, filling in the spaces that full-time workers couldn't. However, firms in a variety of other industries then began to allot part-time

employment a central, integral place in their labor force. She argues that part-time workers are part of a labor periphery that absorbs demand fluctuations.

In summary, studies to date point to two main motivations for using part-time employment: scheduling issues (coverage, meeting fluctuating demand), and savings on pay and fringe benefits. Low training costs also seem to favor the use of part-time employment.

A number of questions remain about why firms create the part-time jobs that they do. In particular, are there connections among the various influences on part-time employment--scheduling issues, compensation differentials, and training levels--that comprise a deeper institutional structure? And why do employers ration both full-time and part-time jobs, in the sense that they fail to create full-time jobs when involuntary part-timers would prefer them, as well as failing to create part-time jobs when involuntary full-timers would prefer them?

**Why has part-time employment changed over time?**

Over time, the fraction of the workforce made up of part-timers shows two patterns: cyclical fluctuations and a trend increase (Figure 2.1). The literature suggests that the cyclical pattern reflects work-sharing--temporary hours reductions used as an alternative to layoffs during downturns. This explanation is inadequate. As for the secular increase, accumulated evidence mainly tells us what does not explain it.



About 19 million people in the nonagricultural workforce worked part-time in 1987, making up 18.4% of persons at work<sup>3</sup>. 92% of these part-timers reported that they usually worked part-time. Over a quarter of the part-timers--5.1 million people--were working part-time involuntarily. These figures represent averages over twelve months; much larger numbers of people worked part-time at some time during the year. In 1985, the number of persons who worked part-time at some point during the year was almost twice the annual average of persons working part-time; the number of people who had worked involuntary part-time hours at some point was close to three times the annual average of persons working part-time involuntarily<sup>4</sup>.

a) What causes the cyclical pattern?

The cyclical pattern of part-time work overlays a slow growth trend, leading to particularly dramatic increases in the rate of involuntary part-time employment during recessions, and some movement back toward full-time employment during expansions. Ichniowski and Preston (1985) report that the unemployment-elasticity of involuntary part-time employment is .4--that is, a 1% increase in the unemployment rate leads on average to a .4% increase in the rate of involuntary part-time employment. They find no significant relationship between the unemployment rate and the rate of voluntary part-time employment. Further research by the author on national and state-level data confirms these findings (Appendix B).

The cyclical ups and downs of part-time employment have

been studied most closely by Bednarzik (1975, 1983). Bednarzik implies that the fluctuations are caused primarily by work-sharing. Are they?

The answer is no--or at least, not any more. Work-sharing explains only a minority of involuntary part-time employment. Most involuntary part-time workers state that they usually work part-time, and that their reason for working part-time is that they are unable to find a full-time job. Figure 2.2 shows that in fact "usually part-time" workers have made up the majority of involuntary part-timers continuously since 1971, and the majority has grown over that time. Ichniowski and Preston (1985) separately estimate the effects of the unemployment rate on "usually part-time" and "usually full-time" involuntary part-time employment, and find elasticities of equal size. Thus, only half of the cyclical fluctuations are due to movements in work-sharing by workers who are "usually full-time."

Furthermore, much of the cyclical pattern comes from industries whose output and employment are not cyclical! Consider the most recent rise and fall of the rate of involuntary part-time employment, from a minimum of 3.7% in 1979 to a peak of 6.5% in 1983, and then back down to 5.0% in 1987. Trade, finance, and services--noncyclical industries all--contributed 77% of the net rise in involuntary part-time jobs between 1979 and 1983, and 59% of the net drop between 1983 and 1987 (Table 2.4).

So the major part of the cyclical fluctuations of part-time

employment remains unexplained. The question of what drives the cyclical pattern among "usually part-time" workers and service industries is still open.

**b) What causes the upward trend?**

The rate of part-time employment has trended upward at roughly .17% per year since the 1950s. This secular increase was noted early: for example, a BLS analyst commented in 1963 that "The growth of the part-time work force represents one of the major labor market developments of the post-World War II period," (Meredith, 1963, p.iii). Until about 1970, the trend growth was driven by expanding voluntary part-time employment. Since that time, the rate of voluntary part-time employment has stagnated, and the growing rate of involuntary part-time work has propelled the upward trend (Figure 2.1). Of the 2.9% increase in the rate of part-time employment between 1969 and 1987, 2.4% is accounted for by growth in involuntary part-time work.

So what is causing the upward trend? The literature and Current Population Survey statistics give us a series of negative answers: not rising unemployment, not demographic shifts, probably not a widening full-time/part-time wage differential. Some observers propose that structural changes in U.S. industries, such as rising competition and office automation, have led to higher utilization of part-timers--but this claim still awaits evidence.

i) Not rising unemployment

The authors of two recent papers separate the trend from unemployment-caused movements in the rate of part-time employment. Ichniowski and Preston (1985) and Ehrenberg, Rosenberg, and Li (1986) regress time series of the rates of voluntary and involuntary part-time on a time trend and an unemployment rate variable. Both find a positive, significant time trend in the rate of involuntary part-time employment after controlling for the unemployment rate, for samples beginning in 1973; the time trend in the rate of voluntary part-time employment over this period was negative and insignificant. Additional analysis by the author using state-level data confirms these results (Appendix B).

Ichniowski and Preston find an unemployment-controlled trend growth of about .16% per year in the rate of involuntary part-time employment, while Ehrenberg et al find growth of about .11% per year. The rest of the .17% per year trend noted above is then associated with the secular upward movement of the unemployment rate since the late 1960s. Based on Ichniowski and Preston's point estimate, the unemployment-controlled time trend could account for as much as 2.0% of the 2.2% climb in the rate of involuntary part-time employment between 1973 and 1985 (the years they study). Ichniowski and Preston further find that the entire positive trend is accounted for by involuntary part-time workers who usually work part-time rather than those who ordinarily work full-time.

In short, almost all of the recent growth in part-time

employment appears to be a long-term, structural shift largely independent of changes in unemployment. In fact, if Ichniowski and Preston's estimated unemployment-elasticity of part-time employment was invariant over the relevant range (a strong assumption, to be sure), then even if there had been 0% unemployment in 1987 there still would have been a 2.5% rate of involuntary part-time employment.

ii) Not demographic shifts in the workforce

Part-time workers in the United States are primarily female, young, or old. 65% of part-time workers are women, and another 14% are men aged 16-19 or 65 and over. Most part-time employees--54%--are wives and "others" (mostly children) in married-couple families (Table 2.5). In addition, another 9% of part-timers are "other" members of single-parent families. Thus, part-timers are most often supplying a second or third income source to a family. Reinforcing this observation, companies interviewed by Nollen et al (1978) and by Levine (1987) almost always responded that substantial numbers of their part-time employees are students and housewives (see Table 2.6). Many companies also use moonlighters and retired persons.

So it seems reasonable to posit that expanding part-time employment reflects the entry into the workforce of the types of people whose outside lives restrict their work hours.

Deutermann and Brown (1978) comment that between 1954 and 1977,

"Changes in the composition of the labor force, particularly the increasing proportions of women and school-age youth, have had a profound impact on the growth of part-time labor supply." (p.3)

But while the demographic explanation may explain the rise of part-time employment during the 1950s and 1960s, it fails for the 1970s and 1980s. The first strike against this explanation is that the increase lies chiefly in involuntary part-time employment. Strike two is that even though the share of part-time jobs held by men aged 20-64 years old is small, that share has grown from 15.8% in 1969 to 20.4% in 1987.

And for strike three, shift-share analysis demonstrates that changes in demographic shares of the workforce account for only about one sixth of the growth of part-time employment. Table 2.7 divides the workforce into workers aged 16-21, men aged 22-64, women aged 22-44 (approximating the main child-rearing years), women aged 45-64, and workers aged 65 and up. If the rates of part-time work within each group had remained constant at 1969 levels but the composition of the workforce had changed as it actually did, the rate of part-time employment in 1987 would have risen only half of a percentage point, from 15.5% to 16% instead of climbing three percentage points to 18.4%. The growth of part-time employment is mainly due to increases in the rate of part-time work within all of the population groups except for women aged 22-44.

If a fourth strike is needed, Ichniowski and Preston (1985) find in pooled cross-section time series microdata analysis that the upward trend persists even after controlling for a dozen worker characteristics (such as sex by marital status, education, and experience).

iii) Probably not a widening wage differential

Employers would be expected to switch to hiring more part-timers if the gap between part-time and full-time wages widened. This switch could be conceptualized as movement along a downward-sloping demand curve for part-time labor, and could be caused either by a shift in supply (such as the ones discussed above) or by a change in constraints such as the minimum wage. But the increase in the quantity of part-time labor demanded does not seem to be driven by declining relative part-time wages. The overall full-time/part-time hourly wage differential, and the separate differential for men, have changed relatively little over the last fifteen years (Figure 2.3). The one wage differential that has widened somewhat is the one for women--and the percentage of women working part-time has remained static over this period.

Time series regression analysis confirms that changes in the wage gap explain almost none of the growth of part-time employment (Table 2.8). The rate of part-time employment was regressed on the unemployment rate and a time trend, with and without a wage differential variable (the logarithm of the ratio of the median hourly part-time wage to the median hourly full-time wage, which decreases as the wage differential increases), according to the following specification:

$$(2.1) \quad \text{RATE} = B_0 + B_1\text{URATE} + B_2\text{TREND} + B_3\text{LWAGE} + e.$$

(Precise definitions of variables are given in Table 2.8). As results from specifications (1) and (2) in Table 2.8 show,

addition of the wage variable essentially does not change the coefficients on unemployment rate and the time trend at all, and the coefficient on the wage variable is insignificant.

Since the wage is simultaneously determined by supply and demand, equation 2.1 (specification (2) in Table 2.8) must be viewed as a reduced form. To deal with the simultaneity problem, the equation was re-estimated using two-stage least squares. The proportions of teen-agers, retirement-aged persons, and married women in the labor force--all of which should shift the relative supply of part-time and full-time labor--were used as instruments. Results are labeled as specification (3) in Table 2.8. As expected for a demand curve, the coefficient on the wage variable has become negative--but it has become even less significant. The cycle and trend coefficients remain unchanged. In short, the long-term expansion of part-time employment results from shifts in the demand for part-time labor, not movement along a demand curve<sup>5</sup>.

This evidence is not conclusive, for the adjusted wage differential (adjusted for worker and job characteristics other than part-time hours) may have changed even though the raw differential did not. But at a first pass, an expanding wage gap does not seem to be a good candidate for explaining the growth of part-time work. An increasing full-time/part-time differential in fringe benefits is a possible candidate, but research to date has not tracked changes in this differential.

iv) Structural changes?



A number of analysts suggest that structural change within industries has spurred the growth of part-time employment. They point to several kinds of structural change. Some industries have faced heightened competition, which may have led companies to experiment with low-cost contingent work forms (9to5, 1986, Bureau of National Affairs, 1986). Appelbaum (1987) argues that increased competition combined with rapid automation has led companies to become "poised for contraction," with a "ring" of contingent workers including part-timers around the "core" full-time permanent workers. She also hypothesizes that decreased internal training requirements make part-time employment more feasible and desirable. The decreased training requirements, in turn, may be due to automation-linked deskilling and/or the growth of higher education.

These are intriguing hypotheses. So far, those advancing the hypotheses have essentially only noted that both the structural changes and increased utilization of part-time employment are taking place. To establish a causal connection requires more careful study of the relationships between the two kinds of change.

\* \* \*

The three questions that began this chapter still hang, unsolved. Research reported in later chapters offers solutions to these puzzles. But first, two chapters describe the

theoretical tools (Chapter 3) and the data and methodology (Chapter 4) of the research.

## Notes

<sup>1</sup>From unpublished Bureau of Labor Statistics data provided by Thomas Nardone.

<sup>2</sup>Montgomery constructs his quasi-fixed cost variable by regressing the firm's reported time spent recruiting and training the last employee hired on a vector of employee and job characteristics, and taking each firm's residual as a measure of how the firm's quasi-fixed costs differ from the average--a procedure which is likely to work only if a firm's cost advantage prevails across all jobs in the firm. Full- and part-time wage levels were not reported in the survey, so Montgomery proxies them with Census estimates of average wage levels for high school graduates (apparently including all occupations and industries) in the corresponding geographic site.

<sup>3</sup>It is traditional to cite the rate of part-time employment for the nonagricultural workforce. The rate for the total workforce, including agriculture, was 18.6%, not markedly different.

Also, this thesis defines the rate of part-time employment as a proportion of those at work, as opposed to those employed (including persons with a job but not at work). There are two reasons for this choice. First, the Bureau of Labor Statistics publishes many more cross-tabulations on part-time and full-time workers at work than on those employed. Second, the BLS by definition excludes persons with a job but not at work from the number of involuntary part-time workers. This implies that the rate of involuntary part-time employment is, in a sense, artificially depressed in employment figures. Compared to the at-work figures, the rate of part-time employment as a proportion of those employed was higher in 1987 (18.8%, vs. 18.6% of those at work), and the rate of involuntary part-timers as a proportion of all employed part-time workers was lower (25.5%, vs. 26.9% of those at work). See Appendix A for further discussion of definitions.

Here and throughout the thesis where the source is not otherwise indicated, data are annual averages from the U.S. Bureau of Labor Statistics, Employment and Earnings, various years. Annual data are twelve-month averages.

<sup>4</sup>Computed by the author from U.S. Bureau of Labor Statistics, 1987, Table 5, and Employment and Earnings, January 1986, Table 7.

<sup>5</sup>Comparable results were obtained using the ratio of part-time to full-time employment rather than the rate as the dependent variable. Because the Durbin-Watson statistic of ordinary least squares estimates ranged from 1.3 to 1.6, analyses were repeated with a first-order autoregressive term, but this adjustment changed results very little. A lagged wage variable was tried as an instrument, but led to nonsensical positive coefficients on the current wage variable, so it was not used.

**TABLE 2.1**  
**Workweek preference of 25-54 year old wage and salary workers,**  
**by actual hours at work, May 1985**

<u>Hours at work</u>	Reported preference (percent distribution)		
	<u>Same hours,</u> <u>same money</u>	<u>Fewer hours,</u> <u>less money</u>	<u>More hours,</u> <u>more money</u>
1-14	50.9%	4.6%	44.5%
15-29	57.3	5.6	37.1
30-34	58.6	8.0	33.4
35-39	65.0	8.1	26.9
40	70.5	7.1	22.5
All	66.3	8.7	25.0

**Note:** Hours 41 and over not shown.

**Source:** Computed from Shank (1986).

**TABLE 2.2**  
**Rate of part-time employment by major industry group, 1987**

<u>Industry</u>	Percent of wage & salary workers working part-time		
	<u>Involuntary</u>	<u>Voluntary</u>	<u>Total</u>
Construction	6.9%	4.6%	11.5%
Durable manufacturing	1.6	2.3	3.9
Nondurable manufacturing	3.9	4.3	8.2
Transport, communications, utilities	3.2	5.3	8.5
Wholesale & retail trade	7.5	22.8	30.4
Finance, insurance, real estate	1.9	9.5	11.4
Service	5.5	19.0	24.5
Public administration	1.3	5.1	6.4
Mining	3.9	2.2	6.1
All nonagricultural	4.7	13.1	17.9

**Note:** Wage and salary workers in nonagricultural industries only.

**Source:** U.S. Bureau of Labor Statistics, Employment and Earnings, January 1988.

**TABLE 2.3**  
**Rate of part-time employment by major occupation, 1987**

<u>Occupation</u>	Percent of persons at work working part-time		
	<u>Involuntary</u>	<u>Voluntary</u>	<u>Total</u>
Professional, technical	2.3%	12.4%	14.7%
Managers	1.2	4.8	6.0
Clerical/administrative support	3.2	16.2	19.4
Sales	5.6	20.0	25.6
Craft, precision production, repair	4.9	3.4	8.3
Machine operators	4.8	4.2	9.0
Transport, materials moving	5.6	7.6	13.3
Laborers	10.6	16.4	27.1
Private household service	17.6	46.7	63.2
Service, except private household	10.2	26.6	36.8
All occupations	4.9	13.4	18.4

**Note:** Nonagricultural occupations only.

**Source:** U.S. Bureau of Labor Statistics, Employment and Earnings, January 1988.

**TABLE 2.4**  
**The contribution of trade, finance, and services to changes in  
the number of involuntary part-time workers, 1979-87**

<u>Involuntary PT workers</u>	(numbers in thousands)					
	<u>1979</u>	<u>1983</u>	<u>1987</u>	<u>Change, 1979-83</u>	<u>Change, 1979-87</u>	
All	2923	5316	4523	2393	-793	
Trade, finance, serv.	1930	3782	3315	1852	-467	
Trade, finance, and serv. as % of all	66.0	71.1	73.3	77.4	58.9	

**Note:** Nonagricultural wage and salary workers only.

**Source:** U.S. Bureau of Labor Statistics, Employment and Earnings, various years.

**TABLE 2.5**  
**Part-time employees' position in the family, 1985: percent distribution**

<u>Position in family</u>	Percent of part-timers accounted for by each position in family		
	<u>Involuntary</u>	<u>Voluntary</u>	<u>Total PT</u>
Husbands	26.2%	9.6%	16.2%
Wives	21.9	39.2	32.3
Others in married-couple families	15.8	26.5	22.2
Women who maintain families	7.0	3.8	5.1
Others in families maintained by women	7.9	6.7	7.2
Men who maintain families	1.7	0.6	1.1
Others in families maintained by men	1.9	1.4	1.6
All other men	9.9	5.3	7.1
All other women	7.6	6.9	7.2
Total	100.0	100.0	100.0

**Note:** In this table, "part-time employees" are persons who worked part-time at least one week during the year.

**Source:** U.S. Bureau of Labor Statistics (1987), Table 6.

**TABLE 2.6**  
**Other major life roles of part-time workers**

<u>Role</u>	Percent of companies surveyed:	
	<u>Reporting substantial numbers in category (1978)</u>	<u>Reporting some use of category (1987)</u>
Student	90%	66%
Housewife	87	88
Moonlighter	39	8
Retired	23	40
Handicapped	8	18
Other	5	11

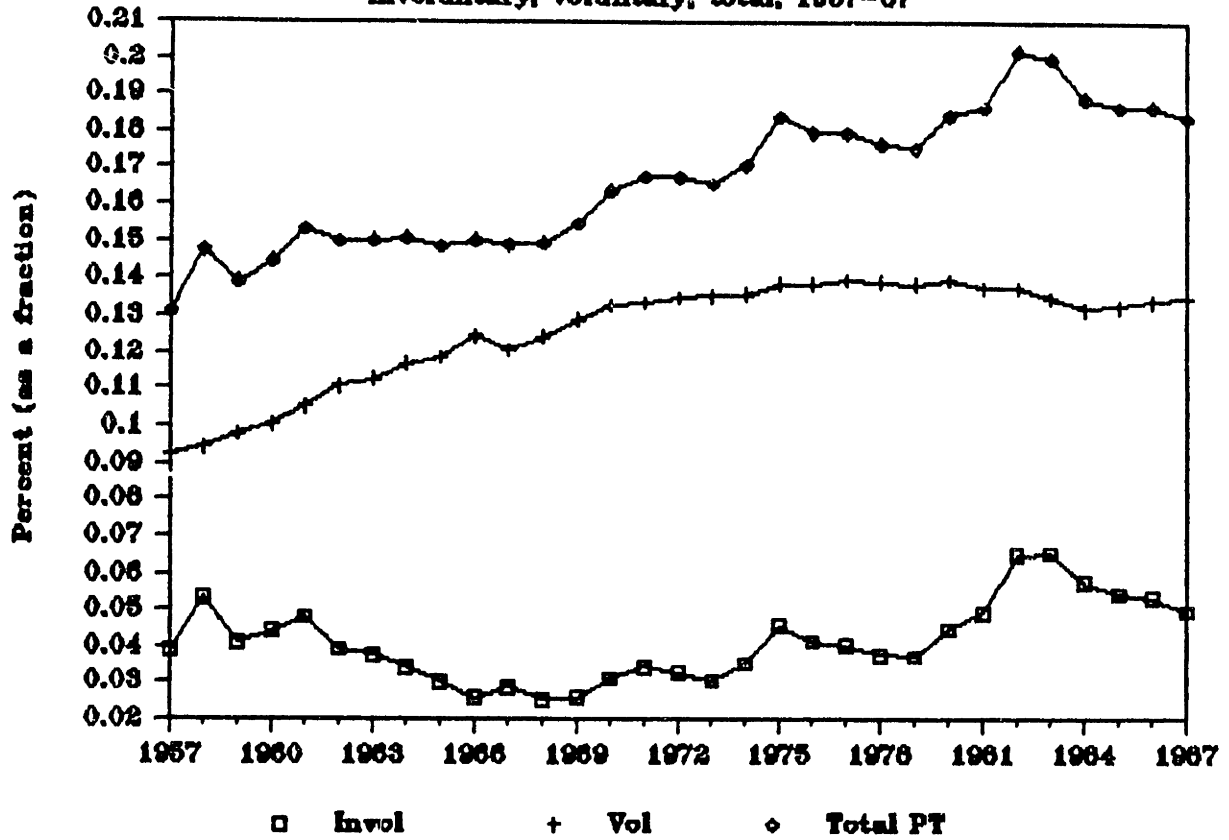
**Note:** Total percent exceeds 100 because of multiple responses. 1978 sample is 39 part-time users. 1987 sample is 73 part-time users.

**Source:** Nollen et al (1978), Levine (1987).

Figure 2.1

# Part-time as % of those at work

Involuntary, voluntary, total, 1957-87



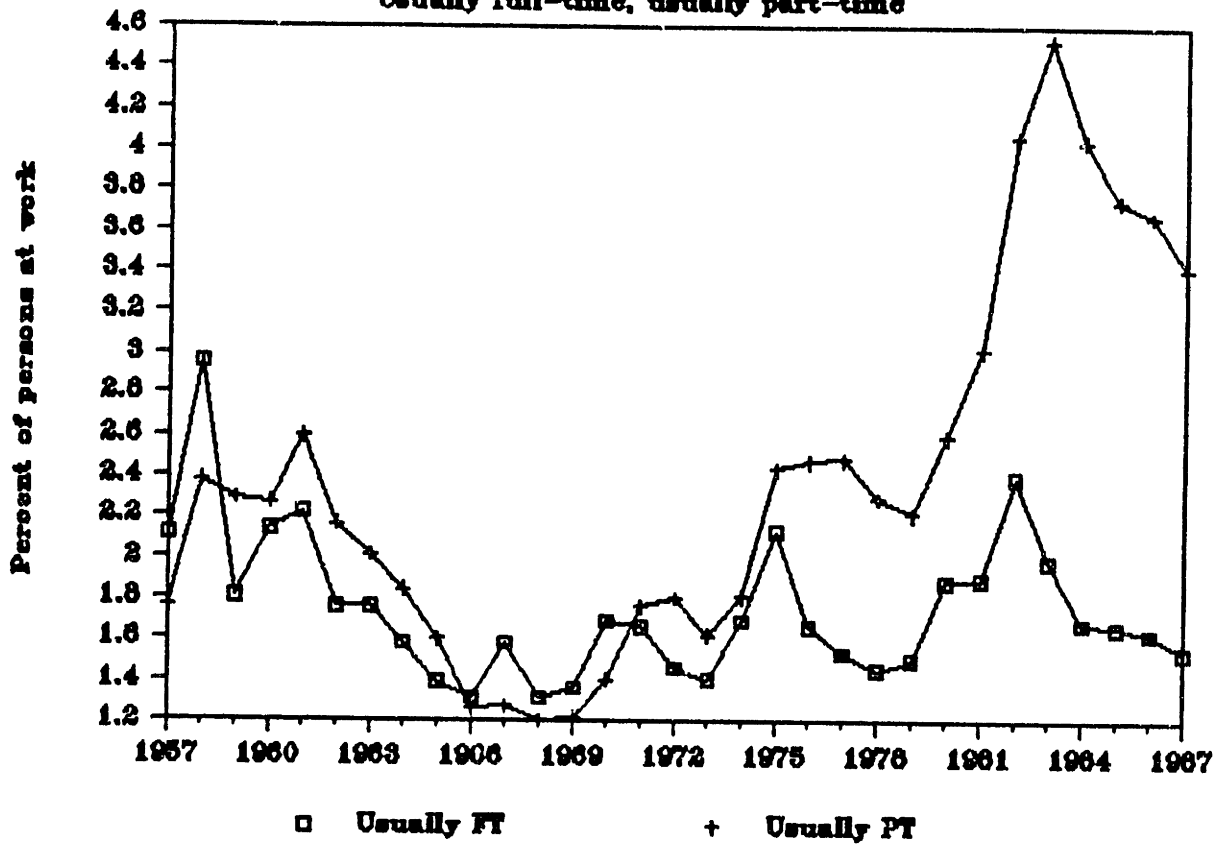
Note: Nonagricultural workers only.

Source: U.S. Bureau of Labor Statistics, Employment and Earnings, various dates.

Figure 2.2

## Components of involuntary PT

Usually full-time, usually part-time



Note: Nonagricultural workers only.  
Source: U.S. Bureau of Labor Statistics, Employment and Earnings, various dates.



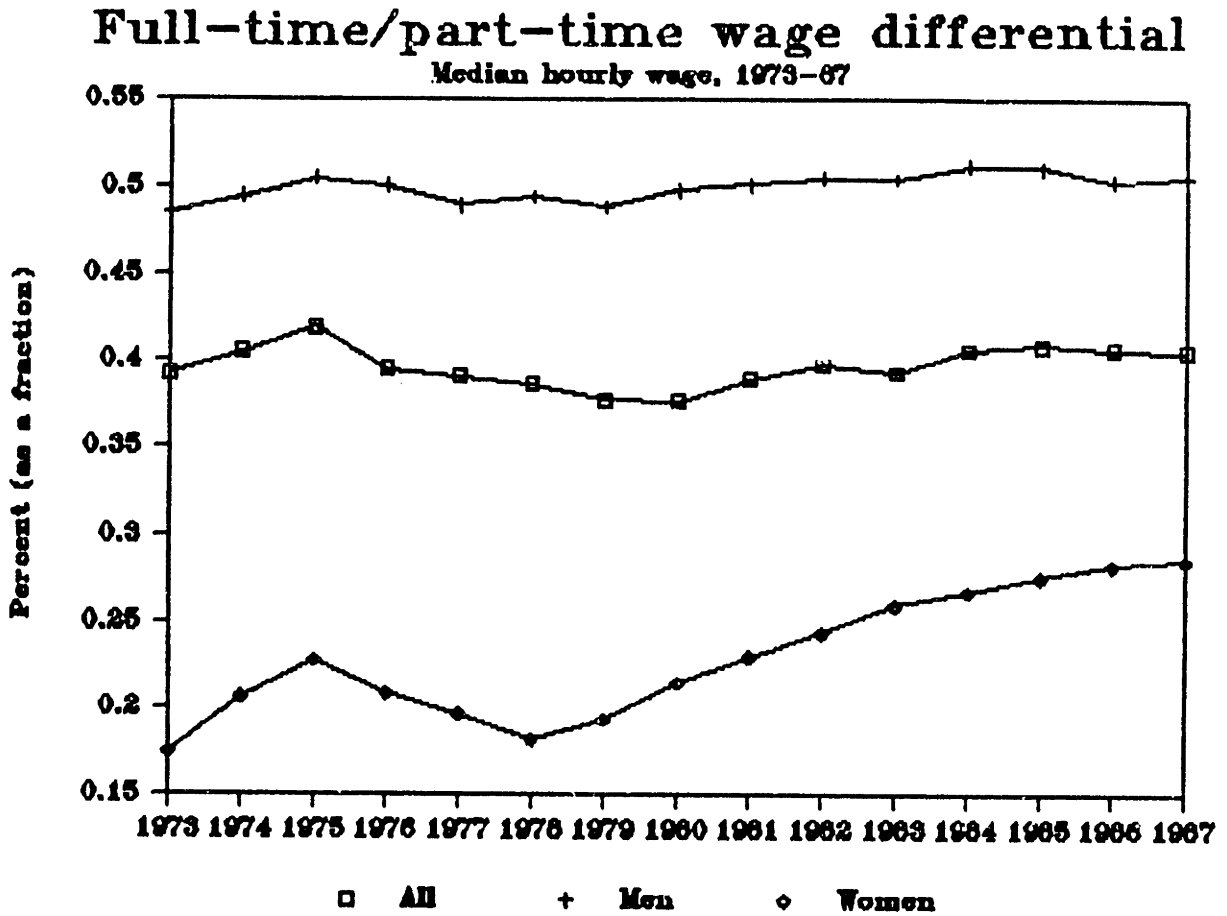
**TABLE 2.7**  
**Age and gender composition of the labor force and rate of part-time employment, 1969 and 1987**

	-----1969-----		-----1987-----		Percent PT held at <u>1969 levels</u>
	<u>As percent of at-work population</u>	<u>Percent part-time</u>	<u>As % of at-work pop.</u>	<u>Percent part-time</u>	
All 16-21	12.8%	40.6%	10.9%	46.0%	40.6%
Women 22-44	17.3%	22.7%	27.7%	22.9%	22.7%
Women 45-64	13.2%	22.5%	11.0%	24.1%	22.5%
Men 22-64	53.2%	3.7%	48.0%	6.8%	3.7%
All 65+	3.5%	41.0%	2.4%	52.4%	41.0%
<b>Total</b>	<b>100.0%</b>	<b>15.5%</b>	<b>100.0%</b>	<b>18.4%</b>	<b>16.0%</b>

**Note:** Includes only nonagricultural workers at work. For 1986, workers aged 20-21 are not shown separately, so it was assumed that age and part-time status are uniformly distributed among 20-24 year olds.

**Source:** Computed from Employment and Earnings, January 1970 and January 1988.

Figure 2.3



Note: Differential is defined as  $1 - (\text{median PT wage}/\text{median FT wage})$ .

Source: U.S. Bureau of Labor Statistics, unpublished data provided by Thomas Nardone.

**TABLE 2.8**  
**Results of ordinary least squares and two-stage least squares**  
**models of the rate of part-time employment**

(t-statistics in parentheses)

Variable	(1) OLS	(2) OLS	(3) 2SLS
URATE	0.52 (15.9)	0.53 (16.0)	0.52 (13.9)
TREND	0.00087 (8.7)	0.00088 (8.8)	0.00087 (7.7)
LWAGE	---	0.02 (1.1)	-0.01 (-0.3)
Adjusted R <sup>2</sup>	0.971	0.971	0.964

**Source:** Computed by author from Bureau of Labor Statistics data.

**Note:** Annual data, 1973-1987. Variables are annual averages except where otherwise specified. Dependent variable RATE, is (number employed part-time)/(number employed). URATE is the unemployment rate. TREND is a time trend. LWAGE is the natural logarithm of (median hourly part-time wage)/(median hourly full-time wage).

In the two-stage least squares analysis, instruments used are TEEN, ELDER, and MARFEM (in addition to URATE, TREND, and a constant). TEEN is (persons aged 16-19 in labor force)/(total in labor force). ELDER is (persons aged 65 or older in labor force)/(total in labor force). MARFEM is (married women in labor force)/(total in labor force). Unlike the other variables, MARFEM is from March of each year, and is not an annual average. MARFEM was imputed for 1985-87. Imputation procedure available from author upon request.

### Chapter 3 Two theoretical frameworks

Before approaching the data to untangle questions about part-time employment, it is necessary to choose theoretical tools. Neoclassical and institutionalist approaches bring very different strengths to bear on the problem. Neoclassical, or mainstream, economic theory offers simplicity, generality, and the clarity of mathematical expression; institutionalist theory offers institutional specificity and social and historical context.

This thesis seeks to gain insight into questions about part-time employment through both approaches. But institutionalist theory serves as the guiding paradigm for most of the research. This chapter starts by explaining why the institutionalist approach appears particularly well-equipped to address the puzzles about part-time work. Following that explanation, there is a brief discussion of neoclassical perspectives on the determination of hours of work, and a more detailed exposition of institutionalist insights on the labor market, drawing particularly on a model of the labor market due to Osterman (1988). A final section summarizes the differences between the two approaches.

#### **Why emphasize institutionalist theory?**

When it comes to understanding the demand side of part-time employment, institutionalist theory holds more promise than does neoclassical theory. There are three reasons for this.

First, the choice between part-time and full-time employment is a discrete choice for employers. Second, the fact that there is persistent non-clearing of labor markets--in the form of involuntary part-time and involuntary full-time work--suggests that institutional features of the labor market prevent it from reaching a competitive equilibrium in the mixture of part-time and full-time jobs. Third, the particular questions addressed by this thesis focus on qualitative distinctions and changes.

Employers' choice between creating part-time or full-time jobs is a discrete choice in two senses. For one thing, with some exceptions, firms do not freely vary the hours of work of jobs. This is particularly true during a given employee's tenure in a job<sup>1</sup>. There are also significant limits to employer alteration of job hours during vacancies. One result of employers' limited choices of job hours is that the distribution of hours worked in the United States is bimodal, with one mode at 40 hours and a second, smaller mode between 30 and 34 hours.

But the firm's choice between part-time and full-time jobs is also discrete in a second, even more important way. The part-time status of a job is not simply one parameter that firms can vary at will while leaving other aspects of the job untouched. Rather, part-time status comes bundled with other job characteristics. This discontinuity is equally obvious from examining the personnel policies of individual firms--which typically specify different benefits, protections, and procedures for full-time and part-time employees--and from

looking at aggregate statistics that show that part-time workers on average receive lower wages and benefits (reviewed above in Chapter 2).

The existence of discrete choices, and particularly of bundles of job characteristics that tend to accompany each other, is one of the fundamental tenets of institutionalist theory. Certainly neoclassical theory is also capable of accomodating such discrete choices. But the basic neoclassical model applies to decisions made in a convex, continuous environment. Thus, neoclassical theory is not particularly suited to analyzing discontinuities.

The persistence of involuntary part-time and involuntary full-time employment also points to the usefulness of institutionalist theory. Once more, neoclassical economics is not incapable of modeling such constrained equilibria. A spate of neoclassical "micro-foundations" theories propose explanations for the analogous phenomenon of unemployment. But all of the theories turn on some institutional imperfection in the labor market. In order to determine what institutional features of equilibrium part-time and full-time employment are likely to prevent the labor market from clearing along the hours dimension, it is sensible to start with an institution-centered examination.

Finally, on the whole, institutionalist theory more naturally lends itself to explaining this thesis's questions about part-time employment: to what extent firms create different types of part-time jobs with distinct qualities, why

they make particular groups of jobs part-time, and what leads them to change these decisions over time. The distinction between different types of part-time jobs is difficult to frame in terms of a vector of continuous parameters, easier to describe in terms of qualitative distinctions and choices. Explaining why employers make some jobs part-time and not others returns to the issue of the bundling of job characteristics. The secular growth of part-time employment involves qualitative changes in employment practices in certain industries. A neoclassical model can, in principle, be designed to reproduce all of these twists--but only at the price of adding quite a bit of structure to a model whose chief advantage is its simplicity. Institutional theory, on the other hand, starts from the premise that lots of institutional structure overlays markets, so that it is relatively well-equipped to tackle these issues.

When all is said and done, both neoclassical and institutionalist frameworks are implemented in this thesis. Because of the particular advantages of the institutionalist approach for confronting the questions at hand, institutionalist concepts and arguments surface more frequently in this thesis than neoclassical ones. The remainder of this chapter summarizes neoclassical and institutionalist views of the labor market and hours of work, with considerably more attention devoted to the institutionalist approach.

## **Neoclassical theory of the labor market and of hours of work**

In the neoclassical world, firms maximize profits, and households maximize utility by combining consumption of market goods, household-produced goods, and leisure. Within this framework, there are many possible ways to conceptualize the determination of hours of work. Here, three are briefly considered: one drastic simplification (free choice of hours by workers), a more subtle model (compensating differentials), and a set of extensions that explain how workers can be constrained in their choices of hours.

### **1) Standard labor supply/demand model**

In the standard model of the labor market, a person is presented with a wage and decides how many hours to work. The "wage" should be considered in this discussion (and in all of these simplified models) to stand for total compensation--including fringes as well as direct wages. The person will work until the marginal utility of leisure equals the marginal utility of the wage; diminishing marginal utility of leisure is assumed to guarantee a nonzero equilibrium in at least some cases. This choice process yields an individual supply curve, and individual supply curves can be aggregated to a market supply curve.

The firm is also presented with a wage, and hires labor until the marginal revenue product (or more generally the value of marginal product) falls to equal the wage. Diminishing returns to labor is assumed. This choice process generates a



demand curve.

In the simplest version of this model, the wage is invariant with hours worked, and the marginal revenue product is a function only of total hours of labor hired, not the number of hours put in by any individual worker. In this simple model, hours restrictions are strictly supply-driven, since employers don't care how many hours an individual worker works. The simple model is appealing. As Rosen (1986) points out,

"The main advantage of the neoclassical framework is the linearity of the budget set, and the practical advantages of this are so great that they should not be given up lightly."

Adding refinements such as wages or productivity that vary with hours moves the model into a domain that is better dealt with in a compensating differentials framework.

## 2) Compensating differentials (based on Rosen, 1986)

In a compensating differentials model, workers do not unilaterally set their hours of work subject to a wage. Instead, employers care about hours because marginal cost of employing a worker and marginal productivity are functions of hours. This covariance of cost and/or productivity with time worked may be due to any of a number of causes, including biology (workers tire out as hours increase), set-up or quasi-fixed (hiring, training) costs, or discontinuities such as the legally mandated pay differential for overtime.

Then determination of work hours is a joint decision by employer and employee. There is no reason to expect that a

single wage will clear the labor market for all hours choices by all workers. Rather, different firms will offer different packages of wages and hours. In the market equilibrium, the wage will be a function of hours (Moffitt, 1984; Kahn and Lang, 1987). The market equilibrium is reached through the matching of workers who prefer longer hours with firms whose technology or product demand leads them to value long-hour workers most highly.

### 3) Models with constrained worker choices of hours

When the neoclassical labor market model is extended by postulating that workers may be constrained for any of a number of reasons, the model can yield explanations of involuntary part-time employment. There are two general approaches to extending the model: creating a microfoundation for the constraint, or simply placing the labor market in a macroeconomic context where insufficient aggregate demand is a fact of life.

Much recent labor market research on labor markets deals with possible microfoundations of unemployment, and can readily be augmented to pose microfoundations for low-paid, involuntary part-time work. For example, Bulow and Summers's (1986) efficiency wage model could be applied to a dual labor market of full-time and part-time workers. In such a model, full-time workers would be paid more than their marginal product in order to make firing costly to these workers and thus discourage them from shirking, although they are no more

productive on a given job than the persons who are working part-time. Part-timers would prefer a full-time job, and overall welfare would be enhanced by policies encouraging the creation of full-time jobs. Rebitzer and Taylor (1988) develop such a model.

Similarly, insider-outsider models (Lindbeck and Snower, 1985) could be altered to cast full-timers as insiders and part-timers within the firm (rather than unemployed workers) as outsiders. In this model full-timers are highly trained, and part-timers are not. Then full-timers extract higher pay by threatening to quit, which would require firms to undertake costly training of new full-timers.

If unemployment is simply taken to be a fact of life, in the spirit of much Keynesian macroeconomics, then underemployment in the form of involuntary part-time employment is a natural corollary. For many workers, part-time work is preferable to unemployment, even if it pays a lower wage than full-time work. Part-time labor may also be preferable to employers, either because it allows them to retain trained workers during downturns or because it is available at lower wages than full-time labor.

Each of these extensions could also be amended to explain the simultaneous existence of involuntary part-time and involuntary full-time work. This could be achieved most credibly by assuming that involuntary part-time and involuntary full-time work involve two distinct, non-competing groups in the labor market.

## Institutionalist theory of the labor market

There is no established institutionalist theory of hours of work analogous to the neoclassical model. However, the institutionalist notion of segmented labor markets offers useful concepts for thinking about part-time employment. Why do different types of labor markets exist? In the institutionalist view, firms create labor markets--although not in the circumstances of their own choosing. Osterman (1988) presents a very useful discussion of this process of labor market creation, posing it in terms of firm pursuit of objectives subject to constraints.

Osterman starts by describing three objectives of firms, based on recent interviews with managers: cost minimization, flexibility, and predictability. Cost minimization embraces the static aspects of the neoclassical view of firm behavior. It includes not only wage costs, but also the cost of errors, of shirking, and so on. Flexibility refers to flexibility both in staffing levels and deployment of labor within the enterprise. The goal of predictability in the labor market refers to the ability to plan on the availability of a labor force with a known set of skills at a known cost.

Unlike the neoclassical framework, which assumes that firms maximize profits, this approach poses three objectives. How do firms balance them? The main thing structuring the relative importance of the three objectives is the nature of the market for the firm's product. Firms that face stiff

price competition will place special emphasis on cost minimization. Firms with large variations in the amount of demand or in the mix of products demanded will make flexibility a top priority. Firms experiencing steady growth in demand will stress predictability. Of course, the state of the product market is not strictly exogenous, since firms also make choices about their product mix.

It may be argued that in fact, all of these goals are subordinated to the goal of maximizing profits. But this claim oversimplifies the firm's decision-making process in four ways. First, it suggests that decision-makers work with a model, implicit or explicit, that tells them the "production function" that converts certain levels of cost, flexibility, and predictability into some probability distribution of profits. Instead, according to Osterman, managers actually see these three goals themselves as the goals to be monitored. Second, the claim implies unanimity within the firm's management on the single objective of profit maximization--or at least implies that firms that lack unanimity will suffer in the market. But in fact, there is often disagreement among managers, as Kochan, Katz, and McKersie (1986) have observed. Personnel managers may stress predictability, while those managing operations may emphasize flexibility and financial managers may care most about cost minimization. Third, given the uncertainty that firms face, non-rational factors such as traditions or beliefs about the right way to do business weigh in the balance of the decision. Finally, although this

account has treated these three objectives as if they were general, in fact they should be seen as specific to a particular period and particular sectors--unlike the timeless profit motive posited by neoclassical economics.

In fact, there may not exist in any meaningful way a single "best" solution ex ante to the firm's choice of labor markets. Firms are in effect solving a multi-period dynamic optimization in many variables under considerable uncertainty, with viable solutions constrained to discrete choices along certain dimensions. In this context it may be essentially impossible to distinguish between the expected profits of one labor market choice and another, and the choice must be made on other bases.

After posing the three objectives, Osterman goes on to suggest three constraints: (1) physical technology (skill and so on), (2) social technology (the set of relations and beliefs in an organization that establish what is legitimate, acceptable, or customary), and (3) the nature of the available labor force. Christopherson (1988) adds a fourth: (4) state policy (minimum wage, overtime laws, and so on).

These are not constraints in the usual neoclassical sense, because they are--at least in the long run--largely endogenous. The firm can affect all of the first three, and firms can collectively affect the fourth. For example, the firm has a choice over a range of physical technologies. There is often sufficient uncertainty that no one technology can be identified as the least-cost technology. Instead,

technological choices are tied to other strategic choices, including labor market choices. Another example: the firm can transform the available labor force by relocating or by inducing migration.

To attain the three objectives subject to the four constraints, the firm fashions a particular labor market structure or set of structures. Doeringer and Piore (1971), among others, emphasized the differences between the labor markets of different firms--particularly between primary labor market firms which offer steady jobs with promotion ladders, and secondary labor market firms which offer high-turnover jobs with no prospect for advancement. Osterman (1982) points out, however, that in fact many firms combine a number of different labor markets: a firm's markets for managers, clerical workers, skilled and unskilled production workers may be quite distinct.

The same considerations that motivate different firms to create particular labor market structures for their respective workforces, can motivate one firm to create several labor market structures for different fractions of its workforce. The relative importance of cost, flexibility, and predictability for one section of the workforce is based on the derived demand for that section's tasks. For example, the standard large-manufacturing-firm employment model stressed predictability among production workers and flexibility among managers; currently many firms are investigating models that lay more stress on flexibility and cost minimization among

production workers.

### Classifying the labor markets

This account has referred repeatedly to labor market "segments" or "structures." And indeed, in the institutionalist view, labor markets come in types marked by clusters of characteristics. "It is not possible, as it were, to pick a rule from each category and establish a stable set of employment relationships," says Osterman (1985, p.58) about rules governing the five categories of job definition, deployment, security, wage rules, and worker participation in decisions. "Rather, only certain configurations of rules fit together."

What is the repertoire of labor markets that firms have to choose from? Osterman (1988) offers a typology of industrial, salaried, craft, and secondary labor markets. The industrial labor market was the standard model for manufacturing production workers up to a few years ago: long tenure and job ladders, on-the-job skill acquisition, narrow job definitions, little decision-making power, job security tempered by layoffs. The salaried labor market, on the other hand, corresponds to that of managers or actuaries: again featuring long tenure, job ladders, and on-the-job training, but broad and flexible job definitions, substantial decision-making power and discretion, and an implicit lifetime employment guarantee. The craft labor market characterizes workers like the skilled carpenter or computer programmer: short tenure,



loyalty to craft rather than to a particular firm, advancement by shifting from one firm to another or by accumulating skill rather than by climbing a ladder in a particular firm, skills acquired off the job (through apprenticeship or education). And the secondary labor market marks a typing pool or custodial staff: short tenure, no job ladder, little skill, low pay.

Borrowing a term from Doeringer and Piore (1971), the industrial, salaried, and craft labor markets are referred to as primary labor markets. At a first approximation, the distinction between good and bad jobs is the distinction between primary and secondary labor markets.

Each of the labor markets meets some of the labor market goals of the firm while falling short on others:

\*Industrial: high predictability, high flexibility in employment levels but low flexibility in deployment, high costs

\*Salaried: high predictability, low flexibility in employment levels but high flexibility in deployment, high costs

\*Craft: low predictability, high flexibility in both employment levels and deployment, high costs

\*Secondary: low predictability, high flexibility in both employment levels and deployment, low wage costs but may have high costs due to errors or shirking.

When would a firm move from one labor market structure to another? A firm would be expected to react when either the objectives shift (due to a change in the market) or one or more of the constraints shift. Since the alternatives the firm chooses among are a set of discrete clusters of

characteristics, limiting the possibilities for fine tuning, firms are expected to adjust discontinuously.

#### What do workers do?

So far, labor supply--otherwise known as workers--has remained curiously absent from this account. Also, the account has focused on firms and the employment relationship, with little attention to connecting these institutions with other societal institutions. But there's more to say about these issues.

Workers are not simply pegs of various shapes that firms match with their holes. Workers appear in labor markets as subjects as well as objects. The institutionalist view holds that because firms are generally more powerful than workers, workers appear as subjects primarily when they act collectively. On a national level, movements like the C.I.O., the civil rights movement, and the women's movement have transformed labor markets. Certainly the industrial and craft labor market models as we know them are largely the result of compromises struck between employers and labor movements. On a plant level, unions and other organizations can constrain and push firms in various ways. Even when there is no formal organization, workers in a given plant or community have a set of norms and expectations for worker and manager behavior. Successful attempts to stop plant closings have succeeded not because an entire community was in the same union, but because the community shared certain values about the company's

implied commitment.

Workers are far from a monolithic group. They are divided by various privileges and conflicts of interest. For example, Barrett and McIntosh (n.d.) and Milkman (1980) offer two accounts of how organized male workers have conceived of class interest in a way that subordinated or excluded women (in 19th century Britain and the 19th and 20th century United States, respectively).

The interactions between firms and workers that make up labor markets are tied to a myriad of other social institutions. Perhaps the most obvious connection is with the educational system. Noyelle (1987) points out that as higher education has grown, it has taken on many of the training functions that were formerly provided by internal labor markets. The requirements of the educational system also create a labor supply of youths looking for part-time jobs.

#### **A final comparison of the two theoretical approaches**

Earlier in this chapter neoclassical and institutionalist perspectives were contrasted for the purpose of arguing that institutionalist theory is particularly appropriate to the task of analyzing the demand for part-time labor. Drawing on that discussion and on the ensuing expositions of the two views of the labor market, the different implications of the two views can be summarized in four areas: the tradeoffs for the firm between part-time and full-time employment; employer-initiated change in the rate of part-time employment; the

nature of the key economic actors; and the role of history.

Neoclassical theory holds that firms maximize profits, and thus seek to minimize costs in production. Hence, employers will create part-time jobs if and only if they are less costly (or more productive) than full-time jobs. If workers are unable to find full-time (part-time) jobs, it must be because it is more costly for firms to employ them as full-timers (part-timers). Institutionalists do not necessarily question this logic, but emphasize that a labor market feature such as part-time employment comes bundled with job characteristics other than hours. Thus, creating or eliminating part-time jobs generally involves other changes in the jobs involved, and these other changes must be considered in the employer's decision about hours.

In a neoclassical view, firms will change their rate of part-time employment when some exogenous parameter in the cost minimization problem shifts: for example, workers' taste for leisure, the production technology, or the time pattern of consumer demand. The change can be conceptualized as a shift of a supply or demand curve--a movement from one equilibrium to another in the same space. But in institutionalist theory, a change in a firm's environment, rather than invariably leading to adjustment in the same space, can sometimes lead the firm to jump discontinuously from one "bundle" to another.

Neoclassical economics usually assumes that although there may be pockets of monopoly and monopsony power in the labor market, the market can basically be described as a collection of

many individuals (firms and workers), each with little market power, pursuing their own self-interests. The institutionalist view of actors in the markets departs from the neoclassical view in four ways. First, collective actors (such as unions and groups of employers) are important. Second, apparently unified optimizing entities such as the firm or the household are actually riven by internal conflicts that have an important impact on their actions. Third, power relations that go well beyond the Walrasian struggle between individual buyer and seller shape employment practices. And finally, whereas neoclassical actors are rational, institutionalist theory emphasizes that tradition--and the ensemble of supporting institutions outside the firm--shape what firms and workers view as possible options. Thus, the range of possibilities is socially constructed rather than naturally given.

Furthermore, unlike the essentially ahistorical neoclassical model, in an institutionalist model history matters: what has come before in the labor market affects what happens next. For one thing, past struggles affect the present strength of economic actors. And once an employer has chosen a particular bundle of job characteristics, it may take a large shock to induce them to reconsider.

Each of these four distinctions surfaces in the thesis. The importance of the bundling of job characteristics figures throughout, and particularly in the analysis of the two major types of part-time employment (Chapters 5-6) and of

interindustry differences in the rate of part-time employment (Chapter 7). Economic behavior based on collectivity, struggle within economic units, power relations, and beliefs plays an important role in how firms decide on the level of part-time employment (Chapter 8) and why firms change that level (Chapter 10). History also plays an important role in these two decision processes.

\* \* \*

This presentation of labor market theory sets the stage for the analysis of part-time employment in subsequent chapters. But before that analysis is undertaken, Chapter 4 presents the data and methodology employed in the study.

## Notes

<sup>1</sup>Note, however, that this thesis presents evidence that one difference between part-time and full-time workers in retail food is precisely that part-timers have variable hours whereas full-timers have fixed hours.

## Chapter 4 Data and methodology

Before discussing the research findings, it is useful to set a context for understanding them by presenting a capsule portrait of the industries and geographic labor markets studied, the specific data sources tapped, and the methodology employed.

### Industries

The two industries chosen for examination, though similar in some ways, could hardly be more different in their use of part-time employment. Retail trade and insurance are both service industries with rapidly-growing employment. But while retailers employ part-time workers in increasing abundance, insurers use part-timers only sparingly, as a diminishing fraction of their workforce. Comparison of the two industries can therefore tell us something about both the causes of interindustry variation in the rate of part-time employment and the reasons for changes over time in the utilization of part-timers.

#### a) Retail

The retail industry is a prodigious employer of part-time workers. A full 36% of retail workers were part-time in 1987, double the rate in the nonagricultural economy as a whole. Retailers employed 6.2 million part-time workers, or 36% of all part-timers, far outstripping retail's 18% share of total employment<sup>1</sup>. Much of the research in this thesis focuses on



grocery stores, whose rate of part-time employment in March 1985 was 41%, even higher than the overall retail rate of 38% in that month<sup>2</sup>.

Part-time employment has grown rapidly in the retail sector, from 24% of employment in 1962 to 36% in 1987 (see Figure 4.1). Essentially every section of retail underwent this increase (see Table 4.1). Shift-share analysis shows (Table 4.2) that the overall increase in the rate of part-time employment in retail was driven primarily by an escalating part-time rate in the fast-growing eating and drinking places subsector, particularly since 1970.

The contribution of food retailing to the increase in retail part-time work between 1960 and 1980 was negligible. But although the share of food stores in retail sector employment has declined (accounting for its poor showing in the shift-share analysis), the rate of part-time employment in retail food has most certainly increased--from 29% in 1960 to 39% in 1980. Among supermarkets, the rate of part-time employment has shot up even more rapidly: from 35% of supermarket employees in 1962, part-timers climbed to 47% in 1974 and 60% in 1985 (Progressive Grocer, 1986).

The retail industry is a large employer--with about 19 million workers in 1987--and is expanding apace. Retail employment surged by 41% between 1973 and 1985 while economy-wide employment grew by only 27% (Haugen, 1986). Retail employment growth is driven by eating and drinking establishments and food stores, which together account for

about half of all retail workers and 71% of retail's growth from 1973 to 1985.

Rapid employment growth was accompanied by unimpressive productivity growth in retail trade. Over the entire period from 1969 to 1986, retail productivity grew by an average of 0.5% annually<sup>3</sup>. In eating and drinking places and food stores, productivity actually declined in the 1970s and early 1980s (Haugen, 1987). Labor productivity in food stores fell 12% between 1970 and 1982. In other words, employment grew much more quickly than output in the fastest-growing retail sectors.

#### b) Insurance

Only 11% of insurance's employees worked part-time in March 1985, well below the economy-wide rate of 19%<sup>4</sup>. What's more, this rate has been declining since the early 1970s. According to Census data, the rate of part-time employment rose from 10% in 1960 to 14% in 1970, only to fall to 11% in 1980 (U.S. Bureau of the Census, 1960, 1970, 1980). Data from the Current Population Survey (Figure 4.2) show part-time employment in insurance peaking in the early 1970s (although there also appears to be a strong cyclical pattern in voluntary part-time employment).

Insurance is a small industry, but has grown rapidly in percentage terms, rising from 1.05 million people in 1960 to 1.75 million in 1984. The number of insurance companies has exploded in the postwar period: for example, life insurance companies numbered 473 in 1945, 1441 in 1960, and 2134 in 1984

(American Council of Life Insurance, 1985).

Like retail trade, insurance has turned in a lackluster showing in productivity growth. Productivity increases in finance and insurance averaged 0.6% annually between 1969 and 1986<sup>5</sup>.

The bulk of insurance employment--69% in 1985--is among insurance carriers, as opposed to distributors (agents, brokers, service personnel) (U.S. Dept. of Commerce, 1987). However, the distributor share of employment has grown over time. The corporate structure of insurance is such that some companies employ agents and sales personnel directly, while others sell insurance through outside agents and brokers--who may be exclusive (committed to one company) or independent.

Insurance companies sell three main product lines: life insurance, property and casualty, and health insurance. In 1985 life insurance companies controlled 45% of insurance carrier employment; property and casualty companies, 36%; and health insurance companies, 12% (U.S. Dept. of Commerce, 1987). The employment share of health insurance companies has grown substantially since 1960, when their share was only 6% (American Council of Life Insurance, 1985).

#### **Labor market areas: Boston and Pittsburgh**

The Boston and Pittsburgh areas were selected as sites for research. The images of the two cities are radically different: on the one hand a high tech and service boomtown, on the other hand a heavy manufacturing bust-town. In actuality,

the two economies are more similar than the stereotypes would suggest, for Pittsburgh also has a large and thriving service sector. But the two areas manifest striking differences in the unemployment rate and in the rate of part-time employment, particularly involuntary part-time employment. Comparison of Boston and Pittsburgh assists us in distinguishing between cyclical and structural influences on part-time work.

First, consider in more detail the differences between the two areas. Unemployment rates in the Boston and Pittsburgh metropolitan areas differ significantly. Unemployment was 2.2% in Boston and 7.1% in Pittsburgh as of January 1988. These large differences in overall unemployment carry over to the unemployment rates in trade and finance, insurance, and real estate (see Table 4.3).

Pittsburgh has a higher rate of part-time employment than Boston; both areas have rates well above the national average (Table 4.4). The major difference in part-time employment between the two areas is the composition of the part-time employment. In Boston, less than one tenth of part-timers were involuntary in 1985; in Pittsburgh, over one third of part-timers were involuntary.

In other ways, however, the two labor markets are quite similar. Both are medium-sized labor markets: 1987 employment in the Boston metropolitan area was 1.5 million; Pittsburgh had 1 million. The sectoral composition of employment in the two areas is comparable, although surprisingly, Pittsburgh has a smaller manufacturing share than Boston (Table 4.5). In fact,

the industry mix of employment in both areas is quite similar to the United States averages.

Both Boston and Pittsburgh have undergone a wrenching transformation from a manufacturing to a service economy. However, in Boston manufacturing declined much earlier--the 1930s--and the service resurgence began in earnest in the 1960s. Pittsburgh, on the other hand, still bears the scars of the "steel depression" of the late 1970s and early 1980s.

### Data sources

Research in this thesis draws primarily on two data sources, the Current Population Survey and a new set of interviews. The Current Population Survey (CPS) is conducted monthly by the U.S. Census Bureau on a rotating panel of approximately 70,000 households, which include about 160,000 individuals aged 14 and over. The CPS is the major source of aggregate data on part-time employment<sup>6</sup>.

New interview data offer a richer look at part-time employment in particular companies and labor markets. Representatives from a non-random sample<sup>7</sup> of thirty-one firms and fifteen unions and worker advocacy organizations were interviewed. All interviews were open-ended. Company interviews were almost all structured around three fairly standard sets of twenty questions (one for personnel officers, one for line managers, and one for employees--see Appendix C), although some of the questions were added over time. Union interview formats varied more widely. Interviews ranged in

length from five minutes to an hour and a half; most were about an hour. Most interviews were conducted in person, but several were conducted by telephone. About one third of the interviews were taped, and all were documented with extensive notes. All interviews took place between February 1987 and April 1988.

While non-random, the sample is stratified by industry, sub-sector, and geographic location. Most of the organizations belong to the retail and insurance industries, although two companies and six unions outside these industries (representing a total of eleven interviews) are included. Within these two industries, a varied group of companies and unions are included (Table 4.6). Almost all of the organizations are based in, or specifically discussed their operations in, eastern Massachusetts (around Boston) and western Pennsylvania (around Pittsburgh). The exceptions are two insurers based in the New York City area, and two union organizations based in Rhode Island and upstate New York. Many of the companies, and a few of the union organizations, operate in larger regions, and a small number are nationwide. Informants were asked to make comparisons between operations in different regions when relevant.

An elite interviewing strategy was pursued. Company interviews were most often conducted with company-level officials. In nine cases, due to considerations of gathering information pertaining to particular geographic labor markets as well as ease of access to informants, interviews were conducted at a lower level of management.

More detailed case studies were developed in four Boston-area-based companies by repeated interviewing of company-level managers plus interviews of lower-level managers. Part-time and full-time workers were also interviewed in two of these companies. Slightly different questions were asked of lower-level managers and workers than of company-level officials (see Appendix C for all three sets of questions). The four companies are identified by the pseudonyms "SuperValu" (a supermarket chain), "EZ Mart" (a convenience store chain), "Healthco" (a health insurer), and "Eternal Life" (a life insurance company).

In every firm the initial interviewee is one of the persons chiefly responsible for personnel/human resources at his or her level of management--most typically the personnel director. The company or section of a company overseen by the initial interviewee is henceforth referred to as the "company," or as the "employment unit" when distinctions between complete companies and parts of companies are important.

The employment units range in size from a 20-employee independent supermarket to an 85,000-employee insurance company. The sample is skewed toward large enterprises, but not necessarily toward large establishments: for example, the convenience store chains studied employ up to 1500, but typically only have seven to ten employees per store. Table 4.7 shows the distribution of employment units by number of employees.

Due to confidentiality considerations, names of companies

and unions, as well as individuals, are withheld. Interviews are numbered to allow comparison. The few published sources that refer to specific companies from the sample are also numbered according to the same system. A guide to the numbering system, in the form of a catalog of the interviews and publications, is provided in Appendix D.

Interview data were analyzed using Nota Bene text-base software (Uriarte-Gaston, 1987). Word-processed interview transcripts were coded using twenty-eight key-words; a glossary of coding key-words is included in Appendix E. The text-base software then made it possible to retrieve every incidence of a particular key-word, or of one or more key-words modified by logical operators (and, or, not).

#### **Checks on the accuracy of interview data**

Several methods were employed to evaluate the accuracy of statements during interviews. The most important checks were simply internal consistency in an informant's account, the amount of detail an informant was able to provide, and the informant's ability to know certain facts. On the last point, for example, an informant's description of changes in company policies that took place years before the informant joined the company were discounted. Statements about a particular company by different informants were weighed against each other. Seventeen of the thirty-one companies were discussed by more than one informant, and in eleven of these cases more than one informant provided an in-depth discussion. Where possible,



both union and management views of the same company were gathered.

Finally, statements by informants were checked against three forms of written documentation. First, and most commonly, interviewees volunteered or were asked to check written (or on-line) records during the interview--for example, to come up with the precise number of part-time and full-time workers at a company. Second, half a dozen companies and unions provided written documentation (typically the company's employee handbook) in addition to interviews. Third, other published accounts furnished specific information on three of the companies, as well as illuminating other issues (such as the nature of laws affecting part-time employment) that were discussed by a number of informants.

All of these checks do not guarantee the accuracy of interview contents--especially given the detail and idiosyncratic character of the interviews. However, these methods did disclose a number of implausible statements, which are excluded from citation (except when used to illustrate an informant's beliefs).

## **Methodology**

The thesis combines hypothesis-testing with hypothesis development, and quantitative with qualitative methods. First, in some cases standard statistical methods are used to reject or support certain explanations of observed facts about part-time work. Second, the thesis draws on qualitative data from

the interviews, in some cases supplemented with quantitative data, in order to formulate richer, more complex hypotheses. This second enterprise is undertaken in the spirit of Glaser and Straus (1967):

"We argue...for grounding theory in social research itself--for generating it from the data....Our basic position is that generating grounded theory is a way of arriving at theory suited to its supposed purposes." (pp. viii, 3)

A third step is to test these new hypotheses statistically. In this study only a few preliminary tests are undertaken, and more decisive tests are left for future work.

## Notes

<sup>1</sup>Retail figures from unpublished data provided by Thomas Nardone of the Bureau of Labor Statistics. Percentages include wage and salary workers only.

<sup>2</sup>Percentages computed by author from Current Population Survey computer tapes.

<sup>3</sup>Percentage growth rate is a geometric mean computed by the author from U.S. Bureau of Economic Analysis, Survey of Current Business, July 1970 and July 1987, using Commerce Department deflators.

<sup>4</sup>Insurance percentage computed by author from Current Population Survey tape.

<sup>5</sup>Percentage growth rate is a geometric mean computed by the author from U.S. Bureau of Economic Analysis, Survey of Current Business, July 1970 and July 1987, using Commerce Department deflators. Only combined figures for finance and insurance are published for 1969.

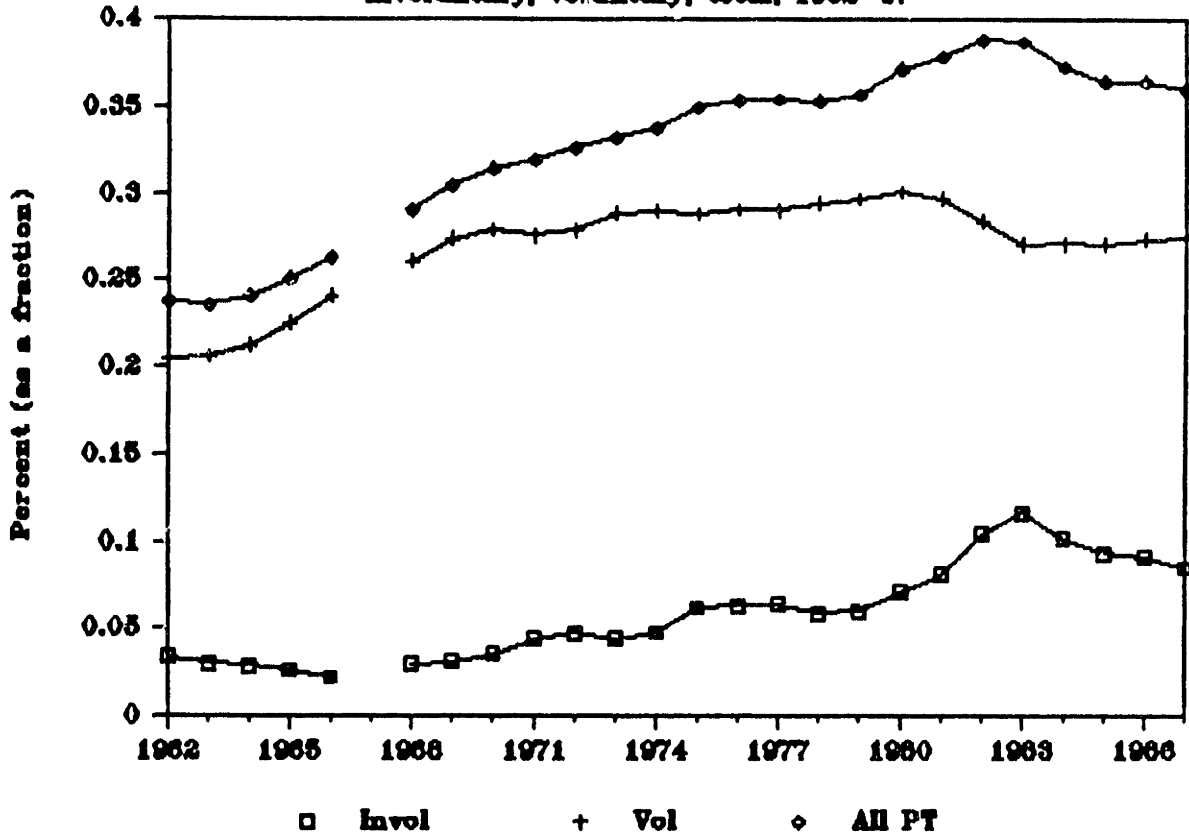
<sup>6</sup>CPS analysis throughout the dissertation draws on two specially created data sets. One is the series of March CPS files created under the direction of Robert D. Mare (University of Wisconsin) and Christopher Winship (Northwestern University) with financial support from the National Science Foundation under grant 7912643. The other is an extract created by Sandra Grove of the U.S. Bureau of Labor Statistics from a BLS geographic-unit database. I thank these individuals and institutions for use of the data.

<sup>7</sup>Companies were selected from the Boston and Pittsburgh Yellow Pages, and via referrals by other informants. In addition to the thirty-one companies where informants were interviewed, representatives of three companies (one insurance company, one supermarket chain, and one convenience store chain) declined to be interviewed.

Figure 4.1

# Rate of part-time employment in retail

Involuntary, voluntary, total, 1962-87



Note: From 1968 onward, includes people with a job but not at work.

Source: U.S. Bureau of Labor Statistics, unpublished CPS figures provided by Thomas Nardone.

**TABLE 4.1**  
**Rate of part-time employment by retail sub-sector, 1960-1980**

<u>Retail sub-sector</u>	Percent of persons at work who are working less than 35 hours		
	<u>1960</u>	<u>1970</u>	<u>1980</u>
Hardware, building materials	12.2%	16.7%	21.0%
General merchandise	27.5	36.7	39.1
Food	29.0	35.0	39.4
Auto	7.1	10.6	11.6
Gas	17.1	25.3	26.4
Apparel, accessories	26.6	34.5	41.3
Furniture	14.8	20.0	22.8
Eating & drinking places	28.3	41.3	51.4
Drug	33.2	36.7	40.0
Other	19.9	26.0	34.8

Source: Census of Population, 1960 (PC(2)-7F, Industrial Characteristics), 1970 (PC(2)-7B, Industrial Characteristics), 1980 (PC80-1-D1-A, Detailed Population Characteristics)

**TABLE 4.2**  
**Shift-share analysis: contribution of retail sub-sectors to increase in the overall rate of part-time employment in retail, 1960-70 and 1970-80**

<u>Retail sub-sector</u>	Percentage of total change in retail's rate (%) of part-time employment contributed by each sector's shift, share, and total change					
	1960-1970			1970-1980		
	<u>Shift</u>	<u>Share</u>	<u>Total*</u>	<u>Shift</u>	<u>Share</u>	<u>Total*</u>
Hardware	2%	-1%	0%	2%	-1%	0%
Gen. merchandise	22	7	31	8	-42	-38
Food	16	-13	1	12	-12	-1
Auto	1	0	2	0	-1	0
Gas	5	1	6	1	-9	-9
Apparel	7	-2	4	7	-4	2
Furniture	2	0	2	1	-1	1
Eating/drinking	36	12	54	39	56	109
Drug	2	-7	-5	2	-4	-2
Other	6	-1	5	9	21	38
<b>Total</b>	<b>98</b>	<b>-2</b>	<b>100</b>	<b>81</b>	<b>4</b>	<b>100</b>

\*Total includes residual as well as shift and share components.

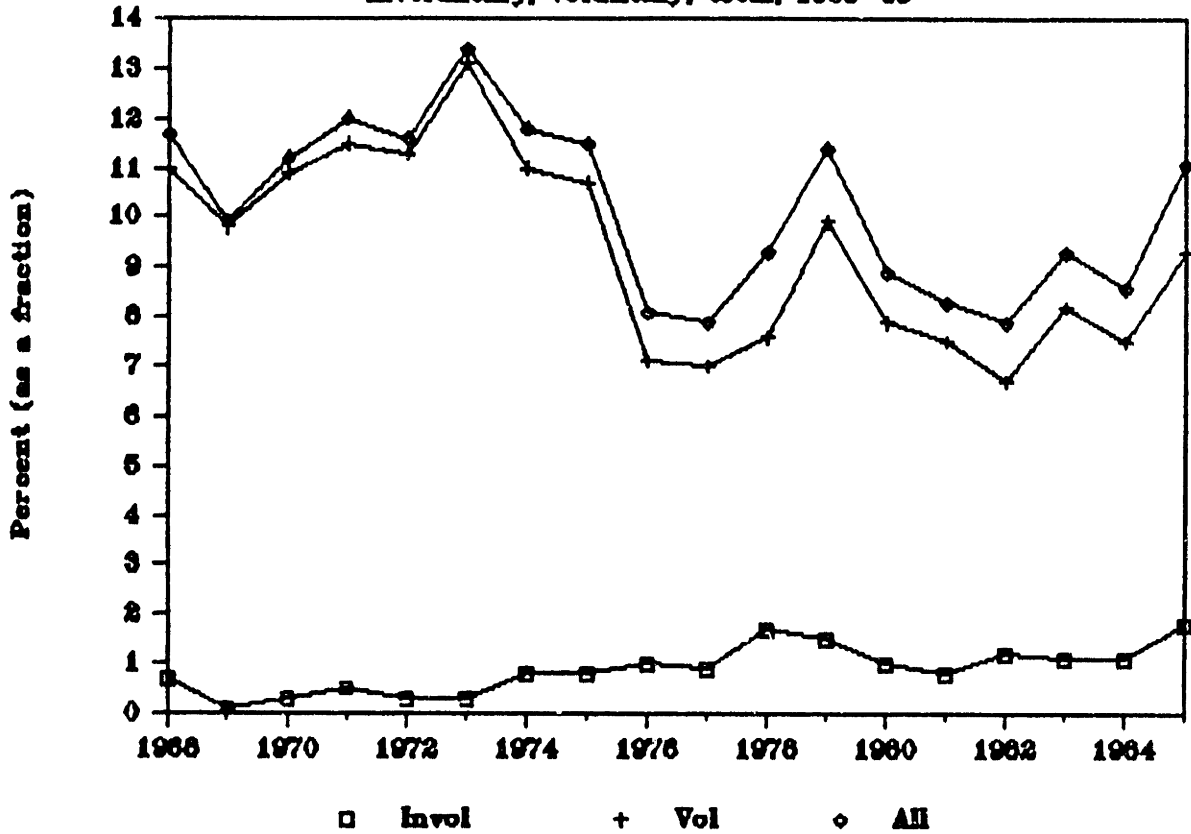
Note: Shift share analysis uses base-year weights.

Source: Author's computation from sources in Table 4.1

Figure 4.2

# Rate of PT employment in insurance

Involuntary, voluntary, total, 1968-85



Note: Includes March CPS only, rather than annual averages. This helps to account for the observed volatility.

Source: Computed from CPS computer tapes by the author.

**TABLE 4.3**  
**Unemployment rates for selected industries in the Boston and Pittsburgh metropolitan areas, 1987 annual averages**

	Unemployment rate, %				
	<u>Total</u>	<u>Manufacturing</u>	<u>Trade</u>	<u>FIRE</u>	<u>Service</u>
Boston PMSA	2.5%	2.3%	3.4%	0.8%	2.9%
Pittsburgh CMSA	6.6%	7.8%	7.5%	5.7%	4.7%

Source: U.S. Bureau of Labor Statistics (1988), Table 26

**TABLE 4.4**  
**Part-time and full-time employment in Boston, Pittsburgh, and the United States, 1985**  
**(Standard errors in parentheses)**

	Part-time as a percentage of those at work		
	<u>Invol PT</u>	<u>Vol PT</u>	<u>Total PT</u>
Boston metro area	1.9% (0.4)	18.9% (1.2)	20.8% (1.2)
Pittsburgh metro area	8.2% (1.3)	15.7% (1.7)	23.9% (2.0)
United States	5.4% (0.05)	13.3% (0.07)	18.7% (0.09)

**Note:** Boston and Pittsburgh rates are for March 1985 only. U.S. rates are 1985 annual averages.

**Source:** Boston and Pittsburgh figures computed by author from March 1985 CPS. U.S. figures from Employment and Earnings, January 1986.

**TABLE 4.5**  
**Sectoral composition of nonagricultural employment in Boston,**  
**Pittsburgh, and the United States, 1986 annual averages,**  
**percent distribution**

	<u>Construction</u>	<u>Mining</u>	<u>Durable Manuf.</u>	<u>Nondurable Manuf.</u>	<u>Transport, Communication, Utilities</u>
Boston	4%	0%	14%	5%	5%
Pittsburgh	5%	1%	12%	5%	6%
U.S.	6%	1%	12%	8%	6%

	<u>Trade</u>	<u>FIRE</u>	<u>Service</u>	<u>Government</u>	<u>Total</u>
Boston	18%	10%	30%	12%	100%
Pittsburgh	25%	7%	27%	12%	100%
U.S.	21%	7%	31%	17%	100%

**Note:** All figures are for employed persons.  
**Source:** U.S. Bureau of Labor Statistics (1988).

**TABLE 4.6**  
**Types of retail and insurance organizations where interviews**  
**were conducted**

<u>Retail</u>	<u>Insurance</u>
4 supermarket chains	5 life insurance companies
3 supermarket independents	4 property and casualty insurance companies
7 convenience store chains	3 health insurance companies
2 department store chains	
1 fast food chain	
2 union locals representing retail workers	3 union locals representing or organizing insurance workers
2 union internationals representing retail workers	1 union international organizing insurance workers
	1 worker advocacy organization organizing insurance workers

**Source:** Interviews by author



**TABLE 4.7**  
**Size distribution of employment units interviewees were responsible for, by number of employees**

	<u>&lt;100</u>	<u>100-500</u>	<u>500-1000</u>	<u>1000-5000</u>	<u>5000-10000</u>	<u>&gt;10000</u>
Retail	3	5	4	1	3	2
Insurance	1	1	--	5	2	3

**Note:** In some cases an employment unit only includes part of a company.

**Source:** Interviews by author

## Chapter 5 Two types of part-time employment

Start with a simple question: do part-time employees tend to be in high-skill or low-skill jobs? Two managers respond:

"[I]t would have to be a routine job that we can break up....we don't want people at higher grades to be part-time [because] for these higher grades, there's quite a bit of training." (Personnel director at an insurance company, II.A)

"You're going to find our more-skilled, higher level people in this [part-time status]. Our senior analysts and above as opposed to just the programmer who's just producing code where the skill level is just technical." (Data processing manager at an insurance company, IX.E)

In other words, in one case only low-skill jobs are staffed with part-time workers; in the other case only high-skilled jobs are staffed with part-timers.

How about another simple question: what are the advantages and disadvantages of hiring a part-time worker? Once more, two managers have answers:

"The pluses of hiring part time people are the [low] rate of pay that you're able to pay them, the increased [schedule] flexibility that it will allow you, particularly if you have a varying business, varying volume....And also the benefits that are available to a full time person are not available to a part timer....[The minuses are] the abilities, experience and work level that they achieve. Their loyalty to the position and the company....I'm talking about absenteeism, I'm talking about tardiness, shrinkage, attitude....[And] the part time ratio...turn[s] over much faster than the full time ratio." (Supermarket manager, VII.D)

"You probably will not find more committed employees than your part-time population.... Part-time people will tell you they work much harder than full-time people....They want to hold onto their position. They want to do it all. They're driven....[But] lack of availability is an issue. You're not as available. It slows things down. It's hard to schedule meetings....[Part-time employment is] also expensive in terms of benefits...." (Employee services director, IX.A)

So in one case part-time employment offers employers scheduling flexibility and low wage and benefit costs, but at the cost of low productivity and high turnover. In the other case, part-time employment affords exceptionally high productivity but at the cost of decreased scheduling flexibility and increased benefit costs!

What's going on here? The answer is that there are two distinct types of part-time employment in the industries under study. The first manager in each case is talking about secondary part-time jobs. Secondary part-time workers have low skill and compensation compared to their full-time counterparts, and are immersed in a secondary labor market with little prospect of advancement. Employers use secondary part-time employment to attract workers, such as housewives and students, who will accept minimal compensation. Secondary part-time jobs are "bad" part-time jobs.

But the second manager answering each question is describing a completely different type of part-time employment: retention part-time jobs. Retention part-time workers have skill and compensation levels comparable to or above full-timers. Their part-time schedules are special arrangements negotiated to retain or attract valued employees, typically women with young children. Retention part-time jobs are "good" part-time jobs. The secondary/retention part-time jobs taxonomy is similar to Kahne's (1985) notion of Old Concept and New Concept part-time jobs, as described in Chapter 2.

Managers are in some cases quite conscious of the

distinction between the two forms of part-time employment. Commented a manager of pensions systems at an insurance company:

"In this particular environment that I am in, not everybody would shine as a part-time individual nor would you want them as a part-time individual. It takes a certain mentality, a certain intellect, a certain perspective on life and what you're trying to accomplish and knowledge as to what it is that this person offers you that you can't find anywhere else. Contrast the part-time employee at McDonald's; it's not because there's all those things I mentioned, it's just because they can't get anybody to work there anyways and the only way they can get them is by offering high [sic] salary, flexible hours. It's to attract anybody as opposed to mine which is to attract specific talented individuals. So there's a contrast in need that causes this willingness to have part-timers." (IX.D)

This chapter describes some of the many dimensions along which secondary and retention part-time jobs differ. The bundles of job characteristics that make up each of the two types of part-time employment are scrutinized. It is argued that the reason for the bundling is that the two types are associated with different internal labor markets--a secondary labor market on the one hand, salaried or other primary labor markets on the other hand. The distinct institutions outside of work that support each form of part-time work are also examined. The following chapter explores some of the implications of the secondary/ retention distinction, including the rather different advantages and disadvantages that each type of part-time employment holds for employers.

**The characteristics of secondary and retention part-time jobs**

The key characteristics that distinguish secondary from

retention part-time employment are skill and training, compensation, turnover, and connection with promotion ladders. This section examines each of the characteristics in turn.

a) Skill, training, responsibility

Secondary part-time jobs involve low levels of skill, training, and responsibility. In retail stores, the more skilled and responsible tasks tend to be covered by full-timers, while low-skill tasks are handled by part-time workers. For example, most supermarkets use only full-time workers in meat-cutting jobs--which are skilled jobs--although they employ part-time servers and wrappers in the meat department<sup>1</sup>. On the other hand, a SuperValu manager stated that front end employees--cashiers and baggers, both relatively unskilled positions--represent "the bulk of the part-time workforce" (VII.C). 1987 survey data from a Pittsburgh supermarket chain confirm this contrast: only 54% of union workers in the meat and deli departments are part-time, as compared to 84% of union employees in the rest of the store (III.N).

Even within low-level job categories like stock clerk (in a supermarket) or sales clerk (in a convenience store or department store), different tasks are assigned to part-timers and full-timers. Full-time employees are more likely to be given responsibilities such as ordering, receiving goods, taking inventory, or doing paperwork. Part-time workers are more likely just to stock the display cases or ring the register. A SuperValu store manager reported:

"[The full-timers] come in the morning and get things set up, do the prep. The part-time employees then just maintain it for the rest of the day. It's different to

set up and do ordering than to just dump more fruit out there." (VII.C)

The distinction between part-time and full-time tasks may be formal or informal. In one convenience store chain,

"They [a full-timer] might even do some paper work, some smaller duty that the manager would delegate to a full-time clerk....It's not in their job description, it's just something they're assigned, or they can do it, and they want to do it. But really, as far as the job description, no, there's no difference between a full-time or a part-time." (III.I)

In a fast-food company (I.G), similarly, full-timers do meal prep and recovery (cleanup)--a somewhat more varied and complex set of tasks--while part-timers come in during peak mealtimes to cook and serve.

For in-store jobs, use of part-timers appears to be negatively correlated with job training time. Table 5.1 shows reported training times from EZ Mart and SuperValu. While there is some variation around these examples--supermarket cashier training ranges from two days (III.H) to two weeks (III.A.1)--the rank order is found consistently.

In retail office clerical jobs, much the same pattern applies. The personnel director of a convenience store chain explained that his company uses mostly full-time people in office jobs because:

"Our philosophy is: if you want somebody you can ask more of, you have to be in position where you can do more for them." (I.D)

In insurance, secondary part-timers are found in unskilled service jobs (cafeteria, building service) and in lower-skill clerical jobs with more discrete, less integrative tasks. Part-time clerical jobs were described as "not crucial" (IX.E),

"[located in] your production departments" (VIII.A.2), "[jobs where] somebody can put down their work and somebody else can pick it up" (II.D), "a routine job that we can break up" (II.A), and "usually just one job, duty--a repeated task," especially "when there are certain times of day that need service" (II.B). Typical part-time clerical jobs include data entry, filing, mail sorting, direct mail stuffing, and typing in a typing pool.

As Table 5.2 shows, there is some inverse correlation between training time and use of part-time employment in claims processing at Healthco. A Healthco manager commented:

"Part-timers are in jobs that require a shorter length of training and normally have a faster learning curve or shorter learning curve." (VIII.F)

But all of this is only half the story. The other half is retention part-time jobs, concentrated in technical and professional occupations with high levels of skill, training, and responsibility. For example, the manager of an insurance company's pension systems area stated about his part-time employees:

"[T]he fact that they're part-timers...really serves two purposes. One, they're still raising their children....But the most important thing is that they have a wealth of knowledge and are very critical resources in the area that is very difficult to find replacements [for]...[I]t takes three to five years [for a new person] to develop to the level of expertise where they could contribute very heavily to the pension world." (IX.D)

He emphasized that in order for him to consider granting someone a part-time job, "It has to be someone who is critical to my goals." The same reasoning applies to certain jobs in retail as well, although these jobs are a small minority of

retail's part-time workforce. The personnel director of a supermarket chain noted:

"In the systems area, we have tried to customize the job to fit the job-seeker. It's a very tight labor market....A lot of computer people like to work part-time." (I.A)

These patterns provide a possible explanation of Blank's (1986) finding that although part-time employment among women is correlated with lower hourly wages in most broad occupations, it is correlated with higher wages in managerial and professional occupations. In these jobs, where retention part-time employment is expected to be most common, it is the most highly-skilled (and there presumably most highly-paid) workers who are allowed to work part-time.

A neat summary of the twofold character of part-time jobs was provided by an insurance company's personnel director:

"Training costs are...minimal for support jobs. Routine jobs--collating, printing, shipping, typing. That's one reason we don't want people at higher grades to be part-time. For these higher grades, there's quite a bit of training: there's a mix of classroom, formal, and on-the-job training. So usually if someone is part-time in these grades it's formerly full-time, already trained employees--people who requested part-time hours." (II.A)

In certain jobs, there is almost no part-time employment of either kind. Managers are almost never part-time, and the few informants who had used part-time managers (on a retention basis) felt that the experiment had been unsuccessful (II.B, IX.A, IX.D, IX.E). Part-time insurance agents are also rare (IV.B).



## **b) Pay and benefits**

Secondary part-time workers receive reduced fringe benefits and in some cases lower hourly pay than full-timers.

Differentials in fringe benefits are common, particularly in retail trade with its large mass of secondary part-timers. As a fast food company's personnel director observed, "traditionally American business doesn't provide fringe benefits to part-time workers" (I.G). Every retail company surveyed pays lower fringes to part-timers. Retailers commonly exclude part-time employees from one or more of the insurance benefits (health, life, disability). The SuperValu supermarket chain estimates that it spends 20% of base pay for benefits for part-timers, compared to 36-41% for full-timers. Given that there is also a difference in hourly wages (see below), this means that part-time benefit costs are roughly one quarter as great on a per-hour basis--and total hourly compensation is about 43% of that of full-timers (VII.A). In Pittsburgh area supermarkets, the lowest rung of part-timers, "customer service clerks"--better known as baggers--receive no benefits at all.

The majority of the insurance companies also reduce benefits for part-timers. Two of the companies offer part-timers only prorated vacation and holidays (vs. sick pay, health, life, and accident insurance for full-timers in one case) (II.A, IV.E). The insurance companies offering reduced benefits include the insurers where secondary part-time employment is most common, particularly the three health insurers (VIII, II.F, IV.F.1), which are the only insurance

companies to adopt deliberate strategies of expanding part-time employment.

Lower hourly wages for part-timers are standard at supermarkets (II.B, III.B). SuperValu's personnel director estimates that the company pays part-timers, on average, half the hourly wage of full-timers (VII.A.1). Nationwide, supermarket chains surveyed by Progressive Grocer magazine reported an hourly wage of \$4.80 for a part-time clerk in 1987--roughly 80% of the average hourly wage of \$5.92 for a full-time clerk (Progressive Grocer, 1988). Other types of retail establishments tend to pay identical hourly wages. A reduced hourly rate for part-timers is rare among insurers, although one company provides its part-time employees with longevity raises only every two years instead of once a year.

In fact, informants from six retail companies reported that they even have employees working forty hours who are considered part-time employees with lower fringe benefits (I.D, III.A.1, III.E, III.H, III.J, VII.D). One of them explained,

I do have people working forty hours a week in baggers' jobs. But they are not considered full-time people....The difference is the rate of pay that they're able to get. And also the benefits that are available to a full-time person are not available to a part-timer. It's really just a job title more so than the work performed...."  
(VII.D)

But once more, there is another side to the coin. Five insurance companies (II.E, IV.A, IV.C, IV.D, IX) provide full benefits to all employees working above some cutoff in the range of 18 to 24 hours a week, which ends up covering the bulk of part-timers. "Full benefits" in these cases means full

insurance benefits and prorated other benefits. In all of these companies, retention part-time employment is the main form of part-time employment.

In contrast with the retailers who have "part-timers" working forty hours, at least one insurance company had a "full-timer" working twenty hours:

MANAGER: When Carol \_\_\_\_\_ was ill, did she work part-time for a while?

EXECUTIVE SECRETARY: The one that had the heart condition? Yes. She worked half days but she was still considered a full-time--

MANAGER: She was a full-time, regular employee. (IV.D)

Setting benefit levels for part-time workers is something of a blunt instrument: it is not practicable to offer full benefits to some (retention) part-time workers, and partial benefits to other (secondary) part-timers. Thus, it is not surprising to find generous fringe benefit provisions for part-timers at the companies that use the most retention part-time employment, and reduced fringe benefits at the companies where secondary part-time employment is most common.

### c) Turnover

High turnover is the bane of managers employing secondary part-timers. Retailers universally report higher turnover among part-timers than among full-timers (Table 5.3). Part-time turnover is overwhelmingly composed of quits in most settings--"easily" 90% or more, according to a SuperValu manager (VII.B).

The high turnover of retail part-timers stands in striking contrast to full-timers in retail, who are remarkably stable,

especially where a union contract improves wages and working conditions:

"They marry those jobs." (III.B)  
"The turnover rate with the full-timers is very, very slim, almost nil. You know, we're talking a full-timer leaving probably only because of retirement, and some chance of them finding a higher-paid job." (III.A.1)

Insurers also commented on higher turnover among part-timers (II.A, IV.E). Managers at two health insurers employing large bodies of secondary part-timers were particularly emphatic:

"Part-time[rs] have a much higher rate of turnover."  
(II.F)  
"My guess...based on my experience is I'd run a fifteen to twenty percent turnover rate in the full-timers annually and I'd run closer to a forty to fifty percent turnover on part-timers." (VIII.F)

But among retention part-timers, part-time employment is an alternative to turnover:

INTERVIEWER: What's your sense of what would happen if you said to these women: 'No, you can't have part-time hours'?  
MANAGER: I think in every case they would terminate their employment. And that...comes from the fact that their skills are very marketable....I suppose the tradeoff that's mentally taking place by me and by other managers when these situations are coming up is that...here are my choices: [if I say yes] I get less work for the same position; if I say no, how am I going to replace the skill set? (IX.E)

In many cases retention part-timers eventually move back to full-time hours--sometimes as a result of company pressure:

"We don't like people to stay on part-time forever....Some departments will tolerate part-time employees for six to twelve months. Then they'll look at them again after a year. The vast majority of employees who go part-time return to full-time after a year." (II.B)

#### d) Promotion ladders

Secondary part-time jobs tend to be both entry-level and dead-end. Retention part-time jobs, however, are generally located part of the way up a promotion path. In both cases, promotion beyond a certain limited span means moving to a full-time job.

In all kinds of retail establishments, for example, secondary part-time jobs form the bottom of a ladder that extends upward to full-time jobs and thence into management. Many food retailers (I.D, III.A, III.D, III.I, VII) have a formal requirement that full-timers be hired exclusively from the part-time ranks, not from outside the company, and still others (III.J) apply this policy de facto. But although most full-timers in retail food were once part-time workers, few part-time workers become full-timers (I.A, I.G, III.B, VI.C, VII.A). The explanation for this paradox is that there are very few full-time jobs--less than 20% of the jobs in the store, in some cases (I.B, III.A.2, III.B, III.G, III.H)--and that full-timers turn over slowly. Most people leave part-time retail jobs the same way they came in: through the door.

At insurance companies, secondary part-time jobs are often cut off from the rest of the workforce by non-standard shifts (IV.E, IX.C) or geographically remote locations (a feature at Healthco). One of Healthco's suburban part-time facilities, with 280 people, is 93% part-time--more segregated than any of the supermarkets surveyed (VIII.C). Thus, moving to full-time from a secondary part-time job may involve a change in shift

and/or job location. Some companies also have additional rules designed to minimize such mobility--for example, a Pittsburgh insurer requires part-timers to stay at least a year before moving to a full-time job (IV.F.1).

Retention part-time workers, on the other hand, perch in the middle of job ladders. As noted above in "Skill, training, responsibility," retention part-time arrangements are usually worked out for employees with substantial company-specific training, such as underwriters, or workers with very marketable skills, such as systems analysts.

However, working a part-time schedule at this level generally means foregoing further promotion--at least until the worker returns to full-time hours. Eternal Life's employee services director noted succinctly:

"We don't hire part-time people and run them up these ladders as part-timers." (IX.A.2)

Part-timers are also generally barred from management positions at the top of the job ladder. In the words of the Eternal Life data processing manager, part-time schedules are only tolerated among "individual contributors," not "team leaders" (IX.E).

### **The link with internal labor markets**

A picture of secondary and retention part-time employment is emerging. The former is marked by minimal skill, training, and responsibility; low benefits and/or hourly wages; high turnover; and little connection to promotion ladders. The latter exhibits an opposite set of characteristics.

But this is precisely the distinction between secondary and primary labor markets. Secondary and retention part-time jobs are the way they are because they occur in particular internal labor markets--a secondary labor market in the case of retail clerks and insurance claim coders, a salaried labor market in the case of technical and professional workers, a craft labor market in the case of computer programmers.

In other words, part-time jobs are good or bad for the same reasons that full-time jobs are. There is nothing inherent to part-time jobs that dictates that they must have low productivity and compensation. Even in a retail food store, where the boundary between high- and low-compensation jobs in the stores is the line between full-time and part-time, it is the secondary labor market embodied in the part-time jobs--not their shortened hours--that brands them as inferior. A part-time systems analyst working for the same retail food company has a productive, high-paid job.

### Supporting institutions

In addition to different internal labor markets within the workplace, secondary and retention part-time employment are supported by different institutions outside the workplace. Secondary part-time work builds on the distinction between breadwinners and secondary earners, and the institutions that strengthen that distinction. Retention part-time work depends on the erosion of the distinction.

The tipoff to these supporting institutions comes from a

look at who works the part-time jobs. Secondary part-time jobs are mainly filled by housewives, students, and a smaller number of moonlighters. These are workers supplementing income from other sources, whose main life activity lies outside this job. Their limited employment aspirations, and their limited attachment to any job, form a match with the minimal rewards of a secondary part-time job. The prevalence of these groups in the secondary part-time population, in turn, legitimizes different treatment for full-timers and part-timers:

"A full-time employee is usually [a man] that has a family, or is planning a family, or planning to get married. The part-time employee is a kid looking for a car payment...." (VII.C)

Some retailers even screen for supplementary earners when they hire for part-time jobs. The personnel director of a Boston area convenience store chain reported:

PERSONNEL DIRECTOR: Until recently, [our company] required that part-time employees have another source of income-- they had to be either full-time students, a spouse, living at home with their parents. Because we knew it was unreasonable to think that they would live on this income alone....

INTERVIEWER: So you've dropped that requirement?

PERSONNEL DIRECTOR: We never really dropped the requirement. We just expanded it. Now you can have persons living at home with their parents. (I.D)

The distinction between breadwinners and secondary earners may seem like a natural one. But in fact, the institutions that reinforce this distinction are man-made. Students become secondary workers because the U.S. educational system generally requires full-time scholarship, rather than using apprenticeship or cooperative education models to intergrate paid work with classroom learning. Housewives become secondary



earners because child care is not widely available, and because of the norm that individual women bear the responsibility for housework and child-rearing.

A turning point in the separation of primary and secondary earner roles was the struggle for the "family wage" beginning in the early nineteenth century in the United States (Buhle, 1983, p.8; Milkman, 1980, pp.108-110). Under the banner of the family wage, male trade unionists fought for a wage sufficient for a single male breadwinner to support his family. As a corollary, they fought to exclude married women and children from the workforce--or at least from the skilled trades over which they had some control. To the extent that this movement was successful, it defended the standard of living of the working class family, but also represented the adoption of the ideology that "a woman's [child's] place is in the home" by the most organized and influential sectors of the working class. The ongoing distinction between breadwinner and secondary earner is a sequel to this contention of one hundred and fifty years ago.

If further evidence of the un"natural"ness of the breadwinner/secondary earner distinction is needed, retention part-time employment provides it. Retention part-timers in the companies sampled are mainly women with young children. Because the women are skilled and provide an essential part of their family's income, they are unwilling to give up their jobs in order to care for their children. Because the companies value the women's skills highly, they are unwilling to give up

these workers for the sake of maintaining a full-time workforce.

For the retention arrangements to work, the employees need various supports outside of work: for example, husbands who assist with child-rearing, day care facilities that allow them to return to work full-time once the children reach a certain age. There also has to be a shift in attitudes. A union official who has represented insurance workers and other clericals reflected:

"[P]arenting as a reason for part-time work has become more acceptable. Before, they [management] would say, you're crazy, or too bad you're doing that, or you can't stay." (IV.H)

Thus, retention part-time workers are neither breadwinners nor supplementary earners. And they are lucky enough to obtain a work arrangement that recognizes their position.

#### **Frequencies of the two groups of part-time employment**

Although employers do not count their secondary and retention part-time employees separately, it is fairly clear that in both retail and insurance the secondary labor markets harbor more part-time workers than do primary labor markets. In retail, secondary part-timers work in the stores in clerk and cashier jobs, whereas retention part-timers mainly work in professional and technical jobs in the back office. As Table 5.4 shows, the rate of part-time employment is much higher in the stores than in the offices. The contrast would probably be

still greater if professional and technical workers were broken out separately from office clericals.

In insurance, secondary part-timers are clerical and service workers, and retention part-timers once more inhabit the professional and technical occupations. The distribution of part-time jobs by occupation ranges from Eternal Life, where the majority of part-time workers are at the technical level or above (IX.A.1), to Healthco, where thousands of low-skilled claims processors make up the vast bulk of the part-time workforce (VIII.A). A distribution between these two extremes, like the one shown in Table 5.5, is probably typical: many part-time clericals, especially in the lowest employment grades, and a scattering of part-time technical, professional, and service workers. Although this frequency distribution does not tell us the rate of part-time employment at each level, the rates presumably follow a similar profile. Certainly informants at every insurance company surveyed agreed that part-timers at the professional or technical level are rare indeed.

It is not surprising, on the face of it, that part-time jobs are more common in secondary labor markets than in primary labor markets. Retention part-time employment is by its nature exceptional, extended to one employee at a time on a negotiated basis. Secondary part-time employment, on the other hand, is applied to whole job categories at a time. The reasons for this are explored further in Chapter 7.

## Notes

<sup>1</sup>Five companies specifically discussed the staffing of their meat department. Four of them use only full-time cutters (III.A.1, III.H, III.G, I.A), while the fifth--SuperValu--uses part-timers as well.

**TABLE 5.1**  
**Training periods and part-time status by job at EZ Mart and SuperValu**

EZ MART		
<u>Job</u>	<u>Training period</u>	<u>Part-time or full-time?</u>
Sales clerk	24 hours (3 shifts)	Mostly part-time
Asst. manager	3 months	Only full-time
Manager	6 months	Only full-time
SUPERVALU		
<u>Job</u>	<u>Training period</u>	<u>Part-time or full-time?</u>
Cashier	24 hours	Mostly part-time
PT grocery clerk	30 hours	Only part-time
FT grocery clerk	62-72 hours	Only full-time
Baker	6 weeks	Only full-time

**Note:** The sales clerk job at EZ Mart combines cashier and clerk functions.

**Source:** VI.A.1, VII.B, VII.A.2

**TABLE 5.2**  
**Training times and use of part-time or full-time staffing for selected jobs at Healthco**

<u>Job</u>	<u>Training time</u>	<u>Time to become knowledgeable</u>	<u>Use PT or FT?</u>	<u>Source</u>
Filing VIII.E.1	A few hours		Both	
Dental claims	1 day		Both	VIII.D
Medical claims 1: data entry	2-3 days	2-4 weeks	PT	VIII.F
Medical claims 2	30 days		PT	VIII.D
Medical claims 3	6 weeks		PT	VIII.C
Drug claims		6-8 weeks	PT	VIII.F
Medical claims 1: claims coding		6-8 months	FT	VIII.F
Communications/ customer service	6 weeks	1 year	Both, mostly FT	VIII.C, VIII.E.1

**Note:** Includes three different medical claims environments. In Medical claims 1, coding and data entry are separate jobs. In all of the other claims environments, they are combined.

**Source:** Listed sources include several managers as well as employees.

**TABLE 5.3**  
**Full-time and part-time turnover rates (annual % turnover) in retail companies**

	SUPER- -----MARKETS----- VII.A (SuperValu)	III.H*	CONVENIENCE -----STORES----- VI.A (EZ Mart)	III.I 20-25%**	DEPARTMENT --STORES-- I.C 78%
Full-time	11.5%	0%	134%	70-100%**	0%
Part-time	116%	200%**	312%		

\*III.H is a single-store independent.

\*\*These figures are estimates by interviewees. Other figures are based on recorded statistics.

**TABLE 5.4**  
**Rate of part-time employment in retail companies by job area**

Job area	Company							
	<u>I.C</u>	<u>I.E</u>	<u>I.F</u>	<u>III.C</u>	<u>III.E</u>	<u>III.J</u>	<u>VI</u>	<u>VII</u>
Stores	74%	80%	60%	72%	73%	63%	48%	75%
Offices	16%	2%	25%	<5%	6%	0%	19%	13%
Distribution	--	2%	--	--	--	--	--	8%

Note: Only two companies gave figures for distribution.  
Source: Interviews by author.

**TABLE 5.5**  
**Number of part-time employees by job category for a life insurer**

<u>Job category</u>	<u>Part-time employees</u>	
	<u>Number</u>	<u>Percentage of total PT</u>
Service and trade	22	1.4%
Clerical		
Two lowest grades	834	52.1%
Other clerical	697	43.6%
Technical	28	1.8%
Professional	19	1.2%
<b>TOTAL</b>	<b>1600</b>	<b>100%</b>

**Source: II.A**

## **Chapter 6**

### **Implications of the secondary/retention distinction**

The distinction between secondary and retention employment helps to explain a number of features of part-time employment in the retail and insurance industries. This chapter addresses two of them: the advantages and disadvantages of part-time employment reported by employers, and the presence of involuntary part-time and involuntary full-time workers. Additionally, some of the predictions of the secondary/retention distinction are tested statistically in samples of retail and insurance workers in order to generalize to the broader retail and insurance industries. Finally, the possibilities of generalizing this typology beyond the retail and insurance industries is briefly considered.

#### **Advantages and disadvantages of part-time employment**

As hinted by one of the pairs of quotations opening the previous chapter, employers reap markedly different benefits and costs from retention and secondary part-time work--because the two types of part-time employment bundle very different job characteristics with part-time hours. The frequency with which managers cited each advantage and disadvantage of part-time employment is tabulated in Table 6.1. Although idiosyncratic responses abound, the main pattern is clear and simple. Secondary part-time employment brings schedule flexibility and low compensation, but at the expense of high turnover and low productivity. Retention part-time employment, utterly to the



contrary, yields lower turnover and higher productivity, but decreased scheduling convenience and in many cases higher compensation. In Osterman's (1988) terms (see Chapter 3), managers use secondary part-time employment to meet goals of cost minimization and flexibility of both employment levels and deployment, even though they must sacrifice some predictability. Managers use retention part-time employment to make the opposite tradeoff.

Consider the advantages and disadvantages in each of the four categories of scheduling, compensation, turnover, and productivity.

#### a) Scheduling

Scheduling flexibility was cited as an advantage of part-time employment by managers from almost every retail and insurance company surveyed--25 out of 29. Such flexibility has several dimensions: the ability to increase hours (without paying overtime) or decrease hours (without violating a commitment); the ability to cover peak hours; the ability to cover odd shifts such as evenings, nights, and weekends; and access to a pool of people who can be used to fill in gaps or moved from one time to another.

These advantages apply to secondary part-time employees, who work more or less at the pleasure of the employer. "More or less," because in fact even secondary workers can have bargaining power, as an EZ Mart manager in a student area explained:

INTERVIEWER: [It sounds like] it's not so much that you're asking them to fit into your schedule but you're fitting around their schedule.

MANAGER: And...that can metamorphosize itself into, yeah, they're fitting into my schedule. It depends on what the help situation is like. Towards the end of the summer I couldn't hire somebody if I tried....However, once the first week of October came around, all of a sudden I had all these people who wanted to work....Once I had a whole bunch of people who wanted to do all kinds of hours, all of a sudden I said, "Look, you're going to fit into my schedule and you're going to do it my way...." That is a definite struggle. The balance between the two. Come Christmas time I'm going to be back in the same boat because there's going to be nobody around. (VI.B)

Unlike secondary part-time jobs, retention part-time jobs are characterized by employer inconvenience in scheduling. Managers at nine insurance companies listed the scheduling drawbacks of allowing a worker reduce her or his hours: the loss of week-long availability of the employee, difficulty in coordination with other employees, and discontinuity in work flow. A typical comment was:

"[S]ometimes...a part-time worker is in a job where he or she should really be making a trip to such-and-such a place, and she's not available to go. There's not as much flexibility for the employer." (II.B)

#### b) Compensation

Secondary part-time employment comes with a special low price tag. Managers at every single retail company surveyed, and most of the insurance companies, spend less on benefits and/or wages for part-timers than for full-timers. One store manager explained that he employs all part-timers except for management positions because "in a store like this you can't afford...to pay much more than a minimum wage" (III.F).

Why are employers able to offer secondary part-timers reduced compensation? The personnel director of a convenience store chain offered an answer:

"[Convenience stores have always] concentrated on part-time employees because they expected less in wages. They needed less because this was usually a second job for them." (I.D)

There are two points here. First of all, creating part-time jobs gives companies access to a labor supply of people who are blocked from from obtaining other jobs, and people who are seeking secondary income. But in addition, staffing secondary jobs as part-time jobs also limits the expectations of persons taking these jobs, since "traditionally American business doesn't provide fringe benefits to part-time workers" (I.G). All of the workers--both part-time and full-time--interviewed in this study expressed the belief that the full-time/part-time benefit differential at their company was fair. In fact, a union representative who attempted to organize part-time Healthco workers complained,

"[T]he company has inculcated in [the workers'] brains...[that] [y]ou don't deserve any more than you're getting because you're only part-time. And they try to get these folks to compare themselves with 20-hour a week waitresses or high school kids working in Burger King for 20 hours a week."

But lower compensation is not an advantage of part-time employment for all employers. In insurance companies where full benefits are offered above a certain hours cutoff (the same companies where retention part-time jobs are most common), managers commented that part-timers are often more expensive to employ (II.E, IV.D, IV.C, IX.B).

### c) Turnover

As noted above in Chapter 5, secondary part-time workers have elevated turnover whereas retention part-timers have decreased turnover. Employee turnover has several kinds of costs. In addition to the direct costs of recruiting, hiring, and training, there are the indirect costs of present and future sales lost due to understaffing or employee inexperience. Managers worry about these indirect or "soft" costs. Lamented the personnel director of a department store,

"We're losing credibility as a company. We never would get customer complaints that were because employees didn't know their merchandise. Now we get them all the time....I hear over and over again, 'I used to like to come to [this company] because the sales clerks knew what they're talking about, but these days they don't know anything.'" (I.C)

A SuperValu manager added,

"...If you're down a cashier and a customer has to wait in line too long, they may never come back. That's \$150 times 52 weeks a year. It's an intangible cost, but I think it's bigger than the direct costs." (VII.B)

Overall, turnover is probably the major minus of secondary part-time employment, as the personnel officer of a supermarket chain declared:

"The biggest drawback of the part-time workforce is greater vulnerability to turnover, and knowing that a replacement supply is not available [because of the labor shortage]. It's not the work ethic, it's not productivity." (I.E)

But some turnover is functional for the employers.

According to a Boston union official,

"...A supermarket prefers a mix of people--some at six months, some at twelve months, some at eighteen months--so they can pay a mix of rates. They don't want all their people at the top of the scale. They bank on turnover." (I.B)

Personnel officers from a supermarket chain and a health insurer employing large numbers of secondary part-timers agreed:

"Some turnover is healthy, because as people stay, they progress in rates. And we want to have a certain portion at the starting wage." (I.A)  
"We're experiencing a high turnover among part-time, which is a plus in terms of dollars and cents, because you don't really want them to get those higher benefits [that accumulate over time]." (II.F)

The advantages of the decreased turnover of retention part-timers are substantial. Because retention part-timers tend to be skilled, the cost of losing them (in terms of training new workers, disruption, and lost sales) would be much greater than the cost of losing secondary part-time workers.

#### d) Productivity

Most managers employing secondary part-time workers agreed that such part-timers are less productive than full-time workers. Although none of the companies had directly studied the relative productivity of full- and part-time employees, most of the informants--particularly store managers--had strong negative opinions about part-timers' productivity. The reason most commonly given was that part-time employees are lacking in what is labeled commitment in Table 6.1. This somewhat nebulous concept encompasses a variety of terms supplied by managers: commitment, reliability, responsibility, loyalty, pride, dependability, attitude. While the concept often includes other categories such as effort and experience, it seems to be broader than any of these categories.

At many of the companies, informants stated that part-timers are also less productive because they exert less effort on behalf of the employer. Again, "effort" is defined as a broad category including all of the ways in which employees give less by choice: shirking, carelessness, absenteeism, tardiness, theft, failure to put in "extra" effort.

Finally, at the majority of the retail companies, managers noted that at least part of the productivity difference between part-time and full-time employees was due to the higher turnover of part-timers, and because many of the the best part-time employees are promoted to full-time jobs. Several informants argued that in fact, these reasons account for all or most of the productivity difference. A SuperValu manager expressed the following opinions:

INTERVIEWER: Do you find a difference in productivity or effort between part-timers and full-timers?

MANAGER: Effort, no; productivity, definitely.... In my produce department, one good full-timer can do as much work as any three part-timers.

INTERVIEWER: Per hour?

MANAGER: Per hour. They just can crank it out. And they know what's important to the customers. And they bring out the important things where the part-timer will fiddle around with something that is not important. Because they are not as experienced....

INTERVIEWER: So it's basically a question of experience. If you had a part-timer that had actually been there that length of time, would they probably be equally good?

MANAGER: They would be equally good. Yes. It's just that you don't get the part-timers that are willing to stay on with you for that period of time. Not in this location. There are a number of stores that had part-timers working for fifteen, twenty years or longer. And equally productive or better than a full-time person. But they're few and far between. (VII.D)

Implicit in this viewpoint is the fact that although formal training times are short for secondary part-time jobs, useful

learning continues well beyond the training period:

"To be a clerk and be a good clerk might take several months....If your job is to stock shelves, we've got eight or ten thousand items out there, and it's just a matter of knowing where they are." (III.H)

In contrast with the negative evaluation of the productivity of secondary part-timers, managers reported increased commitment and effort from retention part-timers. A personnel officer from Eternal Life, herself a former retention part-timer, explained:

"This is my personal bias: part-time people will tell you they work much harder than full-time people. There's a tendency to try to keep up, try to prove your worth....Professional part-time people are generally very committed people. They want to hold onto position. They want to do it all. They're driven. It's interesting to think that part-time people may actually be more committed." (IX.A.2)

One insurance company's personnel director even commented on both productivity effects:

"There's certainly a lot to be said for the good will [of]...being able to help people [who need part-time hours] and accomodate them, and maybe for that reason, some people are very grateful, and therefore are clearly very dependable. ...The downsides are those that are less dependable....[For example] the younger people coming in that don't have the same type of values, and therefore don't necessarily show up." (II.E)

### Voluntary or not?

The introduction to this thesis identified one of the key problems associated with part-time employment as inefficient matches--involuntary part-time and involuntary full-time employment. What is the relationship between the secondary/retention dichotomy and the voluntary/involuntary distinction? And what do the interview data tell us about the

reasons that involuntary part-time and involuntary full-time employment persist?

a) Where the constrained workers are

Pools of secondary part-time workers generally include some fraction of involuntary part-timers. At every company surveyed, involuntary part-time employment took the form of workers who were unable to obtain full-time jobs--never former full-time workers whose hours had been reduced against their will, either temporarily or permanently<sup>1</sup>. Although full-time workers sometimes move to a part-time schedule at these companies, that move is invariably a voluntary one.

In Pittsburgh, most retail companies reported that half or more of their part-time employees would prefer to be full-timers (III.A.1, III.B, III.D, III.E, III.H, III.I). One incredulous Pittsburgh store manager commented,

"Some people here have three jobs. I have CPAs, electrical engineers working for me. They haven't been able to find jobs." (III.H)

And a Pittsburgh insurer that just introduced part-time jobs has had a hard time shaking its image as a full-time employer and attracting applicants who actually want part-time work:

"[W]e have noticed that the part-time people do want to go full-time. Even though they swear up and down that they don't--'No, no, I just want part-time!' They can only go full-time after a year. But I would anticipate that a lot of people, because there is a shortage of jobs in Pittsburgh, that they're going to say they want part-time, but stay there a year and then they want to move to full-time." (IV.F.1)

In Boston, with its tighter labor market, rates of part-time employment were considerably lower. Individual SuperValu store managers estimated that from 5% to 17% of their part-



timers would prefer full-time work (VII.B,C,D). SuperValu's company-wide list of "exceptional" part-timers queuing for full-time jobs numbered 217 part-timers--about 2.5% of the company's total part-time population (VII.A,C). Boston union officials stated that an average of 7.5-10% of part-timers at supermarkets they represent are involuntary (I.B). The manager of a Boston-area Healthco part-time facility employing 260 part-timers noted that only about twenty part-time employees from the facility had moved to full-time--a move that also requires relocating to another facility--in the last several years (VIII.C).

Unlike secondary part-time employment, retention part-time employment is by definition voluntary. However, not everybody who wants a retention part-time arrangement gets one, so that the labor markets hosting retention part-time employment also tend to have a slice of involuntary full-timers queuing for part-time jobs. For example, at Eternal Life, the personnel director stated that "It's easier to go from part-time to full-time than it is the other way around" (IX.B). The personnel director of another insurance company agreed:

INTERVIEWER: Do you know of any...situations where part-timers are working part-time, but would really prefer to be full-time...?

PERSONNEL DIRECTOR: No. You know, it's interesting, because what we find is, we're generally able to accomodate those folks in a fairly quick period of time....

INT: Do you think the opposite is common? Having a full-time employee who would rather be part-time?

PERS. DIRECTOR: Yes. I do. (II.E)

The finding that involuntary part-time employment is associated with secondary part-time jobs while involuntary

full-time employment is associated with the labor markets that generate retention part-time jobs suggests why the involuntary part-timers and involuntary full-timers can't simply "trade places." The reason: they are essentially non-competing groups, in totally different kinds of jobs. The professional and technical workers longing for part-time hours would not accept a part-time sales clerk job. And the managers of these professionals would not hire frustrated sales clerks in their places.

But why do involuntary part-time and involuntary full-time employment exist in the first place? To answer this question, it is necessary to take a closer look at firm decision-making about part-time employment.

**b) Why involuntary part-time and full-time employment exist**

The reasons for involuntary part-time employment in secondary labor markets and involuntary full-time employment in salaried labor markets are essentially symmetrical. Here a fairly detailed discussion of the former is followed by a more schematic presentation of the latter.

Involuntary part-time employment in the secondary workforce exists for several microeconomic reasons<sup>2</sup>. First, temporary mismatches placing persons desiring full-time jobs into part-time jobs may be a by-product of rational hiring and job search processes. Second, given the differences in compensation and marginal productivity between part-time and full-time employees, increasing the number of full-timers would drive up unit labor costs. Third, firms are reluctant to alter the

difference in compensation between part-time and full-time employees, because it plays an important incentive role in the firm's internal labor market.

Some involuntary part-time employment in the form of mismatches is to be expected, given the nature of secondary part-time employment. From the employer's standpoint, the costs of such mismatches are minimal. The major advantages of secondary part-time employment--schedule flexibility and low compensation--do not depend on employing people who wish to be part-time. Involuntary part-timers may tend to turn over more quickly than others, but the expectation of high turnover is already built in, and employers can retain outstanding involuntary part-timers by offering them promotions at a later date.

On the other hand, there would be a cost to the employer of avoiding mismatches. To avoid mismatches, the employer would have to either grant full-time jobs to all applicants who want full-time jobs, running the risk of investing training time and higher compensation on someone who may be unsuitable, or conduct costly screening to determine a prospective employee's trainability and likelihood of staying. As a result, employers of secondary part-timers tend to simply define a job and hire whoever shows up, rather than creating a part-time or full-time job depending on the wishes of the applicant. Employees are screened based on their performance in the part-time job. A number of manager commented on this:

CONVENIENCE STORE CHAIN PERSONNEL DIRECTOR: Management... want[s] to hire someone on part-time, and check them out, before hiring them full-time. (III.J)

GROCERY STORE MANAGER: It's easier to hide a dog that's a part-timer than a full-timer. (III.A.2)

Indeed, part-time jobs serve as the port of entry for most retail job ladders. According to a SuperValu store manager,

"Quite a few of the full-time people come from the part-time ranks. Probably 80% of them, in the chain as a whole." (VII.B)

From the employee's standpoint, as well, temporarily taking a part-time job on the way to a full-time job may be the preferred option. The case is clearest when someone working on a part-time job experiences a change in preferences or life circumstances that leads her or him to newly prefer full-time hours--for example, when a student graduates. When this change takes place, the worker is more likely to retain the part-time job while searching than to quit immediately. In fact, if the worker is in retail and chooses to remain in retail, it often makes sense to wait for a full-time job with the current employer, since the fact that part-time jobs serve as a port of entry implies that a move to another retailer would simply involve taking another part-time job--with less seniority. Similarly, a jobless person searching for a full-time job may find it advantageous to take a part-time job while continuing to search.

In short, there are reasons for both employers and employees to engage in frictional or search-based involuntary part-time employment. Is this likely to explain much of observed involuntary part-time employment? Probably not. Involuntary part-time employment is frequently protracted. According to CPS data, 71% of involuntary part-time workers

experienced involuntary part-time employment for five or more weeks during 1985, and 38% experienced it for fifteen weeks or more. Data from the Survey of Income and Program Participation paint an even gloomier picture, indicating that during four-month periods in 1985, involuntary part-time employment lasted five or more weeks for 74% of those experiencing it; it lasted the full four months for 45% (U.S. Bureau of Labor Statistics, 1987).

The share of total person-weeks of involuntary part-time employment is even more slanted toward long-term involuntariness. Arbitrarily designate one to four week spells of involuntary part-time employment as "frictional." Based on the more conservative CPS data, although 29% of persons experiencing part-time employment had short, frictional spells, only 5% of total person-weeks of involuntary part-time work was accounted for by such spells--and 49% was accounted for by persons involuntarily employed part-time for 27 weeks or more<sup>3</sup>!

In addition, company informants referred to very long waits for full-time jobs within companies. For example, at SuperValu,

PERSONNEL DIRECTOR: Up to about four years ago [when the current labor shortage began]...it was not uncommon to wait one to two years to get a full-time position.

(VII.A.1)

STORE MANAGER: You could have somebody who's on the part-time list [waiting for a full-time job] for six years. There was a girl in [store location] who was on the list for nine years--waiting for the new store to open up.

(VII.C)

Such long waits must be accounted for by non-frictional forces.

A second reason for involuntary part-time employment is

that given the relative prices and productivities of full-time and part-time workers in certain functions, production costs are minimized by employing a small number of full-timers and a large number of part-timers. Most retail informants agreed that some core of well-trained, responsible full-time employees is necessary to run a retail business smoothly:

"[W]ithout some of the full time employees that I have in this store, the store would just not operate the way it does. Because of their long term experience, their willingness to accept some additional responsibilities, and more or less to manage some sub-departments."  
(III.A.2)

But when asked why the company didn't hire more full-time workers, managers responded that the cost in higher wages, benefits, and lost schedule flexibility would be too high:

C-STORE CHAIN PERSONNEL DIRECTOR I: We're adding a few more full-time positions in order to stabilize the workforce. But we can't go entirely with full-time.  
INTERVIEWER: Why not?  
PERSONNEL DIRECTOR I: Because of the cost of benefits. Also, full-time employees need more per hour in wages.  
(I.D)

INTERVIEWER: What would be the disadvantage of having a store completely staffed with full-timers...?  
C-STORE CHAIN PERSONNEL DIRECTOR II: ...I think most of it is flexibility on the schedule. (III.E)

The implication is that the marginal product of the first few full-timers is high, but that it drops rapidly with added full-timers.

To explain involuntary part-time employment in secondary part-time jobs, it is not sufficient to state that given compensation and productivity differences, the cost-minimizing mix of part-time and full-time employment implies that some people preferring full-time jobs will be stuck in part-time

positions. The question, then, is why not narrow the difference in compensation between part-time and full-time jobs? In particular, why don't firms take advantage of the excess supply of full-time labor by decreasing the compensation of full-timers and hiring more involuntary part-time workers into full-time positions?

In response to these questions, efficiency wage arguments surface. Full-time and part-time wages are not simply designed to fill the two groups of jobs in a spot market for labor. Instead, the full-time/part-time differential serves as an instrument for other purposes as well. The differential induces full-timers to take more responsibility, exert more effort and stay on at a job:

CONVENIENCE STORE CHAIN PERSONNEL DIRECTOR: Among the office employees, 90% are full-time....[Because] our philosophy is: if you want somebody you can ask more of, you have to be in position where you can do more for them. (I.D)

INTERVIEWER: Are there any jobs...that it's not appropriate for a part-timer to take on?

FULL-TIME C-STORE WORKER: Yeah, I think so, because they don't get paid to do the any of the paperwork, or they don't get paid the salary, that, if they're taking on all that responsibility, they don't get paid the salary for the responsibility....If they're going to do the same work as me, then they should get paid [the same.] (IV.E.2)

INTERVIEWER: [I]f you could hire people full time, but at the minimum wage [which is the wage for part-timers in the store], would you do it?

GROCERY STORE MANAGER: Yes, I would do it. But, when you hire a person at minimum wage for full time, you really put a lot of responsibility, you entrust [sic] them too much....[A]t that kind of wage, you're just not going to find...that good a person....You can't put that much trust, 40 hours of trust into one person at that kind of wage....And if they're that good that you'd want them for full time, they're not going to be around that long. They'll find something better. (III.F)

The differential also helps to elicit effort from part-timers by fostering the aspiration of upward mobility:

SUPERMARKET MANAGER: [Hiring people part-time] acts as an incentive. Somebody who wasn't hired full-time would have a reason to try a little harder. (III.A.2)

C-STORE CHAIN PERSONNEL DIRECTOR: We give full-time to those people that have worked for it. So it's kind of like a reward system. (III.E)

In fact, retailers seeking to reduce labor costs have cut part-time wages and benefits, through two-tier arrangements, rather than reducing full-time wages (I.B, III.A.1, III.B, III.H, VII.A).

The reasons for involuntary full-time employment in salaried labor markets are largely analogous. People who newly prefer part-time work may linger in full-time jobs while searching for or attempting to create a part-time opportunity. Unit labor costs for a given employee tend to be higher on a part-time basis, since per-hour compensation is often higher, while per-hour productivity may be lower due to the loss of week-long availability and other scheduling limitations. Thus, companies only extend retention part-time jobs to people whose productivity exceeds that of a possible full-time replacement: "If I could get a full-time [worker] why would I want to get a part-time?" (IV.D).

Then why don't these companies decrease wages or benefits for part-timers? Once more, incentive considerations are one key. Several insurance managers argued that decreasing benefits to part-timers is counterproductive (IV.A, IV.C, IX.C). "You really can't cut out people who need those benefits," as one personnel director put it (IV.A). Getting



managers to explain why high benefits served the company's interests proved difficult, but the answer in at least one case boiled down to retaining the employees:

PERSONNEL DIRECTOR: I would much rather provide full time employment, for full fringe benefits.  
INTERVIEWER: Well, let me play devil's advocate. What would happen if you didn't...?  
PERSONNEL DIRECTOR: ...[I]f they're working less than 20 hours a week, they're not eligible for our earned vacation and holidays, etc. Which I think is a detriment. We have a very nice fringe benefit package....  
INTERVIEWER: It's clear to me that that's a detriment to the employee. In what ways is it a detriment to the company if they're not eligible for the benefits package?  
PERSONNEL DIRECTOR: I don't like to see anyone employed by [this company] who is not getting the full benefits. I think our benefits are such that we retain employees. Retention is a significant factor. (IV.A)

This, of course, is precisely the concern that motivates the creation of retention part-time jobs in the first place.

In some salaried labor markets--in particular, in some of the insurance companies sampled (such as II.A, IV.C, IV.D)--another reason for involuntary full-time employment emerges. In these companies, the resistance to the creation of part-time jobs seems to be based more on tradition and prejudice than on any assessment of the economic costs and benefits of part-time employment. As one insurance manager noted,

"I think you have a tendency to look at a part timer and think of the negatives, and say, Jesus, I've only got him four hours,...there's a lot more people to deal with,...do I really want to get into those headaches? And I think that might cause some reluctance on the part of line managers. Until they get exposed to it, and learn how to manage those headaches." (VIII.F)

This observation echoes Nollen et al's (1978) finding that non-users of part-time workers imagined numerous disadvantages that users rarely reported. However, such ill-informed beliefs

about the differences between part-time and full-time workers are unlikely to explain much involuntary part-time employment, since retail firms and the like generally employ large numbers of full-timers as well as part-timers. The role of traditions and beliefs is examined more closely in Chapter 8.

In summary, although involuntary part-time and full-time employment are in part frictional in nature, they also result from rigid compensation differentials between part-time and full-time jobs. These compensation differentials, designed to structure employee incentives, are a feature of primary labor markets: in one case, a primary labor market limited to full-time jobs; in the other case, a primary labor market encompassing both part-time and full-time jobs. In the case of involuntary full-time employment, another source of labor market rigidity may be strongly held beliefs about the superiority of full-time labor.

These microeconomic reasons for involuntary part-time and full-time employment sit in a macroeconomic context. Thus, as the labor market tightens and workers face more job alternatives, the rate of involuntary part-time employment in secondary labor markets, as well as the rate of involuntary full-time employment in salaried labor markets, would be expected to fall. A simple model for this process is developed in Chapter 9.

#### **Generalizing to the entire retail and insurance industries**

Quite a few patterns in part-time employment have emerged

from the interview data presented in this chapter and the previous one. How representative are the sampled companies of their industries?

As a first cut at this question, consider the informants' answers to it. Retailers generally reported that their companies discussed labor issues on a regular basis with other retail companies, as well as staying in touch through the trade literature. Retail informants tended to view their experience as typical of the industry--and in some cases of the entire economy:

SUPERMARKET MANAGER: [E]veryone's probably pretty much in the same boat we are, with pretty much full-time meat departments, and then maybe just a few full-timers sprinkled throughout the store. Part-time is basically where it's at, right now. (III.G)

CONVENIENCE STORE PERSONNEL OFFICER: I think you'll find the same trends in all convenience stores. (III.D)

FAST FOOD CHAIN PERSONNEL DIRECTOR: The volume of use of part-time is pretty much identical in food service. (I.G)

UNION OFFICIAL: [T]he country has more or less basically gone part time. No matter where you look at, if you look at the banks, they're part time. Even if you look at the wholesale industry, they've become part time. I think the country, with the man and wife working now, is basically a part time work force. (III.B)

Insurance companies, like retailers, communicate with other insurers and large clerical employers about labor-related policies. But part-time labor is not as central a concern in insurance as it is in retail, and most insurance managers were not particularly conscious of how other companies used part-time employment. Managers from some companies at the extremes were aware that their companies' practices were exceptional. For example, a high-ranking Healthco manager remarked that relatively few companies have followed Healthco's suit by

rapidly expanding part-time employment:

"Other companies have pursued it, but not as aggressively and not as widespread as I would have expected." (VIII.G)

On the whole, insurance informants agreed that

"Insurance companies tend to be middle of the road.... Insurance companies will usually try things that other companies have tried." (II.B)

Moving beyond these opinions, the generality of Chapter 5 and 6's findings on part-time employment within the retail and insurance industries is testable with larger, more representative data sets. The central claim of the two chapters is that there exist two categories of part-time jobs, secondary and retention, with distinct characteristics, linked to secondary and primary labor markets respectively. A strong test of this hypothesis would depend on a multidimensional measure of the characteristics of part-time employment, and a measure of the type of internal labor market. Neither measure is readily available. But alternative, indirect measures can be used in order to tap Current Population Survey data.

To arrive at indirect gauges of the type of part-time employment, note that in secondary part-time employment, the part-time characteristic is usually inherent to jobs, not people, and that secondary part-time jobs therefore entail some involuntary part-time employment. But in retention part-time employment, part-time people are accommodated in jobs that are ordinarily full-time. In both of the industries studied, there is evidence that secondary part-time jobs outnumber retention part-time jobs. So both the presence of involuntary part-time employment and a high rate of part-time employment can be used

as markers of secondary part-time work. And occupation can be used as a marker for primary and secondary labor markets. Thus, a weaker test of the hypothesis is to examine whether the connection between occupation and the rate of voluntary and involuntary part-time employment is the same in a representative sample as in the interview sample.

Several specific predictions can be made based on the interview results:

(1) The highest concentration of part-time employment should be found in low-skill occupations. In retail, high rates of part-time employment are expected--in terms of broad occupational categories--in sales, service, and operative/laborer jobs. Somewhat lower rates are expected in clerical jobs. In insurance, high rates of part-time employment should be found in clerical and service jobs. The part-time employment rate in professional and technical jobs in both industries is also expected to be above the rate in managerial jobs, reflecting the retention category. In the professional and technical groups, part-time employment is expected to be overwhelmingly voluntary.

(2) Since secondary part-time jobs are part-time regardless of the wishes of the job-holder, we would expect to find higher rates of involuntary as well as voluntary part-time employment in low-skill jobs. In general, higher rates of involuntary part-time employment should be found where there are higher rates of voluntary part-time employment. The exception would be professional and technical jobs where retention part-time

work is the rule.

(3) A person's job should help to determine their probability of part-time employment even after controlling for personal characteristics. In other words, the probability of working part-time is at least in part attached to jobs rather than people. There are three reasons to expect this outcome. First, workers will be sorted by unobserved personal characteristics (such as "taste" for part-time work or high propensity to quit) to jobs where the work hours that fit with these characteristics are accommodated most profitably. (The reasons why secondary labor markets are particularly hospitable to part-time work are explored further in Chapter 7.) Second, in primary labor markets some workers with a preference for part-time work will be in full-time jobs--that is, workers who otherwise "look like" part-timers will hold full-time jobs because of their occupation. Third, in secondary labor markets, some workers who "look like" full-timers will involuntarily hold part-time jobs because of their occupation. The second reason applies only to voluntary part-time employment, the third only to involuntary employment, and the first to both. Thus, the job effect should show up in both voluntary and involuntary part-time employment. The expected job effects are as described in (1) above.

(4) The probability of part-time employment is expected to be determined differently in retail than in insurance. For example, employment in sales occupations is expected to have different implications in the two industries. Retail sales

workers (cashiers) are expected to have a high rate of part-time employment, whereas insurance sales workers (agents) are expected to have a low rate.

How do these predictions fare? Analysis of the March 1985 Current Population Survey provides answers. Consider the predictions one by one.

(1') Occupations. In both retail trade and insurance, the ranking of occupations by rate of part-time employment is precisely as predicted. In retail, sales, service, and operative/laborer jobs indeed have the highest rates of part-time employment (Table 6.2). Clerical jobs have a lower rate, and technical and professional jobs lower still. There is an unexpectedly high rate of involuntary part-time employment in professional and technical jobs, suggesting that some of these part-time jobs may in fact be secondary. Part-time employment is lowest in managerial jobs, as expected. The same patterns prevail in the grocery subsector.

In insurance, service and clerical employees have a high incidence of part-time employment, as expected (Table 6.3). Managers, professionals, and technical workers are unlikely to work part-time. The estimated part-time employment rates in professional and technical categories exceed the managerial part-time rate, although the differences among these three are not statistically significant<sup>4</sup> given the small sample sizes. Part-time employment among professional and technical workers is, as predicted, entirely voluntary.

(2') Voluntary and involuntary part-time employment.

Ranking the occupations in each industry by their rate of voluntary part-time employment reveals that the rank-orders by voluntary and involuntary part-time employment are quite similar, particularly in the retail sector (Table 6.4). In insurance, the match is improved by excluding professional and technical occupations, as expected.

(3') Effect of job after controlling for personal characteristics. Linear probability models were estimated for the probability of involuntary and voluntary part-time employment, among currently employed workers in the retail and insurance industries (Table 6.5). The models control for numerous personal characteristics, including gender, position in family, age, race, Hispanic origin, and education, as spelled out in the note to Table 6.5. Independent variables also include region dummies (which could be interpreted as proxying for either job or personal characteristics, or more likely a combination of the two) and a set of occupational dummies, with clerical as the omitted base occupation.

The explanatory power of the models is unimpressive, with the possible exception of the model for determination of probability of voluntary part-time employment in retail. But many of the occupational variables are indeed significant determinants of the probability of part-time employment, with the expected signs. In the retail industry, sales, service, and operative/laborer jobs all have significant positive effects on the probabilities of both voluntary and involuntary part-time employment. Managerial jobs have negative effects on



both types of part-time employment, although the coefficient in the involuntary case is not significantly different from zero. The base group of clerical workers falls in between these two extremes.

The smaller insurance sample has fewer significant coefficients on jobs, but once more the job coefficients have the expected signs. Managers, professional/technical workers, and sales workers (agents) all have a lower probability of working part-time than the base group of clerical workers. This effect is significantly different from zero at the 5% level for the managerial group, and at the 10% level for the other groups. Service workers have a greater likelihood of working part-time.

In almost every case, job effects on voluntary and involuntary part-time employment have the same sign. In the few exceptions to this pattern, the coefficients are not statistically distinguishable despite their sign difference.

Other results of this regression analysis merit a few additional comments. The strongest determinants of involuntary part-time employment are occupation and education in retail, and occupation in insurance--further bolstering the claim that secondary part-time status in particular is attached to jobs.

The coefficients include some results that appear surprising at first. The negative effect of the female gender dummy on voluntary part-time employment in insurance becomes less surprising when it is noted that this variable is largely picking up the effect of female household heads, since a

separate variable identifies wives. The negative effect of a less-than-high-school education on involuntary part-time employment is probably driven by high-school students who don't want full-time employment.

(4') Determination of part-time employment in retail vs. insurance. F-tests of the difference in coefficients between retail and insurance samples were conducted for each of the two models (involuntary and voluntary part-time employment). The hypothesis that the overall set of coefficients is identical in the two samples was rejected at the 5% level in both cases. The test statistics were  $F_{22, 11920} = 2.20$  for the involuntary part-time employment model, and  $F = 7.33$  for the voluntary part-time model, both well above the critical value of  $F = 1.55$ .

Focusing on the job effects, the coefficients on managerial, service, and operative/laborer occupations are striking similar between the retail and insurance samples-- which is not unexpected. But there is a clear distinction between retail and insurance in terms of job effects is effect of being employed in a sales job. Retail sales clerks are more likely than the base group of clericals to work part-time; insurance agents are less likely.

Thus, this set of tests generally supports the hypothesized relationships between part-time employment and particular job groups in these two industries.

## Generalizing to the rest of the economy

So far this chapter has revealed little about the use of part-time employment beyond the confines of the retail and insurance industries. A small set of interviews of informants outside retail and insurance sheds some light on this issue. The set includes data from manufacturing (specifically, a newspaper) (V.B), transportation (III.M), wholesale trade (V.G), non-insurance financial services (V.D), education (a university) (V.A), health care (V.C, V.F), building service (V.F), and local government (V.E). The information from these interviews is much thinner than that accumulated for retail and insurance, but two tentative conclusions are possible:

(1) The categories of retention and secondary part-time are durable, proving useful in other industries as well as retail and insurance. Health care employers trade off peak-time coverage against increased turnover and reduced experience (V.F). A wholesaler who uses "casual," on-call part-timers trades off lower compensation, peak-time deployment, and the ability to screen people for full-time jobs against higher turnover and availability problems (V.G). A university department hires a researcher or faculty member part-time to gain access to the specialized talents of someone who has another career, but in so doing the department foregoes the person's ongoing interaction with other employees (V.A.1).

(2) The categories of secondary and retention part-time employment do not exhaust the types of part-time work. Some patterns of part-time employment in other industries have no

parallel in retail and insurance. For example, in a university, student employees are simultaneously consumers and workers. University departments may use part-time employment as a way of attracting students qua consumers (V.A.1). Common knowledge suggests still other forms of part-time employment that did not appear in this limited set of interviews, such as work-sharing--temporary hours reductions as an alternative to layoffs--in manufacturing and construction.

\* \* \*

The next task is to use the concepts of secondary and retention part-time employment to explain the divergent use of part-time employment in retail and insurance. Chapter 7 takes on this task.

## Notes

<sup>1</sup>The latter type of involuntary part-time employment is much more typical of construction and manufacturing.

<sup>2</sup>These reasons apply to workers' inability to find a full-time job, not to temporary hours reductions. As noted above, the involuntary part-time employment observed in the sampled companies invariably had the former character.

<sup>3</sup>Calculated from U.S. Bureau of Labor Statistics (1987), Table 7, based on the assumption that the average spell length in each interval is given by the midpoint of the interval.

"Spells" actually refers to total weeks of involuntary part-time employment, not to continuous periods of involuntariness.

<sup>4</sup>"Significant" is used as shorthand for "significant at the 5% level."

**TABLE 6.1**  
**Advantages and disadvantages of part-time employment for the employer: number of insurance and retail companies where an informant cited each advantage or disadvantage**

<u>Advantage</u>	Retail <u>cos.</u>	Ins. <u>cos.</u>	<u>Disadvantage</u>	Retail <u>cos.</u>	Ins. <u>cos.</u>
SCHEDULING	16	9		4	9
*Can increase or decrease hours	7	-	*Availability, coordination, continuity	2	9
*Can cover peak hrs. or partial jobs	8	9	*Inflexibility in scheduling, need to work around employee schedule	3	3
*Can use to fill in (without overtime), work variable hours	9	1			
*Unspecified	2	-			
COMPENSATION	17	7		-	7
*Fewer benefits provided or used	17	7	*Higher per-hour benefits	-	4
*Lower hourly wage	5	1	*Prefer not to have employee who is not covered by benefits	-	3
LABOR SUPPLY	5	9		5	4
*Tap into different pools of workers	5	9	*Harder to find PT (or harder to find anybody so maximize each person's hours)	2	3
*Not using PT, but <u>would</u> use if it was a way to get a valued person	-	2	*Harder to find PT in specific jobs, areas	3	1
TENURE AND TRAINING	1	9		15	6
*Retention	1	9	*Turnover	15	4
*Regaining former employees	-	2	*Longer training (or more heads to train, or not as many work hours as payoff to training investment)	2	3
PRODUCTIVITY	1	7		13	7
*Commitment	-	3	*Commitment	11	6
*Effort	-	4	*Effort	9	1
*Freshness	1	2	*Freshness	1	-
*Efficient utilization of capital	-	2	*Efficient utilization of capital	-	2
*More productive due to selection effect or peak hours	1	1	*Less productive due to selection effect or experience	9	-

Continued on next page

**TABLE 6.1, continued**  
**Advantages and disadvantages of part-time employment for the employer: number of insurance and retail companies where an informant cited each advantage or disadvantage**

<u>Advantage</u>	Retail <u>cos.</u>	Ins. <u>cos.</u>	<u>Disadvantage</u>	Retail <u>cos.</u>	Ins. <u>cos.</u>
<b>RELATIONSHIP TO JOB LADDERS</b>					
	3	3		3	2
*Recruit for FT jobs	-	3	*People take PT jobs to gain access to FT jobs	1	1
*Screen for FT jobs	3	-	*Need FT as a pool for promotion to higher jobs	2	1
*Must promote by seniority (so keep people PT to avoid promoting unwanted workers)	2	-			
<b>ADMINISTRATIVE ISSUES</b>					
*Easy way to get budgeted for FT is to create PT and expand	-	2	*More heads, harder to manage	3	5
*Other	-	1	*Budget mandates fixed head-count regardless of hours worked	-	2
<b>EFFECTS ON OTHER WORKERS</b>					
*Morale boost	-	1	*Resentment	-	1

**Note:** Total number of retail companies 17, insurance companies 12. Lower benefit costs were counted as an advantage as long as benefits are lower, even if informants did not specifically cite this as an advantage.

**Source:** Interviews by author.

**TABLE 6.2**  
**Rate of part-time employment by occupation in the retail and**  
**grocery industries, March 1985**

(Standard errors in parentheses)

Occupation	Rate of part-time employment, %					
	-----RETAIL-----			-----GROCERY-----		
	Invol PT	Vol PT	All PT	Invol PT	Vol PT	All PT
Managerial	2.3 (0.5)	6.5 (0.8)	8.8 (1.0)	0 (--)	3.5 (3.4)	3.5 (3.4)
Professional	4.7 (1.5)	19.7 (2.8)	24.4 (3.0)	0 (--)	20.0 (10.3)	20.0 (10.3)
Technical	3.1 (3.0)	15.6 (6.4)	18.7 (6.8)	0 (--)	0 (--)	0 (--)
Sales	8.2 (0.4)	29.6 (0.7)	37.9 (0.7)	9.8 (1.0)	29.5 (1.6)	39.3 (1.7)
Admin/ clerical	5.8 (0.7)	25.1 (1.4)	30.9 (1.5)	10.3 (3.2)	18.4 (4.1)	28.7 (4.8)
Service	13.7 (0.6)	41.4 (0.9)	55.0 (0.9)	9.1 (3.8)	34.6 (6.4)	43.7 (6.6)
Farm	5.0 (4.8)	35.0 (10.6)	40.0 (10.9)	0 (--)	0 (--)	0 (--)
Craft	3.5 (0.7)	6.9 (0.9)	10.4 (1.1)	5.3 (2.2)	3.2 (1.8)	8.4 (2.8)
Operative/ laborer	10.4 (0.8)	33.3 (1.3)	43.7 (1.4)	12.0 (1.5)	43.4 (2.3)	55.4 (2.3)
All occs.	8.9 (0.2)	29.4 (0.4)	38.3 (0.4)	9.8 (0.7)	30.7 (1.1)	40.5 (1.2)

**Note:** Unweighted percentages. Weighted percentages are similar. Grocery is a subset of retail. Retail sample size 10,782 observations, grocery 1506 observations.

**Source:** Analysis of CPS tapes



**TABLE 6.3**  
**Rate of part-time employment by occupation in the insurance industry, March 1985**

(Standard errors in parentheses)

<u>Occupation</u>	Rate of part-time employment, %		
	-----INSURANCE-----		
	Invol	Vol	All
<u>Managerial</u>	<u>PT</u> 0.6 (0.5)	<u>PT</u> 4.0 (1.4)	<u>PT</u> 4.6 (1.5)
Professional	0 (--)	5.0 (3.4)	5.0 (3.4)
Technical	0 (--)	6.5 (4.4)	6.5 (4.4)
Sales	1.1 (0.5)	5.1 (1.1)	6.2 (1.2)
Admin/ clerical	2.7 (0.6)	13.6 (1.4)	16.2 (1.5)
Service	6.7 (6.4)	33.3 (12.1)	40.0 (12.6)
Craft	0 (--)	0 (--)	0 (--)
Operative/ laborer	20.0 (17.8)	20.0 (17.8)	20.0 (21.9)
All occs.	1.8 (0.3)	9.3 (0.8)	11.2 (0.9)

**Note:** Unweighted percentages. Weighted percentages are similar. Sample size 1211 observations.

**Source:** Analysis of CPS tapes.

**TABLE 6.4**  
**Rate of involuntary and voluntary part-time employment (%) by**  
**occupation, ranked by rate of voluntary part-time employment,**  
**March 1985**

(Standard errors in parentheses)

-----RETAIL-----			-----INSURANCE-----		
<u>Occupation</u>	Invol <u>PT</u>	Vol <u>PT</u>	<u>Occupation</u>	Invol <u>PT</u>	Vol <u>PT</u>
Managerial	2.3%	6.5%	Craft	0 %	0 %
	(0.5)	(0.8)		(--)	(--)
Craft	3.5	6.9	Managerial	0.6	4.0
	(0.7)	(0.9)		(0.5)	(1.4)
Technical	3.1	15.6	Professional	0	5.0
	(3.0)	(6.4)		(--)	(3.4)
Professional	4.7	19.7	Sales	1.1	5.1
	(1.5)	(2.8)		(0.5)	(1.1)
Admin/ clerical	5.8	25.1	Technical	0	6.5
	(0.7)	(1.4)		(--)	(4.4)
Sales	8.2	29.6	Admin/ clerical	2.7	13.6
	(0.4)	(0.7)		(0.6)	(1.4)
Operative/ laborer	10.4	33.3	Operative/ laborer	20.0	20.0
	(0.8)	(1.3)		(17.8)	(17.8)
Farm	5.0	35.0	Service	6.7	33.3
	(4.8)	(10.6)		(6.4)	(12.1)
Service	13.7	41.4			
	(0.6)	(0.9)			

Source: Analysis of CPS tapes

**TABLE 6.5**  
**Regression results from linear probability model for**  
**involuntary and voluntary part-time status, insurance and**  
**retail industries, March 1985**

(absolute value of t-statistics in parentheses)  
[selected standard errors in square brackets]

	RETAIL		INSURANCE	
	Invol <u>PT</u>	Vol <u>PT</u>	Invol <u>PT</u>	Vol <u>PT</u>
C	-0.05 (1.7)	1.0 (24.6)	-0.03 (0.6)	0.46 (5.3)
FEMALE	0.03 (2.9)	0.006 (0.5)	-0.002 (0.1)	-0.08 (2.2)
FEMFAM	-0.002 (0.2)	0.14 (11.9)	-0.02 (2.0)	0.06 (2.4)
WIFE	0.05 (4.6)	0.15 (10.2)	0.03 (1.6)	0.10 (2.6)
INDIV	0.04 (4.0)	0.03 (1.9)	-0.005 (0.3)	0.05 (1.3)
OTHERFAM	0.06 (5.3)	0.16 (11.0)	0.03 (1.7)	0.07 (1.6)
AGE/10	0.02 (1.6)	-0.55 (29.9)	0.02 (0.9)	-0.22 (5.4)
AGESQ/100	-0.003 (1.9)	0.068 (30.7)	-0.002 (0.7)	0.030 (6.3)
BLACK	0.06 (5.3)	-0.07 (4.9)	-0.002 (0.1)	-0.04 (1.3)
LATIN	0.01 (1.1)	-0.06 (4.8)	-0.001 (0.1)	0.006 (0.2)
ELEM	-0.07 (8.2)	0.20 (17.5)	-0.02 (0.7)	0.22 (4.1)
COLL	-0.03 (4.8)	0.09 (8.9)	0.01 (1.3)	0.01 (0.7)
GRAD	-0.03 (1.5)	0.06 (2.2)	0.01 (0.6)	0.03 (1.0)
MGR	-0.005 (0.4) [0.01]	-0.08 (4.1) [0.02]	-0.02 (2.0) [0.01]	-0.08 (3.0) [0.03]

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**TABLE 6.5, continued**  
**Regression results from linear probability model for**  
**involuntary and voluntary part-time status, insurance and**  
**retail industries, March 1985**

	RETAIL		INSURANCE	
	Invol <u>PT</u>	Vol <u>PT</u>	Invol <u>PT</u>	Vol <u>PT</u>
PROTECH	0.02 (0.9) [0.02]	-0.004 (0.2) [0.03]	-0.03 (1.7) [0.02]	-0.04 (1.2) [0.04]
SALES	0.04 (4.0) [0.01]	0.05 (3.4) [0.01]	-0.02 (1.6) [0.01]	-0.05 (2.5) [0.02]
SERV	0.09 (8.3) [0.01]	0.10 (6.9) [0.02]	0.04 (1.0) [0.04]	0.2 (2.7) [0.07]
FARM	0.02 (0.3) [0.06]	0.1 (1.3) [0.09]	--	--
CRAFT	0.02 (1.5) [0.01]	-0.03 (1.3) [0.02]	-0.02 (0.5) [0.05]	-0.1 (1.2) [0.1]
OP	0.07 (5.8) [0.01]	0.08 (4.3) [0.02]	0.17 (2.8) [0.06]	0.06 (0.5) [0.13]
NE	-0.001 (0.1)	0.05 (4.6)	0.005 (0.5)	-0.03 (1.2)
NCENT	0.03 (3.6)	0.04 (3.7)	0.02 (1.5)	0.02 (0.8)
WEST	0.02 (3.1)	0.02 (1.5)	0.005 (0.5)	-0.001 (0.1)
Adj. R <sup>2</sup>	0.036	0.295	0.009	0.086

**Note:** Samples include only employed workers. Retail sample has 10754 observations, insurance has 1210 observations.

Dependent variables are INVOLPT=1 if working part-time for economic reasons, 0 otherwise; VOLPT=1 if working part-time voluntarily, 0 otherwise. Independent variables are as follows: C=intercept; FEMALE=1 if female, 0 otherwise; FEMFAM=1 if female with family size 3 or greater, 0 otherwise; WIFE=1 if wife, 0 otherwise; INDIV=1 if unrelated individual, 0

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**TABLE 6.5, continued**  
**Regression results from linear probability model for**  
**involuntary and voluntary part-time status, insurance and**  
**retail industries, March 1985**

**Note, continued:** otherwise; OTHERFAM=1 if family member other than head or wife, 0 otherwise; AGE/10=age/10; AGESQ/100=(age)<sup>2</sup>/100; BLACK=1 if black, 0 otherwise; LATIN=1 if Hispanic origin, 0 otherwise; ELEM=1 if completed less than 12 years of education, 0 otherwise; COLL=1 if completed at least 2 years of college but no post-college education, 0 otherwise; GRAD=1 if completed at least one year post-college, 0 otherwise; MGR=1 if managerial occupation, 0 otherwise; PROTECH=1 if professional or technical, 0 otherwise; SALES=1 if sales occupation, 0 otherwise; SERV=1 if service occupation, 0 otherwise; FARM=1 if farm occupation, 0 otherwise; CRAFT=1 if craft occupation, 0 otherwise; OP=1 if operative or laborer, 0 otherwise; NE=1 if in Northeast, 0 otherwise; NCENT=1 if in North Central Region, 0 otherwise; WEST=1 if in West, 0 otherwise.

Note that intercept is predicted probability of working part-time (involuntarily or voluntarily) of a white male household head, age 0, with a high school education, working in a clerical job in the South. This is not an economically meaningful number.

**Source:** Analysis of CPS tapes.

## Chapter 7

### Highs and lows: why the rate of part-time employment differs in retail and insurance

The rates of part-time employment in retail and insurance are dramatically different. As of March 1985, 38% of retail employees and only 11% of insurance employees worked part-time, straddling the economy-wide average of 19%<sup>1</sup>. The gap between retail and insurance is even wider among the companies sampled for this thesis. The (weighted) mean rate of part-time employment is 60% for the retail employment units, 5% for the insurance units. Even the insurance company with the highest rate of part-time employment, 24%, falls far below the retail company with the lowest rate of 43% (Figure 7.1).

Why?

As it turns out, the distinction between secondary and retention part-time employment is central to explaining inter-industry differences in the rate of part-time employment. The argument is made in four steps below. First, the possibility is considered that the differing utilization of part-time work can be completely explained by different time-dependent patterns of demand in the two industries--so that the secondary/retention distinction need not enter the explanation at all. However, considerable evidence weighs against this possibility. Second, the internal labor market structures of the two industries are compared. Both industries combine salaried and secondary labor markets, but in retail the secondary labor market is much larger, whereas in insurance the salaried labor market is dominant. Thus part-time employment

in retail is chiefly secondary, and part-time employment in insurance is mainly retention. But secondary and retention part-time jobs are not equally compatible with their respective labor markets. The third step is then to identify three reasons why part-time employment is particularly compatible with a secondary labor market, and thus why secondary part-time jobs tend to be more numerous than retention ones. Fourth, a number of firms that represent exceptions to this pattern are examined, in order to demonstrate that there is an element of choice in the process--the choices made by firms are not absolutely predetermined.

#### **Beyond the time pattern of demand**

One obvious reason that retail uses part-time workers more heavily than insurance is that the time pattern of demand is different in the two industries. A closer look indicates that this difference is important, but not sufficient to explain the gap between retail and insurance in the utilization of part-time employment.

Retail trade does have a distinctive time pattern of demand, for several reasons. People prefer to shop at certain peak times of the day and days of the week (I.A). Extended hours are used as one basis of competition among stores (VII.A). And there are predictable fluctuations in demand over the month (say, because of the timing of food stamp distribution) or year (for example, because of holiday seasons) (I.C, III.A.1, III.C, VII.B,C). Insurance has a few similar

workload patterns (quarterly billings, a surge of claims coming in before the end of the year, 24-hour claims phone lines), but to a much lesser extent than retail.

However, retail informants reported that the use of part-time employment in retail has gone well beyond the level necessary to meet peak-time schedule needs (I.B, III.B, VII.B,D). In addition to covering peak times, part-timers can be used to fill in for gaps in staffing, but part-timers also create more gaps in staffing since at least some managers report that they have higher absenteeism rates (III.A.1, III.D, III.G, III.J, VII.C,D). Furthermore, a substantial proportion of part-time employees in retail work hours that are fairly fixed or that change according to the employee's needs (I.D, I.F, III.A.2, VI.A, VII.D). In addition, schedule concerns fail to explain why more part-time employment is not used in insurance, since a nine to five schedule in itself does not preclude the use of part-time workers.

If the scheduling issue does not fully explain the different levels of part-time employment in the two industries, what other forces are at work? To answer this question, it is necessary to look at the internal labor market structures of the two industries. Both retail and insurance combine salaried and secondary labor markets, but in very different proportions.

#### **Internal labor markets in retail and insurance**

The typical retail firm has a small core of salaried employment surrounded by a large periphery of secondary



employment. The salaried core includes full-time clerks, managers, and much of the office staff. Within this core, retailers promote from within, because:

"That way you have a person who is about 100% trained. And it shows [employees] that the company has growth from within." (VII.C)

The secondary periphery in retail companies comprises the mass of unskilled workers in the stores--who happen to be part-time workers. One measure of the unimportance of training in this secondary labor market is the low cost of an employee turnover. For example, a convenience store chain cited in a study by the National Association of Convenience Stores (1986) estimated the total direct and indirect costs of a clerk's turnover at \$334. (Turnover by a manager costed out to \$7898.)

Retailers seek to have as much as possible of the workforce in the periphery (I.A, I.C, I.D, III.B, VII.A,B), but there are practical limits:

"We can't turn all the jobs into part-time jobs. Department managers must...be full-time. The body of the store--the clerks--can be part-time. But we like to have at least one full-time, mature, committed person in each department, to keep things running smoothly." (I.A)  
"[Before the labor shortage compelled us to create more full-time jobs,] we would only keep a limited number of full-time people. Number one, to maintain stability; number two, to provide a pool for promotion into management; and number three, to augment [managers]...."  
(I.G)

The expansive use of a secondary labor market has its costs in higher turnover and lower productivity, but most retailers accept this as a fact of life. An independent store manager philosophized:

"Everybody knows it's a high turnover [business]....The less skill, the less money, the higher turnover. That's just the way it is." (III.F)

Insurance companies usually have a large complex of salaried internal labor markets, taking in higher-level clerical workers, technical and professional workers, and managers. These salaried labor markets involve many small steps, with additional training and responsibility at each step. A typical labor market structure is to have two promotion pyramids, one for clerical workers and another atop the first, for professional workers:

"We hire at the entry level--office support people and professional people--and then promote from within.... Typically, [our company's] culture was<sup>2</sup> that we hired at the entry level, and moved people up at a steady rate--not extremely rapid....For example, if you come in with a BA, you start out a grade 7 or 8 and work your way up. When a BA reaches [a higher] level, they're very loyal, and very aware of our corporate culture. It takes longer each step up--it's a pyramid structure." (II.A)

Insurance companies, particularly the more traditional ones, tend to see themselves as lifetime employers:

"We do not look for people that might last just a year. We hope they'll retire with us." (IV.A)  
"The people that we have here do not turn over....We have 650 or 700 people with over twenty years of experience, out of 6000...It's a very secure, stable company. It's almost like a parent." (IV.C)  
"Most of the employees here have never worked anywhere else." (II.A)

The emphasis on internal training, promotion, and retention has its basis in the importance of detailed, firm-specific knowledge for many jobs:

[W]e do fill [jobs] from within. We're typically trying to bring people up, particularly in the line departments.... [The reason we do this is that] the work can be extremely technical--no, not technical so much as complicated. For example, say you're thinking about a policy change. Change a policy, and it sets off waves--ripples in all directions, things you wouldn't even think it would affect." (IX.A.2)

One indication of the importance of specific training is the size of the costs of a turnover. One personnel director reported,

"[O]ur latest scenario is that we clock for every employee that terminates, we have lost something like...3.4 times their annual salary to replace them as a fully efficient, quality person." (IV.E)

Applied to this company's minimum entry level salaries for technical employees (based on the Pittsburgh salary scale), this ratio yields an estimated turnover cost of \$60,520 for the lowest-paid technical employee. Quite a contrast to the \$334 cost of a convenience store clerk's turnover!

The stable, paternalistic salaried labor market does not apply to all insurance employees. Service jobs and some low-level clerical jobs are organized in secondary labor markets. One indicator of this is turnover rates:

"Company-wide, our turnover rate right now is about twenty-one percent. And in grades one through six, it's forty-three percent." (IX.B)

But in insurance the salaried core is typically much larger, and the secondary periphery typically much smaller, than in retail.

#### **Implications for part-time employment**

Once we know that most retail employees reside in secondary labor markets and most insurance employees in salaried labor markets, it follows that there is likely to be higher use of part-time employment in retail than in insurance. For

secondary labor markets favor the creation of part-time jobs far more than do secondary labor markets--or, to put it another way, secondary part-time employment thrives in a way that retention part-time employment does not. As stated in the introduction, the use of secondary part-time employment is strategic, whereas the use of retention part-time employment is opportunistic. The type of internal labor market affects the frequency of part-time employment through three channels: the degree of continuity of tasks, the importance of career ladders and the target labor force.

a) Continuity of tasks

In a salaried labor market, jobs involve considerable discretion, responsibility, and specialized knowledge. People in these jobs are most productive when they are continuously available throughout the business week to deal with situations as they come up. Secondary labor market jobs, on the other hand, entail discrete tasks requiring little specialized knowledge. The loss of continuity that results from creating part-time jobs is not much of a loss in a secondary labor market.

Eternal Life's personnel director elaborated on this point:

"It's different in retail. That's a transaction-oriented business, as opposed to a service-oriented business like ours....I think in, let's say, a retail business, where you clunk somebody down at Jordan Marsh who can sell a sweater to somebody and go home and it doesn't matter; the next person can come on the cash register, it really doesn't matter. But here, for the most part, the kinds of jobs that we have, there is some continuity, in terms of the servicing we're providing to clients and the training, overall, people's effectiveness increases with training and experience and there's a lot of communication,

departmental and inter-departmental communications and those opportunities are lost when you have people--they're not lost, but they're thwarted--when you have people, well she's gone home or he's gone home, or he won't be in til three o'clock, and things get lost and they fall between the cracks." (IX.B)

Of course, some tasks in retail are service-oriented in this sense--such as the task of ordering merchandise. These are precisely the jobs that are organized in a salaried labor market, and staffed with full-timers.

#### b) Career ladders

Salaried labor markets are characterized by career ladders built around firm-specific training. Part-time employment doesn't mix well with such career ladders, for two reasons. First, using part-timers drives up training costs per hour worked:

"[O]ne obvious minus [of part-time employment] is that you have to invest more in training. 'Cause you're training... two people to do the same work." (VIII.C)

This is the issue of quasi-fixed costs, referred to above in Chapters 2 and 3.

And second, part-time workers are people with major commitments outside of work, who may be less committed to a career than full-timers:

"When you're doing something on a full-time basis, you're more immersed in it. It occupies you more fully; you think about it more, you're just into it more. And that part-time work, it's a piece of somebody's life but there are lots of other pieces....[T]he emotional involvement...on a part-time basis just may not be there to the degree that a full-time worker's involvement is there." (IX.B)

Or as another insurance company's personnel director put it:

"We have never been a part-time employer in any big way. We're a career company....It's better for an employee to become full-time. You're eligible for promotions, eligible for benefits. So if you're a career employee, you'll generally want to get a full-time job." (II.A)

Of course, the same considerations lead insurance companies--reluctantly--to create retention part-time jobs for their career employees.

In a secondary labor markets, these concerns are peripheral. Contrast the insurance informants' emphasis on careers with the attitude of a SuperValu store manager toward retail jobs:

"It's a good first job. Almost everyone that starts out working, starts out working in a supermarket." (VII.C)

The two labor markets stand even farther apart when it comes to involuntary part-time employment. In a salaried labor market, the employer nurtures the employee's long-term commitment with an employment guarantee; compelling a prospective or current employee to accept part-time hours would be antithetical to this process. In a secondary labor market, however, involuntary part-time employment becomes just another unpleasant necessity.

### c) Target workforce

Secondary labor markets run on low-cost labor. As noted in Chapter 6, creating part-time jobs helps employers to obtain low-cost labor, both because it gives them access to potential workers with fewer job options, and because part-time jobs are generally recognized to merit lower compensation. Part-time jobs can be used to target low-cost labor.

Indeed, when evaluating the advantages of part-time employment, retail informants rated the advantage of low compensation equal in importance to the scheduling advantages. Two SuperValu store managers expressed this consensus:

MANAGER 1: Both are essential. Both are equally important. (VII.B)

MANAGER 2: They are of equal importance, but I really don't think I could say one was more important to me than the other. (VII.D)

Although employers would certainly like to lower their labor costs in salaried labor markets as well, they have a different target labor force for these jobs: workers who are likely to end up as long-term, committed employees. Tapping the labor supply of supplementary earners that part-time employment opens up does not help to meet this need.

An Eternal Life manager who has managed both at Eternal Life and at a department store highlighted the difference in worker expectations:

"[A] lot of times when people are looking for a job in an insurance company, it's more like a career path. Whereas a lot of people working part-time in retail are just working for the time being, or they're in school, or whatever. They don't look for benefits so much." (IX.C.2)

### The element of choice

So far, the story runs as follows: Most retail employees are in secondary labor markets, and most insurance employees are in salaried labor markets. Part-time employment is more compatible with secondary labor markets, and therefore the rate of part-time employment is higher in retail. If each

employer's choice of labor markets was dictated by technology and the tastes of actual and potential workers, the story would be over.

But to enliven the story, there is the element of choice: employers actively choose their labor markets. Asserting that employers make active choices is not to say that employers could simply "change their spots," so that insurers could staff skilled professional jobs using a secondary labor market, or that retailers could guarantee promotions and lifetime employment while remaining competitive. Such changes would require major changes in the product markets for retail and insurance. What the element of choice does mean is that even without changes in the product market, the boundary between the salaried and secondary labor market is somewhat elastic: given the thousands of tasks necessary to running a business, employers have some choice about which tasks to bundle into jobs in a secondary labor market, and which to bundle into jobs in a salaried labor market. They actuate this choice by altering the "constraints" of physical technology, social technology, and labor supply.

In the retail and insurance industries, such choices often directly affect the use of part-time employment. Looking at companies in each industry that are exceptional in their use of part-time employment tells us something about where different employers have drawn the boundary between salaried and secondary labor markets. Here, three examples are considered.



a) Altering the physical technology constraint

The importance of having workers continuously available flows from physical technology: certain jobs can only be done well by having someone who keeps track of all the details. Similarly, when the technology is such that some tasks can only be performed by people with extensive firm-specific training, career ladders are a logical response. But firms can and do change the technology that underlies the tasks.

Consider, for example, a health insurer for which the name Wellcorp (not be be confused with Healthco) will be used. Wellcorp adopted a new computerized system for paying claims, which was in place by 1982. In the process, they broke down the benefit approver job:

Prior to 1982, every benefit approver had a telephone on their desk. They were answering phones and processing claims....We took the telephones off the desk. We made them dedicated to paying claims. We set a telephone center up, so that all people calling up for information or about a claim talk to the telephone center....We found we could divide up the benefit approver's job....Approvers have a nine month training period. They have to learn coverage, and so on. Data entry is just keying in....So we tiered the work....There's a pre-scrub [triage] of claims. The easy claims go to data entry. Benefit approvers get the more complex claims." (II.F)

Before-and-after comments by two Wellcorp workers illuminate this change:

WORKER I: I had to do all the figuring, making sure all the math was correct, the wording was correct, and everything was in its proper place before the claim was typed up.

WORKER II: All you have to do...is put a claim in front of you, punch some numbers, take another claim, and punch some numbers. (II.F.2)

In creating deskilled data entry and telephone service jobs, Wellcorp moved tasks from a salaried labor market to a secondary labor market. At the same time, they found that they could staff data entry and telephone service jobs with part-time workers, with significant savings in labor costs. The result: the company's rate of part-time employment rocketed from "probably less than 1%" before the change to 16% in 1987 (II.F).

**b) Altering the social technology constraint**

The career orientation of an insurance company's workforce is anchored in traditions and implicit agreements that can be considered part of the company's social technology. But insurance companies are not the only ones where a strong career orientation is the norm. Some convenience store chains also expect their employees to treat their jobs as careers! The personnel director of one c-store chain commented on this:

PERSONNEL DIRECTOR: Some convenience store chains offer all full-time jobs. They pay a higher wage, higher benefits. They build up a very high commitment among their employees.

INTERVIEWER: Are their costs higher?

PERSONNEL DIRECTOR: I think their costs are similar--maybe they're higher. Their turnover is lower, that's for sure. They pay a person \$6.10, \$6.20, \$6.50 [a high wage for convenience stores]. (III.C)

One such chain is EZ Mart. EZ Mart's personnel director, upon being told of the preceding quote, remarked, "[H]e's talking about us...." (VI.A.2) She also commented:

"[Managers'] expectation of who should work in stores is very blue collar, very smokestack. This is the culture. It's very unsympathetic to any life interruptions in schedule.....The culture is that you work hard, sustain exceptionally long hours. [Managers are] often divorced

men. Men whose wife would stay home and take care of the kids." (VI.A.1)

In short, managers try to run the stores based on a primary labor market.

In this context, part-time employment is not very welcome:

"[T]hey resist [part-time employment], because they see CSRs [customer service representatives, i.e. sales clerks] as people who should follow their path, and work long hours. For example, the \_\_\_\_\_ store had fifteen people--that was a big joke [with other managers]. Managers would say 'He can't manage well' because he had so many people." (VI.A.1)

And indeed EZ Mart had the lowest rate of part-time employment of all the retail companies surveyed--43% in mid-1987 (VI.A.1). In contrast, the other Boston c-store chain surveyed had a rate of 59% (I.D), and two Pittsburgh-area chains had rates as high as 68% (III.C, III.E).

### c) Altering the labor supply constraint

Finding a new source of workers can dramatically widen an employer's options in terms of internal labor markets. For decades, health insurer Healthco had the internal labor market structure of a traditional insurance company. That structure still persists in Healthco's downtown offices:

"[They promote] from within the department or the company....[I]f you're good, you'll move along."  
(VIII.E.1)

In the late 1970s, Healthco computerized its claims processing system, just as Wellcorp would a few years later. Unlike Wellcorp, they initially tried to use the same workforce to do the work:

"What happened was we had mostly long-term people, claims examiners that we tried to teach how to use a keyboard.

And I think our first year we had a hundred and fifty percent turnover." (VIII.F)

Given the tedious nature of work on the automated system, these workers exercised their option to "move along" by moving to other jobs. So Healthco looked for new help:

"Then we found we were having great difficulty just getting any labor at all in the city of Boston that was qualified. And out of 72 positions in exam entry [claims processing]--I remember this distinctly--we had sixteen open reqs at one point and we put in big ads in the Sunday Globe, something like quarter page ads....Two or three consecutive Sundays. We had two applicants. No hires. I remember one of the applicants, I had to help him fill out the application because he couldn't read."

The solution? Healthco began relocating its claims processing facilities to the suburbs. When Healthco surveyed potential workers there, they found a population of housewives and students who wanted part-time work, and were willing to accept reduced benefits:

HEALTHCO DEPARTMENT MANAGER: [It's] easier to find part-timers....[Y]ou hit a different labor force....When we went to [a suburban location where Healthco opened a part-time facility], we hit what [a colleague] referred to as a latent labor force. Didn't show anywhere on the statistics. Because they were mothers who had been out of work for ten or twelve years, bringing up their families. And they were hiding down there in their bedroom communities, until all of a sudden, here came an opportunity for them to earn some money. (VIII.F)

UNION ORGANIZER: Many of the women that are at their locations feel that having them come in and open up a factory is kind of a bonus, that if [Healthco] hadn't come in and opened up their operation there wouldn't be any jobs at all. And these women wouldn't be working at all, or if they were working they'd... have a seasonal job as waitresses, or cranberry people, whatever. (VIII.B.2)

Healthco's first suburban facility opened in 1979.

Although no earlier figures are available, Healthco's rate of part-time employment rose from 7% in 1983 to 24% in 1987

(VI.A).

## Conclusion

This chapter has laid out a particular argument about why the retail industry has more part-time workers than does the insurance industry. Differing time patterns of demand explain only part of the inter-industry difference in utilization of part-timers. Employers in the two industries have chosen different internal labor market structures--predominantly secondary, and predominantly salaried, respectively. Each of the two labor market structures implies a different type of part-time employment. But secondary part-time employment makes a better "fit" with a secondary labor market than does retention part-time employment with a salaried labor market. Thus, secondary part-time jobs are the center of an employment strategy in retail food, whereas retention part-time employment remains an exception to the rule in insurance.

An important implication of the compatibility of secondary labor markets with part-time work is that secondary part-time jobs are much more numerous than retention part-time jobs. In fact, secondary part-time jobs probably make up the plurality, if not the absolute majority, of all part-time jobs. 79% of all part-timers work in the trade and service industries alone. And in terms of occupations, a full 35% of all part-timers work in service, sales and clerical jobs. Based on the example of retail, it can be supposed that the overwhelming majority of these part-time jobs are secondary. This supposition is bolstered by the fact that on average, part-time jobs have

lower wages, fringe benefits, and tenure than full-time jobs. Simply put, the largest group of part-time jobs in the economy is "bad" part-time jobs.

The argument of the chapter has been framed as if firms first chose their internal labor market structure, and then accordingly decided whether or not to use part-time employment, subject to the impact of scheduling issues. In fact, as the examples of Wellcorp, EZ Mart, and Healthco illustrate, the decisions tend to be more simultaneous. The possibility of using part-time employment affects the decision about whether to organize particular tasks in a secondary labor market, as well as vice versa. Arguably the choice of internal labor markets is a more fundamental choice. In any case, whatever the multiple directions of causation, the finding of correlation between the use of a secondary labor market and the use of part-time employment is a robust one.

\* \* \*

This chapter took a conceptual short-cut by talking about how "firms" make decisions about the use of part-time employment. Firms are made up of many people with some degree of de jure or de facto decision-making power, who are influenced by a variety of forces. The next chapter decomposes the decision-making process by looking at the key actors who affect where and how much part-time employment will be used.

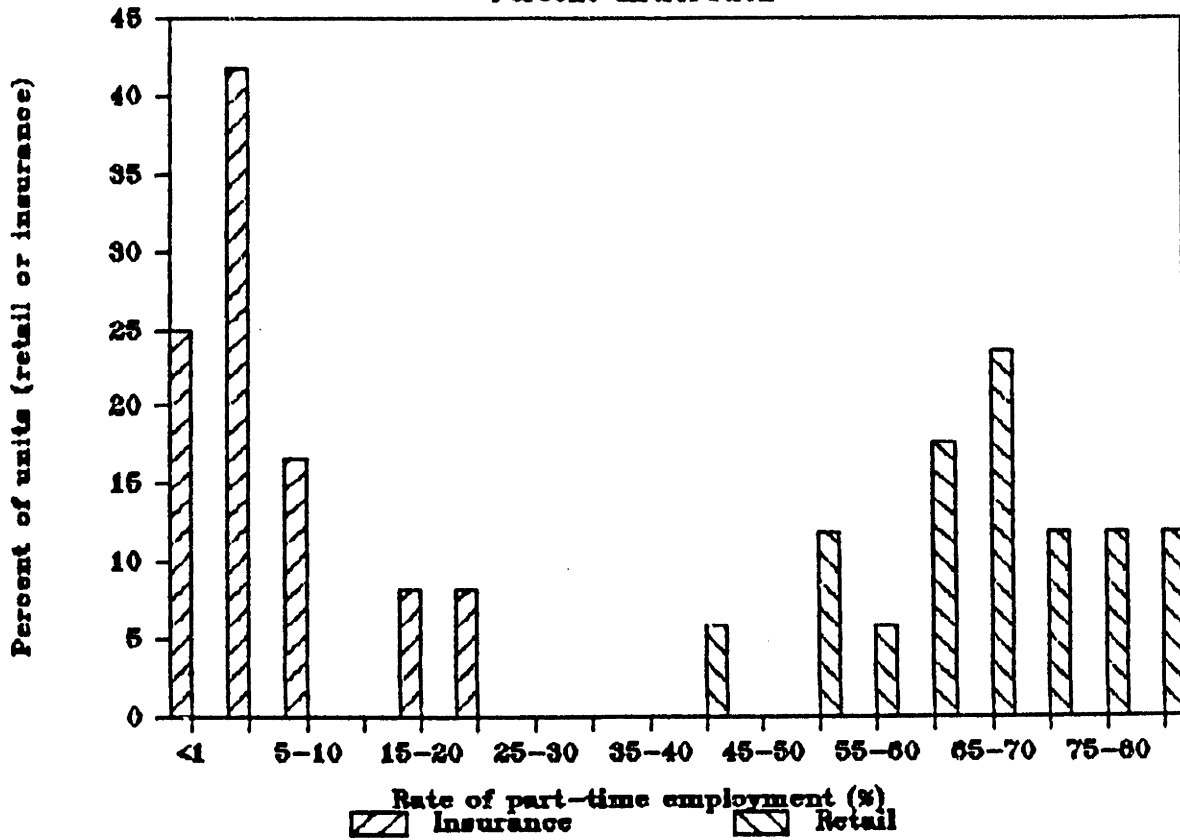
## Notes

<sup>1</sup>Percentages computed by author from Current Population Survey tape. The Bureau of Labor Statistics does not publish separate statistics on part-time work for these industries, so that they must be computed from raw data.

<sup>2</sup>The personnel director who offered this description added that these practices are "beginning to change," for reasons that do not concern us here.

Figure 7.1

### Employment units by part-time rate Percent distribution



Source: Interviews by author



## Chapter 8 Part-time or full-time: who decides?

Who decides what jobs will be part-time? According to Nollen, Eddy, and Martin (1978), the decision not to use part-time employment is generally made by default; the decision to use part-time employment usually originates--and ends--with the unit or departmental manager. But can this be true in an industry like retail trade? After all, as a supermarket manager pointed out,

"[P]art-time employment is not only necessary, it's an absolute must in this business, in order to maintain the bottom line profitability." (III.A.1)

The answer is that Nollen et al's model is a special case. When part-time employment is not a strategic issue for the company, unit managers do hold the decision-making reins, as Nollen et al suggest. But when part-time employment is a critical strategic issue, as it is indeed in retail trade, top management gets directly involved in decisions about which and how many jobs will be part-time. This does not eliminate the role of unit managers, because they still play a central part in implementing--or failing to implement--top management's policies.

It is useful to think of the unit manager--store manager in retail, department or branch manager in insurance--as the hub of a web of sometimes conflicting influences with respect to the use of part-time employment (Figure 8.1). This chapter discusses the goals and instruments of each major actor in the web, first for the case where part-time work is a strategic

issue, then for the case where it is not. One potentially powerful force that does not appear as a major actor is the state, and a final section of the chapter looks at the very limited influence that public policy exerts on employer decisions about part-time work.

### **The strategic case**

In the sample of employers surveyed, part-time employment is a strategic issue not only in the retail companies, but also in the three health insurers (II.F, IV.F, VIII), all of whom have made a decision to convert a significant proportion of their operations to secondary part-time jobs. Among these employers, high level management lays down a policy on part-time employment and attempts to induce unit managers to follow it. Unit managers retain some decision-making power, and sometimes use it to pursue interests at odds with the company's policy. In some cases unions influence the policy on part-time work, either as collective bargaining agents or as potential organizing threats.

#### **a) Top management**

In the companies where part-time employment is a strategic issue, high-level managers--typically executive or operations officers--worry about the rate of part-time employment as one of the major determinants of labor costs. In terms of Osterman's (1988) troika of objectives--cost minimization, predictability, and flexibility--they are particularly

concerned about cost minimization.

The part-time staffing issue comes up somewhat differently in retail and insurance. In retail, each store employs a mix of part-timers and full-timers, and management tends to think in terms of maintaining a particular ratio between the two groups. In insurance, companies staff some functions with full-timers, but designate other functions as either exclusively or preferentially part-time jobs. Thus, insurance management thinks about which functions to move into the part-time realm. At health insurer Wellcorp, for example, a simple governing principle has been adopted:

INTERVIEWER: Are there company guidelines on when to use part-time employment?

DIRECTOR OF HUMAN RESOURCES: Pretty much if you can do it with a part-time person, do it. (II.F)

Once top managers have set their goals for part-time employment, they use a variety of methods to encourage or enforce the implementation of these goals.

In the insurance companies, management's main instrument is fiat: simply mandating that particular areas of the company shift to part-time employment. Of course, a decision from the top by itself may or may not be sufficient to change managers' practices. At Healthco, a high-ranking manager noted that many managers had misgivings about the move to part-time employment, but, "They didn't really have a choice. It was a top-down decision" (VIII.G). At another health insurer, on the other hand, a personnel assistant admitted that the part-time initiative had not really caught on yet:

INTERVIEWER: How do you find that managers are reacting to the idea of part-time in the clerical functions?

PERSONNEL ASSISTANT: I think they like it....But not a lot has been done yet on that. As far as actually taking action to use it.

INTERVIEWER: Can you generalize at all about which divisions have been most anxious to try it...?

PERSONNEL ASSISTANT: Let me think, okay, the customer service really is the one....And also, health-related services....

INTERVIEWER: So, the other senior vice presidents [division heads] are mulling it over, but have not said, okay.

PERSONNEL ASSISTANT: Right....Sometimes it just takes a while for things to get going. As far as new ideas, accepting new ideas. (IV.F.1)

At the retail companies, given their longer experience with part-time employment and their explicit numerical goals, top managers use more fine-grained methods of control: rules about the use of part-time employment, budgetary parameters, target ratios, and limits on store managers' hiring authority.

First, operations promulgates rules and guidelines to shape the way that part-time employment is used. For example, some chains have or had a rule that full-time jobs are only to be given to workers showing an interest and potential for moving up into management (III.E, III.I, VII.D). Of course, rules are subject to interpretation. The personnel director of a convenience store chain related,

"Management wanted to hire more part-time in the stores for a very good business reason: because they wanted to hire someone on part-time and check them out before hiring them full-time. But the stores [i.e. store managers] interpreted it even more strongly. It's like playing telephone when you're a kid. When you go down a couple of levels, the message gets changed. Plus [district] supervisors give it their own twist. Top management says hire part-time when possible; the supervisor goes and says hire a part-time person. We ended up with maybe too many part-time people...." (III.J)

In fact, even at a department store chain that adopted a flat policy of no new full-time hiring below the management level, a

store-level personnel director told of subverting the directive as the labor shortage tightened:

"The region oversees any decision we make--if we want to hire somebody full-time, we're supposed to ask them. Now we hire full-time first and then tell them....We're doing our own thing for our needs." (I.C)

Rather than relying on rules alone, top management in retail generally also provides managers with a set of budgetary parameters that indirectly influence the use of part-time employment. An EZ Mart store manager explained the system at that company as he saw it:

"If you're doing x-amount of sales you need x-amount of people....What I get handed is a budget as far as man-hours. I have a pay scale that I'm supposed to use and I do use....For every week of the fiscal year I'm supposed to run a certain amount of man-hours. I am budgeted like this week for instance, 520 man-hours. Out of those 520 man-hours I'm budgeted sixteen hours of overtime....That 520...is also based on a projection, a sales projection." (VI.B)

To meet budgeted person-hours, wage rates, and overtime quotas, a store manager is compelled to use some part-time labor. The personnel director of another convenience store chain described the process:

PERSONNEL DIRECTOR: [The staffing formula is] not etched in stone. It gets done by...[district] supervisors. They have a budget they've got to follow. There's a certain percentage [of sales] they strive for in labor.

INTERVIEWER: Does the company just tell the manager the total number of hours, or do you give them some guidance on the mix of part-time and full-time?

PERSONNEL DIRECTOR: Definitely give them guidance....

INTERVIEWER: But it's ultimately up to the manager?

PERSONNEL DIRECTOR: It's up to the manager. If you have all full-time people working for you, it cuts back on the people you have. If one full-time person is out sick, you have to find someone to cover, and that gets into overtime. Each store has its own budget....

INTERVIEWER: Do you run into a problem with managers wanting to hire more full-time than they really should?

PERSONNEL DIRECTOR: I don't run into a problem. They find themselves running into a problem. Again, if somebody

calls in sick, then they have to cover and use overtime [and risk running over their budget]. (III.D)

In supermarkets, where hourly wage rates for part-timers and full-timers are quite different, the payroll budget itself provides more direct incentives for using part-time employment. A SuperValu store manager remarked,

"We're assigned a certain number of hours, sales per hour, and payroll per each department [in the store]. Controlling the average hourly rate--that's how you control payroll. And part-time gets a lower hourly rate." (VII.C)

But like the rules, the budget does not guarantee that unit managers will make precisely the decisions about part-time employment that higher managers might prefer. For one thing, the budgets typically link hours with wage rates, but not with fringe benefit costs (I.G). A Healthco department head pointed out the resulting incentive problem:

INTERVIEWER: Now one thing you didn't mention [in summarizing the advantages of part-time employment] is differences in compensation between part-time and full-time. Is that not as significant a consideration [as schedule flexibility and access to different workforces]?  
DEPARTMENT MANAGER: It certainly is from an overall management viewpoint. But you sometimes don't necessarily think about that when you're out fighting with the next guy just trying to get a body in the door. Obviously the benefits are less for part-time. And overall, they're cheaper, but just from a benefit standpoint. Because we pay them identical to full-time on an hour by hour basis. So my direct budget doesn't show any difference. (VIII.F)

Also, like rules, budgets are made to be broken, as a convenience store manager illustrated:

"It's hard to set up a budget for everything.... [W]hen they set up the budget, they're only going to budget for one full-timer as in vacation pay and sick pay and stuff like that, whereas right now I have four people. So it's four people on vacation pay, so I might go over the budget that way, but... that's life. I just hope they don't hear me say that (LAUGHS)." (VI.D)

In most of the grocery and department stores in the sample, operations management directs store managers to target a particular rate of part-time employment, as well as giving them person-hour and payroll budget targets. For example, SuperValu's central management proposes an optimum part-time rate for each store (VII.A.1). And SuperValu's store managers listen:

INTERVIEWER: Do you feel like you get a message from higher up in terms of what you should be doing with part time and full time?

STORE MANAGER: Oh, without a doubt. They want to decrease the full time ratio and increase the part time ratio....We would want at least a three to one ratio, three part time people to one full time. (VII.D)

In some supermarket chains, store managers are only empowered to hire part-timers, with full-time hiring to be carried out by representatives of personnel or operations (I.E, III.G, VII.A). This further limits a manager's freedom to change the part-time ratio.

Finally, top management also exerts some control over the rate of part-time employment via the channels of custom and culture. In a fast food company, for example, the personnel director insisted:

"There's no pressure on the stores [i.e. store managers] to hire part-time vs. full-time. It's just been a habit in this industry." (I.G)

The cultural link is often a close one, since operations officials have typically risen from unit manager positions.

#### b) Unit managers

The description of all the methods used by top managers to

control unit managers' use of part-time employment suggests a picture of unit managers as unruly subordinates fighting a guerilla war against part-time jobs. While this picture is overdrawn, there is some truth to it. Unit managers themselves expressed their main concern to be keeping the store or office staffed with dependable people. Whether they lean toward part-time or full-time people depends in large part on which half of this formula--staffing or dependability--is seen as more of a problem.

If the critical issue is finding the bodies to cover the schedule, then managers are likely to favor part-time employment:

"Managers would rather have more part-time. More part-time means more [schedule] flexibility." (I.G)

On the other hand, if dependability is the main problem, managers tend to lean toward full-time employment. Quite a few store managers (III.A.1, III.H, III.G, VII.D) expressed a wish to employ more full-timers, because the full-time employees are more committed:

"Having more...full timers does have major advantages. It's their career. They are more responsible and they do more work. I know it's not the ideal situation as far as the company is concerned, because I'm also paying them four and five dollars more an hour than the other person, but they do a better job....[I]f I had my way, if it was my business, I'd like to have a lot of full time people working for me, because I think they do a great job...." (VII.D)

The personnel director of a convenience store chain elaborated:

INTERVIEWER: Is there a reaction among managers to converting to or using part-time employment?

PERSONNEL DIRECTOR: There's always a resistance to keeping people part-time. If things are allowed to go naturally, you get to know a person, you develop confidence in a person, so if that person wants more



hours, you try to satisfy them and make them full time. That happens. Once [ie one extra FT person], it's not too bad. Twice, and if somebody leaves it's a crisis....[I]f full-time workers [ie managers and assistant managers] had their way, they would prefer to have more full-time people. The number one thing that keeps them on the job is interaction with a peer group at work. They feel like they want to relate to other people who are up to their neck in it, who can really sink their teeth into it. They see a stigma that part-time people are not as involved, not as committed, that they're not there to stay. (III.C)

In fact, one supermarket manager, running a store that currently employs over 80% part-time, stated that his preferred arrangement would be 80% full-time (III.H). When asked why they can't increase the full-time ratio, he and other managers gave a variety of reasons: the need to control costs, in some cases the unavailability of full-time workers at their company's wage level, in other cases union rules of promotion by seniority (which bar a manager from granting full-time jobs on the basis of merit).

The evidence suggests that in at least some cases, the store managers who favor more part-time employment may have a more accurate sense of how to minimize production costs than the top management. Recall the SuperValu store manager who reported that full-time produce clerks are three times as productive as part-timers (VII.D). The ratio of hourly compensation between part-time and full-time employees at SuperValu is 2.3:1, according to the company's personnel director (VII.A). Although other costs enter into the cost minimization problem<sup>1</sup>, this store manager concluded that replacing part-timers with full-timers would cut costs. Higher management, to the contrary, "want[s] to decrease the full-time

ratio and increase the part-time ratio" in the store (VII.D). Here it appears that rigid company guidelines, based on an overall cost advantage of part-time over full-time jobs, prevents the minimization of costs in a specific situation. In general, it may be easier for higher-level operations managers to see savings in payroll than losses in sales resulting from a lower-quality workforce, whereas unit managers tend to be acutely aware of the workforce quality issue.

At insurance companies like Healthco, secondary part-time employment clashes with the dominant culture that has grown up around a salaried labor market. At these companies, if anything, unit managers are even more resistant to the use of part-timers than are the retail store managers. Commented a Healthco department manager:

"[Y]ou could classify me with a handful of other managers that have had...experience [with the suburban part-time facilities], and their preference is to go more part time. Then you've got the other majority of line managers who have not had that exposure, would probably still have a tendency to full time, but are learning about the benefits of part time, and are slowly making a transition."  
(VIII.F)

Healthco's personnel director seconded this analysis:

"[B]usinesses are very slow to change. They'll change one piece, and they'll say about something else, 'We've always done things this way; we can't change this.' Some areas have part-time quality control, others have full-time quality control. The difference is that some managers are slower to change than others." (VIII.A.2)

### c) Unions

Unions are common only in the supermarket and department store sections of retail trade, and are a rarity throughout the

insurance industry. However, all three of the health insurers surveyed were targets of union organizing drives. The retail and insurance unions have somewhat different agendas on part-time employment. The retail unions interviewed have three stated objectives: (1) expand full-time employment, (2) increase guaranteed hours of part-timers, and (3) equalize benefits of full-time and part-time employees (I.B, III.B). The insurance unions emphasize equal benefits (IV.F.2, IV.H, VIII.B).

How successful have the unions been at achieving these goals? As far as expansion of full-time employment, as a representative of a Boston retail local put it, "The tide has been running the other way" (I.B). Even so, the unions have not given up the battle:

"[W]e're always out fighting [for] full-time jobs....[W]hen we go in to bargain, we always try to bargain full-time jobs." (III.B)

And Pittsburgh retail union officials believe that without the union's intervention, the store-owners would "push it to the limit," (III.B), converting almost all jobs to part-time. Typical contract language mandates one-for-one replacement of full-time people that leave, either as a general rule or at least as long as "conditions are the same as in the past" (III.B).

Some retail unions have resisted the introduction of part-time jobs with more success than others. According to several informants from supermarket chains, the low rate of part-time employment in supermarket warehouse, trucking, and meatcutting

jobs is largely due to the efforts of the Teamsters and the former Meatcutters union (now merged with the Retail Clerks into the United Food and Commercial Workers) (I.A, III.A.1, VII.A).

Retail unions have successfully obtained contractual hours guarantees for part-time employees--although the guarantees are limited to sixteen or seventeen hours at the companies sampled (III.A.1, III.B). The unions' goal of equalizing benefits, however, suffered a major setback in the concessionary multi-tier contracts that swept the retail industry (and other industries) beginning in 1980. These contracts, which establish a lower level of pay and benefits for new hires, have widened the gap between newly-hired part-timers and more senior full-timers (III.K, VII.A.2).

Even at the insurance companies, where no union is recognized, the threat of union organizing has effects on the use of part-time employment. At Healthco, where a union drive was in process, the personnel director suggested that the union threat was one of the things deterring the company from moving toward converting even more of their operations to part-time:

"If we keep converting to part-time, labor would say, 'Hey, wait a minute--you're creating slave labor without any benefits.' We don't want to face the labor people and say we're converting entirely to a part-time workforce, all 6500 people." (IX.A.1)

Furthermore, as union pressure mounted, Healthco narrowed the benefits gap between part-time and full-time workers (VIII.A, VIII.B.2, VIII.C, VIII.D).

In some cases, unions have negotiated changes that have had

unplanned consequences in terms of part-time employment. For example, two Pittsburgh union officials talked about the creation of the "customer service clerk"--a bagger job without fringe benefits:

UNION OFFICIAL 1: When they established a customer service clerk, things were good, and that was just to give the kids some spending money, and pay for his gas and buy yourself a car, that's what that job was made for.

UNION OFFICIAL 2: That was the intent of it. But it didn't work out that way.

UNION OFFICIAL 1: No, that classification is in deep problems.

UNION OFFICIAL 2: It's embedded. Very hard to get out of contracts....[B]elieve it or not, we've had steel workers go and apply for a customer service clerk's job, because their unemployment ran out. And those rates of pay were like \$3.50 an hour. (III.B)

A less obvious example of unintended results is the repercussions of rules mandating that promotions take place by seniority--rules that unions have fought for and won. While some managers expressed agreement with the seniority principle (III.A.1), others cited it as a major impediment to creating full-time jobs:

"[I]f I create a full time job for a person...eventually he is going to leave....Now when he leaves, I have to fill that position with the next most senior person in the store. He might be my worst employee. Now he's in a full time position. And that's basically what we can't afford to do....We're shackled with those types of rules."  
(III.H)

### The non-strategic case

Part-time employment is not a strategic issue at most of the insurance companies surveyed. At these companies, the attitude of top management toward part-time employment ranges from indifference to reflexive hostility. In this policy

vacuum, unit managers are relatively powerful, and some have used this power to create retention part-time jobs. Other actors such as personnel officers and even individual workers also wield some influence over the use of part-time employment.

a) Top management

At the companies where part-time employment is not a strategic issue, the most common attitude of top management toward part-time work is indifference. A human resource professional at Eternal Life stated,

"I think [a Controller is] not going to have much to say about part-time employment. Theoretically they could tell you benefits cost more [for part-time employees]. Because the premia are less, but when [part-time employees] go to visits, they go to the dentist just as often....But really, most operations people don't even think about part-time. There are so few [part-time employees] in the company--it's just not something they think about. Because they don't have to." (IX.A.4)

Behind the indifference is an assumption that, with a few minor exceptions, the labor needs of the company can best be met with full-time employment:

INTERVIEWER: Does the company have opinions or a policy about part-time work?

PERSONNEL DIRECTOR I: We don't have a policy, but we have an opinion. It's that all positions are full-time positions unless we choose as the company that they will be part-time. (II.A)

PERSONNEL DIRECTOR II: The company has discouraged the use of part-time workers, because we feel like the work product is better with full-time workers. (IV.C)

The only time that this latent hostility toward part-time employment becomes overt is when top managers see use of part-timers having serious adverse effects on costs. For example,

at a property and casualty company that was forced to downsize and become "lean and mean" due to a financial squeeze,

PERSONNEL DIRECTOR: What we said to people [managers] was: "if you think you can fill a head-count with this 20-hour person, go ahead." Then it's up to them, and a lot of times they decide they can't get the work done that way....Since we can't guarantee the staffing [for job-sharing positions], it's the manager's problem, and a lot of them will just decide to use a full-time person.

INTERVIEWER: So Personnel has reined managers in compared to past practices?

PERSONNEL DIRECTOR: Absolutely. We had to. Because of the company's problems, there wasn't any opportunity for any give. Say there was one person available for 20 hours, and one available for 20 to 25 hours--we didn't say, "Well, it's close enough [to 40 hours]." We couldn't. (II.D)

Despite the prevailing attitude of indifference, high-level management does affect the use of part-time employment through several channels. First, in some companies (IV.C, IV.E) top management must approve the creation of part-time jobs:

"A department head will ask for permission to have part-time. It's up to our executive department [in company headquarters] to decide if they want to get into part-time. Generally we prefer to avoid it...." (IV.C)

Such direct control is only used in a small number of companies.

A second form of influence is the department budget. The budget usually specifies either the number of full-time equivalents (FTEs) or head-count, in addition to a total dollar target. A number of elements of the budgeting process affect the desirability of employing part-timers. The budget may include partial positions, which can only be filled with part-time employees (II.A, IV.D). If, as at Eternal Life, the head-count is fixed regardless of the hours per head, then

department managers must decide if they can get the work done with part-timers (II.D, IX).

The treatment of fringe benefits in the budget might be expected to matter--but doesn't seem to matter much. Eternal Life charges each department for overhead at the same rate for every position, whether it be part-time or full-time, as the company's personnel director spelled out:

"All of our departments are charged, through their budgets, for benefits costs and the per-employee overhead costs, things like the cafeteria and security and things are factored in and charged to departments on a head count basis, so it turns out to be more expensive for them [when they cover a job with part-timers] because they're charged for two people instead of one...." (IX.B)

But she added that "that's not a big deal," and other Eternal Life managers confirmed her assessment. The remarks of one department manager were typical:

DEPARTMENT MANAGER: [I]n a sense [the greater per-hour cost of fringe benefits for part-time employees is] a hidden cost with regard to a departmental budget....

INTERVIEWER: The message I'm getting is that's not a very important consideration, compared to other things that you're thinking about.

DEPARTMENT MANAGER: [I]n this environment it's not. To say it's not an important consideration in the whole spectrum is crazy, because costs are a number one issue that we're trying to leverage costs down, but in leveraging costs down you have to be able to deliver the service....[I]n this particular environment, those costs are not deemed as extensive with regard to what we get in the way of results. (IX.D)

The final way that top management affects department managers' decisions about part-time employment is--as in retail--via corporate culture. A statement like, "we really don't want to encourage part-time work--this is a full-time career company" (II.A) presumably reflects a consensus that probably has more effect on the utilization of part-time



employment than most of the budgetary levers. Of course, culture originates from below as well as above.

**b) Unit managers**

Given the limited intervention by higher management in decisions about part-time employment, most decision-making power rests with department or branch managers. At Eternal Life, the personnel director reported,

"We haven't changed policies on recruitment of part-timers in a long time. We let management drive that process. If management is interested in part-time workers, we recruit part-time workers; if they're not, we don't.

And insurance line managers, on the whole, are not very interested in part-time workers. Managers tend to feel that part-timers are second-rate employees, both because they are not available all week long, and because they are less committed to the job (see Table 6.1). One personnel director summed up managers' attitude toward employing part-timers in professional and managerial jobs, in words that could apply to most insurance jobs:

"[I]f they have a need, they want to fill it with a full-time person. This is a company that likes to feel like the employees that come into this kind of position are theirs. It's a very old-time philosophy." (IV.C)

In fact, over and over again in the interviews, managers asked, "If I could get a full-time why would I want to get a part-time?" (IV.D) or words to that effect. The employee services director at Eternal Life bemoaned this managerial reluctance to consider part-time employment:

E.S. DIRECTOR: The Human Resource [Department] position is to keep somebody on part-time if you have a valuable employee. But there is resistance in management....

INTERVIEWER: Is the management resistance due to culture, or to higher costs of employing part-timers?

E.S. DIRECTOR: It's cultural. Traditionally, people have worked full-time, and it's expected. But it's also easier to manage full-time people. That's an issue of both cost and culture. It's easier for a manager to know someone is here when they need to be here. (IX.A.1)

She added (in another interview) that the resistance is more passive than active:

"Somebody told me years ago that managers follow the path of least resistance. And as a manager, I know that's true. Unless somebody approaches you and asks you to consider part-time employment or unless you're unable to fill jobs with full-time, you're not going to think about part-time." (IX.A.4)

Informants at a number of other companies concurred with this general assessment (II.A, IV.A, IV.D, IV.E). It also accords with Nollen et al's (1978) finding that non-users of part-time employment tend to anticipate costs of part-time employment that users rarely report in practice.

Nonetheless, unit managers do create retention part-time jobs. They do it not so much because they are exceptional managers, as because they are dealing with exceptional situations:

INTERVIEWER: The [managers] I spoke to were all positive toward part-time employment, and every one of them said they were atypical.

EMPLOYEE SERVICES DIRECTOR: They're not as atypical as they think. Everybody likes to think that they're a little more liberal than the rest. Even the ones who don't use part-time workers--they won't admit they're actually negative to part-time work. What they're going to say is that...either they haven't been approached, or the opportunity to run a job as part-time isn't there. (IX.A.4)

When a manager sets up a retention part-time arrangement, it is explicitly an individual deal between manager and employee:

"[T]he full-time person who negotiates a part-time arrangement, that just sort of happens. They just do

their thing and the managers are happy about it, and sometimes we [Personnel] don't even know about it; they just do it." (IX.B)

And employers prefer to keep the agreement individual. A union representative commented,

"[The right to return part-time after childbirth is] not contractually guaranteed--employers have really fought that. It's a privilege they give someone." (IV.H)

### c) Other actors

With top management paying little attention to part-time employment, other actors in addition to the unit managers may have significant influence. The initial impetus for retention part-time jobs, of course, comes from the employees involved. At Eternal Life, for example:

"In 1974-75, professional women started...coming back from maternity leave, and wanted part-time work. These were women out of college, five to ten years into their career. So awareness of the issue developed. They were a very vocal group....They represented an enormous investment [in training] by the company. The company realized if it didn't give them part-time, they were gone....They negotiated with management, and got pretty much what they wanted." (IX.A.1)

The source of the foregoing statement, Eternal Life's director of Employee Services, herself a former retention part-timer, emerged as a strong advocate for part-time professionals in the company (IX.A). Among other things, she redrafted the company's fringe benefit policy to better accommodate part-timers (IX.B). According to another Eternal Life manager,

"[T]he administratively generous provisions that were added a couple of years ago were done deliberately with the focus on the working woman, and that our corporate policy is to be supportive and make every effort to assist women and make their life at work as comfortable as possible and so forth, as part of our equal opportunity effort and that a number of those changes were made with

that spirit in mind. When they were administratively more complex and difficult for the company to handle. In my mind, the women won out in that situation." (IX.B)

This woman's degree of personal involvement in the issue of part-time work is unusual, but the sentiments behind it are not uncommon. The personnel director of another insurance company said, almost apologetically:

"[This company] is sort of insular. Most of the employees have never worked anywhere else--so we tend to get somewhat out of touch with what's going on out there. I'd like to be able to argue with managers for more openness to part-time." (II.A)

And a third company's personnel director added:

"I think [the issue of part-time professionals] is an issue today and I think it's something that we've got to be conscious of. If you look at the early '70s and you look at EEO, and look at... women coming in,...a lot of people who have really start[ed] to rise in the corporations and then, all of a sudden decide, forget it, I'm going back to raise my family or whatever. I'm not sure if you would have the same issues if...they ha[d] the opportunity to work part time." (II.E)

### **What effects does public policy have?**

Absent in the entire discussion of decision-making about part-time work up to this point is any mention of public policy. And in truth, public policy seems to have little if any direct effect on part-time employment.

Retail managers did note indirect effects of several laws. The overtime premium creates an incentive to use part-timers when hours are variable (III.A.2, III.C, III.D, III.I, III.J, VI.D). Child labor laws lessen the supply of teen-agers, one of the main groups of part-time workers that retailers draw on (I.G, III.G, VI.C, VII.B,C). The minimum wage constitutes a

floor for part-time wages in retail in the Pittsburgh area (and indeed four of the companies start part-timers at minimum wage [III.A.1, III.F, III.G, III.H]).

Much less was said about the federal laws mandating equal benefit coverage of employees over a certain hours limit, such as the Employee Retirement Income Security Act (ERISA, which requires that any pension plan cover all employees working 1000 hours a year or more), or Section 89 of the Tax Reform Act of 1986 (which makes health insurance and certain other benefits taxable unless they they are extended to all workers over 17.5 hours per week, effective in 1989). Some insurance managers had an imprecise notion that such equal coverage laws existed:

BRANCH MANAGER: Isn't it mandated in Pennsylvania if you do more than 1,000 hours you must pay them the full benefits you're paying other employees? (IV.D)

PERSONNEL DIRECTOR: I believe there are certain state laws or whatever, I don't know if they're state or federal actually, that indicate if you work over x amount of hours, hours a year, you have to provide benefits. (II.E)

No retail informant seemed to be aware of these laws, although retail industry spokespeople have led public criticism of Section 89 (Repko and Martingale, 1988).

In short, it appears that most of public policy's effects on part-time employment are either unintended or unnoticed. In one interesting exception to this, however, an insurance informant commented that the threat of legislation is one of the forces pushing her company and others to expand the use of retention part-time employment:

[T]he working parents issue is gaining much more national attention. There is a feeling in companies that if we don't respond, some state or federal regulations will be imposed. Companies like us don't tend to like to be regulated in this way. We prefer to be proactive. The

parental leave act is coming up again--and there's a good chance it will pass. The problem with regulations is that they're generic--they don't necessarily fit our needs."  
(II.A)

Can policies with more substantial effects on part-time employment be successfully adopted? Overall, the findings of this chapter do not offer much grounds for optimism. The difference between the "strategic case" and the "nonstrategic case" implies that top management is much more involved and invested in the creation of secondary part-time employment than the creation of retention part-time employment. Employers can be expected to strenuously resist policies placing restrictions on secondary part-time employment, since such restrictions would conflict with their chosen strategies for dealing with labor. Unfortunately, it does not follow that employers would accept with equanimity policies increasing worker access to retention part-time jobs. The testimony of the union representative who said "employers really fought that" and the manager who commented that "we prefer to be proactive" suggests that companies will jealously guard their management prerogatives.

However, this chapter's findings also indicate that when it comes to secondary or retention part-time employment, "management" is rarely unanimous, even within a single company. Thus policy-makers may find unexpected allies--or at least abstentions--on issues of part-time employment.

Policy options will be taken up once more in the concluding chapter. First, though, it is necessary to complete the picture of part-time work in the retail and insurance

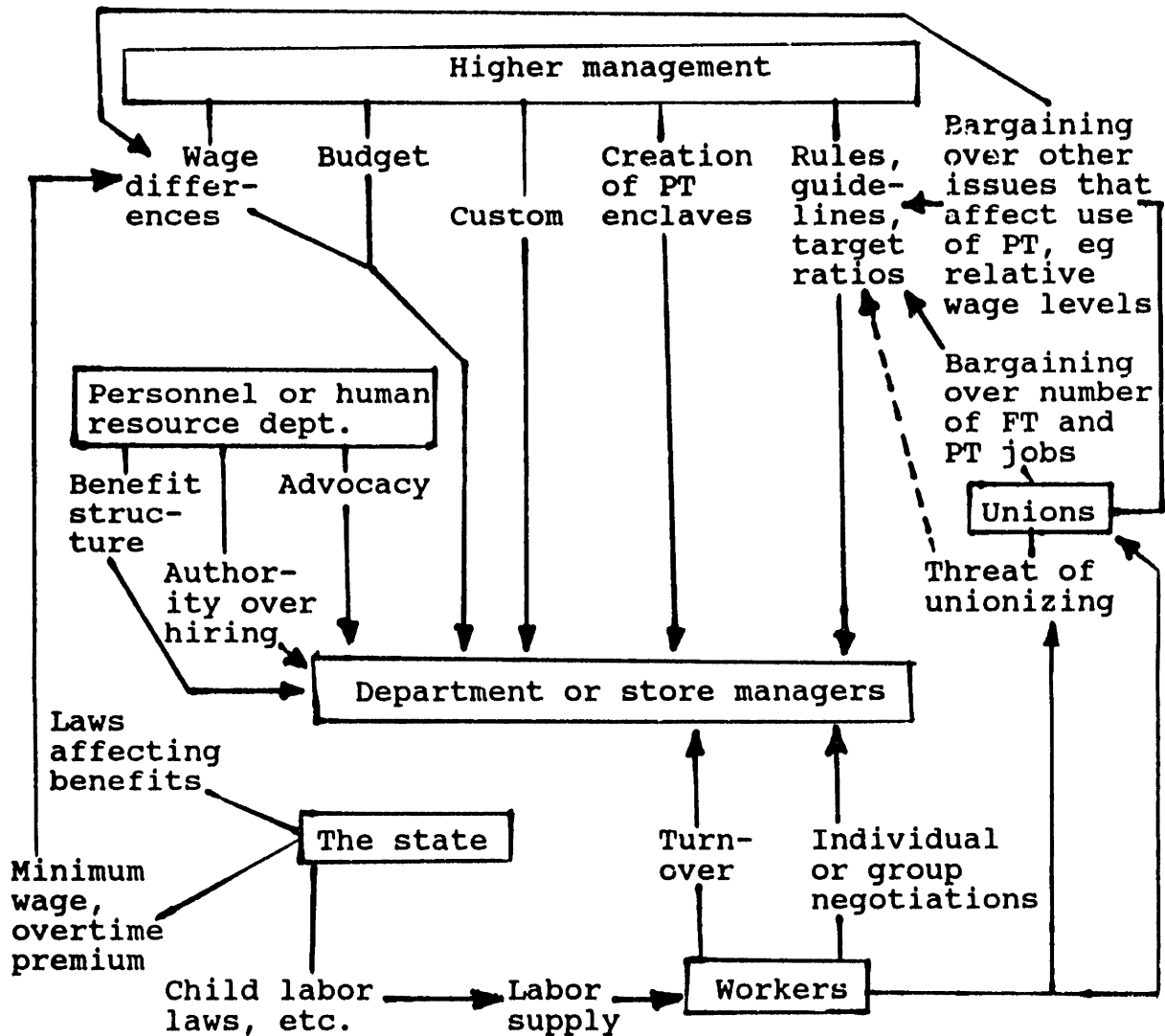
industries by looking at the reasons for change in the rate of part-time employment, both cyclical (Chapter 9) and secular (Chapter 10).

## Notes

<sup>1</sup>The net impact of other costs is ambiguous. Part-timers have the additional cost of high turnover, whereas full-timers bring the cost of diminished schedule flexibility.



**FIGURE 8.1**  
**Influences on the department-level manager in determining the mix of part-time and full-time jobs**



Source: Interviews by author

**Chapter 9**  
**Change in the rate of part-time employment, I:**  
**Cyclical movements in noncyclical industries**

Involuntary part-time employment surges highest when unemployment is high (Figure 9.1). In order to deal with the problem of involuntary part-time employment, this relationship between part-time work and the business cycle must be understood.

But the obvious explanation falls short. As discussed in Chapter 2, temporary hours reductions account for only about half of cyclical fluctuations in involuntary part-time employment.

If not work-sharing, what? This chapter searches for an answer. First it examines the possibility that the rise and fall in the rate of part-time employment over the business cycle is simply an artifact of fluctuations in the industry composition of employment. Since the service industries, which are noncyclical, have the highest rates of part-time employment, the total percentage of part-time employment goes up during recessions as other industries contract, and goes down during expansions as other industries rebound. But statistical tests show that this explanation, too, is inadequate.

What remains to be explained, then, is the cyclical pattern of part-time employment within noncyclical industries. A possible explanation is that employers expand secondary part-time employment when unemployment is high, because more workers will (reluctantly) accept part-time jobs. A look at the retail

and insurance industries suggests not only that users of secondary part-time employment follow this pattern, but that employers of retention part-timers follow a symmetrically opposite pattern, decreasing retention part-time jobs when unemployment is high because more workers will (reluctantly) accept full-time jobs. A formal model embodying these mechanisms is developed.

### Changing industry composition of employment

Consider first the hypothesis that shifts in the rate of part-time employment over the business cycle reflect changes in the industry composition of employment, rather than changes by individual firms. Since service industries are less cyclically sensitive and employ more part-time employees than goods-producing industries, cyclical changes in industry shares of employment would be expected to generate a contracyclical pattern of part-time employment. In more stylized terms: in a recession, factories shut down and stores stay open; in an expansion both factories and stores are open; stores use more part-timers than factories.

This explanation was evaluated using time series analysis. The fraction of the at-work population working part-time was regressed on the unemployment rate, with and without the fraction of the workforce employed in each of the eight major industries, and with and without a time trend. These regressions permit the testing of two hypotheses: (i) the coefficient on the unemployment rate is equal to zero in a

model that includes industry shares of employment (so that all unemployment-related movements in part-time employment are due to changes in industry composition), or (ii) the vector of coefficients on industry shares is equal to zero in a model that includes the unemployment rate (so that changes in industry composition have no independent effect on the rate of part-time employment, and any apparent relationship between the two is actually due to changes in the unemployment rate).

Results are shown in Table 9.1. Inclusion of industry shares does not render insignificant the contribution of the unemployment rate; hypothesis (i) is solidly rejected<sup>1</sup>. Hypothesis (ii) is rejected only at the 25-30% level. Since a number of the individual coefficients on industry share variables are significantly different from zero at the 5% level, it is most reasonable to conclude that both the unemployment rate and industry shares contribute independently to determining the rate of part-time employment, even after detrending. However, the lion's share of the credit for the cyclical pattern goes to the unemployment rate. In other words, most of the cyclical movements in the rate of part-time employment are taking place within industries.

#### **A hidden reduction in compensation**

Now we are left with a puzzle. Most of the ups and downs in involuntary part-time employment take place within industries. In fact, as reported in Chapter 2, most of the ups and downs between 1979 and 1987 took place in the noncyclical

industries of trade, finance, and services. What can explain this pattern?

Since the industries involved are not cyclical, the answer does not lie in changing demand for the services they produce. Instead, it must lie in their reaction to the tightening and loosening of the labor market. A natural supposition is that when unemployment is high, employers find workers more willing to accept secondary part-time jobs, and therefore expand secondary part-time employment. Since these part-time jobs have lower compensation than the full-time jobs they replace, this expansion represents, in effect, a hidden reduction in average compensation--even if the respective compensation rates of full-time and part-time labor remain unchanged. When unemployment rates fall, secondary part-time employment contracts and there is a hidden increase in compensation.

But exactly how does this hidden wage reduction mechanism work? A closer look at the retail and insurance industries helps to answer this question.

### **Cyclical patterns in retail and insurance**

In the aggregate, retail and insurance manifest totally different cyclical patterns in the rate of part-time employment. In retail, as in the economy as a whole, involuntary part-time employment varies contracyclically (Figure 8.2). Retail thus appears to be a good place to look for the expansion and contraction of secondary part-time employment.

In the insurance industry, on the other hand, the rate of involuntary part-time employment shows no discernible cyclical fluctuations. Instead, the rate of voluntary part-time employment varies procyclically (Figure 8.3). This suggests that retention part-time employment expands and contracts based on the tightness of the labor market, leading to a contracyclical pattern in involuntary full-time employment.

Interview finding support these suppositions for both industries. The two industries are discussed separately.

a) Retail

The picture that emerges from interviews with retail managers is that retailers do indeed increase secondary part-time employment when unemployment is high, and decrease it when unemployment is low. As Table 9.2 shows, managers from five companies stated explicitly that their companies had cut the part-time ratio because the labor market had tightened. In all, eleven retail companies reported a decreasing part-time ratio in the recent past (as the economy expanded), three reported little or no change (III.A, III.D, III.H), and three reported increases (I.F, III.G, VI). Most of the companies reporting a decrease in part-time employment in recent years added that previous to that the ratio had been increasing. In fact, four of these companies (I.C, III.E, III.I, III.J) had during the last recession adopted a general policy of only hiring part-timers, only to relax or abandon the policy during the current expansion.

The same pattern emerges from comparing retailers in high-unemployment Pittsburgh and low-unemployment Boston (Table 9.3). Within each category--supermarkets and convenience stores--the rate of part-time employment is higher in Pittsburgh. This is further evidence for the positive effect of unemployment on part-time employment.<sup>2</sup> Furthermore, as noted in Chapter 5, the reported rate of involuntary part-time employment is much higher among Pittsburgh retailers than among Boston retailers.

The substance of the interviews gives a more vivid picture of how retail managers view the current labor market, and how they are reacting to it by adjusting part-time employment. Informants from thirteen of the seventeen retail companies volunteered staffing as one of their major personnel-related challenges--in eleven cases the major challenge. Interviewees described the crisis in dramatic terms:

PERSONNEL DIRECTOR (BOSTON): [Our biggest challenge is] getting a sufficient number of qualified people. It's a Massachusetts problem. That damned Governor Dukakis and his economic revival is causing the problem. (I.G)

PERSONNEL DIRECTOR (BOSTON): [I]t's very different--it's a much more competitive [labor] market [than it used to be].

...If there's a major recession, then this won't be a problem. (VII.A)

STORE MANAGER (PITTSBURGH): I've had people just leave and I don't even know where they are. You know, "Where's Sally?" "Shit, I don't know, she's gone." Sally calls me a week later and says, "Gee, I got tired and I decided I'm going to work for [a nearby restaurant]." (III.H)

PERSONNEL DIRECTOR (PITTSBURGH): Boston, I guess all of New England, has a very tight labor market. Pittsburgh has a much more open labor market. But even that's been changing in the last six to eight months. You used to be able to put an ad in the paper and get fifty people lined up for the job. Now you're lucky if you get five. Unemployment rates have been falling dramatically. Once you get below 6%, it starts becoming a problem. (III.C)

As the last informant indicated--and contrary to the views of some Boston retailers--the labor shortage is not just a Massachusetts problem. Pittsburgh retail managers agreed that the labor market there is tightening, and some classified the state of affairs as a labor shortage--although it is clearly not as acute as in Massachusetts.

Retail companies feel the labor shortage in three areas: attraction, retention, and quality of employees. Weakness in attraction and retention, of course, translates into vacancies. A personnel official from one supermarket chain commented, "We could probably use 800 to 1000 part-time employees right now" (I.E).

Informants particularly emphasized the impact of turnover:

"It used to be an employer's business. Now it's an employee's business. You keep 'em happy or they're going to go to work the next place they have lunch." (I.G)

One supermarket chain hired 3.7 times as many people in 1986 as in 1980, for "basically the same employment and staffing level" (I.E).

Retailers tend to agree that the three problems particularly affect the part-time population. Attracting full-time employees is not a problem when there are part-timers who want full-time jobs:

"Most of the jobs we're trying to fill are part-time right now. When you have a part-time workforce, and full-time positions [open], it seems like the part-time person slides in there automatically, so there is not much problem filling the full-time positions." (III.C)

Chains can also move full-time employees from store to store, as a SuperValu store manager pointed out:



MANAGER: The unemployment rate in the \_\_\_\_\_ area has been around two percent now since the store opened. And it has just not allowed us to increase our part timers at all.

INTERVIEWER: Why does a low unemployment rate in a tight labor market particularly pinch you on part timers as opposed to full timers?

MANAGER: We've been able to promote people from other areas of the company to full time positions where they had been waiting to get a full time position in other stores that... didn't need the position as a full timer.

(VII.D)

The supermarket industry's press confirms that the labor shortage has particularly increased the difficulty of finding entry-level part-timers (Supermarket News, 1985; Sansolo, 1986; Progressive Grocer, 1986; Supermarket News, 1987).

In addition, part-time turnover is much higher than full-time turnover, and has risen disproportionately in most cases. As Table 9.4 shows, part-time turnover at a representative SuperValu store roughly doubled between 1985 and 1987, whereas full-time turnover has increased by only 29%. A nationwide survey of supermarket operators by Progressive Grocer (1988) affirms that this pattern is widespread: 61% of the grocers reported higher part-time employee turnover, and only 20% reported increased full-time turnover.

Decreasing quality is also most severe for part-time employees:

"For part-time, we've had to drop our standards considerably. We used to be very selective in terms of having a stable job history, and what their current situation was. For example, if someone was a high school student and it's April and he was going to graduate in June, we wouldn't hire him....Now we don't have as much choice....For full-time, we're still holding the line on a stable job history, looking for people who will be with us for a while." (VII.A.2)

In fact, some managers described the labor shortage in part as a mysterious change in people's schedule preferences:

"It just doesn't seem like there is an interest in part time positions anymore. I don't know what the reason is...." (VII.D)

"[Five years ago] there were more people in the market to pull from, pick from....People only want full-time jobs these days." (I.C)

Retail companies have responded to the labor shortage in a number of ways. They have redoubled recruiting efforts. In most cases, companies have raised wages, but managers are dubious about this strategy. For one thing, close competitors tend to match the wage increase:

SUPERMARKET PERSONNEL OFFICIAL: One of the problems with the part-time workforce is that everybody needs them so desperately, that as soon as one makes a change, the rest follow. If we raised our pay a dollar, [two other supermarket chains] would follow right on our heels. (VII.A.1)

DEPARTMENT STORE PERSONNEL DIRECTOR: We have meetings with other stores. They all have same pay scale[s] for retail and clerical....All retail is within five to twenty-five cents of each other--[lists three other department store chains as examples]. We come to an agreement. (I.C)

Also, the whole pay scale is pegged to the entry-level wage:

"If we move up entry-level pay, there's pressure on all wages. Right now our strategy is to hold the entry-level wage fixed and hope that turnover is not too great." (I.A)

The potential expense of raising wages is large: a SuperValu store manager complained that even the chain's top rate on entry-level part-time wages--\$6.27 an hour, well above the "official" entry-level wage of \$3.65--was not high enough to allow him to staff his store adequately.

Thus, retailers have pursued an additional strategy of increasing full-time employment. The personnel director of a

fast food chain eloquently described how the company's hiring policies have changed:

INTERVIEWER: How do you decide how many part-time and full-time positions to use?

PERSONNEL DIRECTOR: Three years ago, that question would be answered differently than today. We use to be--in all businesses--determiners of our own destiny. We'd hire part-time because they were less expensive....These days, we'll hire whatever we have to hire or whatever capacity they want to work. Instead of limiting their hours--it used to be that if they asked for more hours, we'd say take it or leave it. Now we will beg them to stay....If there's a person coming in off the street who wants a full-time job, we'll take them....If we had the freedom of choice, we'd take the part-time. [But] we have mitigating circumstances. We're no longer saying are we looking for part-time or full-time. We're just looking for anybody who's willing to take the responsibility to work at [our company]. (I.G)

Other companies--particularly in the Boston area--reported similar changes.

A final note about this cyclical pattern in retail: the evidence presented above strongly indicates that retailers are reducing part-time employment during the current economic expansion. The evidence is much more mixed about whether firms have made analogous adjustments at previous cyclical turning points. It is possible either that the cyclical pattern is becoming stronger, or that current changes represent something more than a cyclical adjustment. These possibilities are discussed in Chapter 9.

#### b) Insurance

Unlike retail companies, insurers tend to increase retention part-time employment during expansions and decrease it during recessions--although the pattern is not as pronounced

in the interviews as retail's cyclical movements. Informants from five insurance companies listed a tightening labor market as a reason for increasing their rate of part-time employment; one informant added that as the labor market slackened after the late 1960s her company had decreased its use of part-timers (IX.B) (Table 8.2).

A comparison between insurance companies in Boston/New York and Pittsburgh also points to a procyclical pattern of the rate of part-time employment. Although it should be interpreted with caution<sup>3</sup>, Table 9.3 shows greater utilization of part-time employment in the companies based in Boston and New York.

Insurance informants did not appear to be as overwhelmed by the labor shortage as their retail counterparts. Informants from seven of the twelve companies--mostly Boston- and New York-based insurers--listed staffing as one of their major personnel-related challenges. Compared to the retailers, their rhetoric was muted, and the managers linked the shortage to the baby bust as often as the economic expansion:

INTERVIEWER: What would you say at this point is the company's biggest challenge in terms of human resources or personnel?

PERSONNEL DIRECTOR: Well, I think it's going to be, you know, as you look over the next five to ten years, it's certainly going to be [the] attraction or retention of good qualified personnel....And, you know, that has a lot to do with...the demographics...the whole baby bust generation and the fact that there just are going to be fewer people and...more companies competing for them.  
(II.E)

There were the inevitable stories about employees going to lunch and not returning. For example, a Healthco employee testified:

"[W]e've been finding good help is very hard to find, especially recently...They've been hiring a lot through a temporary agency and they just haven't been able to get people that stay. They go to lunch and don't come back."  
(VIII.E.1)

In Pittsburgh, on the other hand, some insurance employers were almost smug about the state of the labor market:

"[I]t's our marketplace right now and it has been for about four or five years. Therefore, our recruiting tends to be less proactive. In the lean years, when you've got a two to five percent unemployment, you have to go out and actively seek...Now, unfortunately for people seeking employment, we can find MBAs working at MacDonal'd's which is rather sad." (IV.A)

The labor shortage hits insurance companies in the same ways as it does retailers: problems with attraction, retention, and quality of workers. Comparisons over time or between geographic areas highlight these problems:

DEPARTMENT MANAGER: [I]n the last three years...the full employment that's in Massachusetts is starting to create a problem. So I think our [company-wide] turnover...hasn't reached any crisis proportion yet or anything like that but you can start to see the trend...So far my [departmental] turnover isn't any higher but what we're beginning to see is that going out in the marketplace to find somebody to fill a position in the higher skill levels, we just don't find them. And so there's some inkling that there's going to be some further problems there. (IX.E)

PERSONNEL OFFICER: I was at a meeting with a group from a lot of different companies in New York. Somebody who was in New York, and is now in Milwaukee, was discussing "the New York worker"--someone who comes in late when they feel like it, takes a one and a half hour lunch--and this goes for the mailroom clerk as well as the vice president. They stay out sick, and don't even give notice when they leave....In Milwaukee, they have the "midwest work ethic:" they come in on time, they warn the supervisor if they're not feeling well, so [the supervisor] can figure out coverage for a sick day next day. In New York, they can easily find another job. (II.B)

Like retailers, insurance companies have intensified recruiting efforts and escalated salaries in order to deal with

the labor shortage. Both tactics have their limits, as Eternal Life's personnel director indicated:

[T]he recruiting process is one that requires multiple activities on a variety of fronts on an almost constant basis. And when you put it all together, you get enough people to keep your head above water, but there aren't any magic answers....[We'll] probably be increasing the salaries, too. Actually, we're already at a point where the secretaries--entry level secretaries--make as much as entry level four-year grads....You find really bizarre things like that happening when the labor market gets out of control and crazy. (IX.B)

In a response opposite to that of retail companies, insurance businesses have increased part-time employment in order to adapt to the labor shortage. A personnel director painted the picture:

"I suspect you'll find a lot more flexibility here in the greater Boston area because of the state of the labor market. That's true of other companies, and it's also true of us. Our general desire would be to fill full-time positions with full-time people. But if you can't, part-time is better than no time....We're thinking this weekend of advertising for part-time people in programming [data processing]....The desire previously was not to go into part-time employment. Now, we're saying we'll do anything as far as data processing to meet our needs.....I'm finding managers are saying, 'If you can find somebody good who can work thirty hours, maybe I can live with that, as opposed to having nobody.'" (II.D)

Other Boston- and New York-based insurance informants echoed these views. The same themes and even the same phrases recurred:

"It's better to get a twenty-hour person than zero hours if you can't get forty. Before, we could be picky. Now, it's: 'Are you a body, can you breathe?'" (II.A)

Among insurers in the Pittsburgh area, managers' sentiment was that they would hire more part-time if confronted by a labor shortage. A manager who currently employs no part-time

people declared:

[T]he only thing I would possibly consider...[would be] that if the work force became scarce and we wanted some professionals, and let's suppose we had a couple of individuals who would want to work half a day....I would consider it if I needed professionals and I could only get them for a half a day. (IV.D)

**c) Pittsburgh vs. Boston: what kind of difference?**

A closer comparison of Pittsburgh and Boston shows that although the disparity in unemployment rates in the two cities generates very different levels of retention and secondary part-time employment in the two cities, it does not lead to qualitative differences in how part-time jobs are used by employers. A closer look also reveals additional determinants of the difference in part-time employment between the two cities.

The most striking comparative finding is that despite the big difference in the tightness of the labor market, the basic structure of part-time employment in retail and insurance, as outlined in the two preceding chapters, is essentially identical in the two areas. Both cities have secondary and retention part-time jobs. In both cities, retail employment is dominated by a secondary labor market made up of part-time jobs, whereas insurance employment is primarily a salaried labor market of full-timers peppered with a few retention part-timers. Given these similarities, it seems quite appropriate to suppose that in the two cities similar structural forces set the mean levels of part-time employment, and then differences in the unemployment rate lead to variation around these means.

Despite the basic similarity, some differences in the structural determinants of part-time employment are apparent. In particular, two differences between Boston and Pittsburgh--other than the difference in unemployment rates--help to explain Pittsburgh's lower rate of voluntary part-time employment. First, Pittsburgh has much lower labor force participation among women and teens than Boston (U.S. Bureau of Labor Statistics, 1988). Pittsburgh families are more likely than Boston ones to have a single, full-time wage-earner. Second, Pittsburgh's insurance companies tend to be much more traditional in their labor policies than Bostonian insurers. Tradition, in this case, includes eschewing retention part-time jobs. Such traditionalism probably affects other industries as well.

d) Summary of interview findings about cyclical changes

In summary, the retail and insurance interviews show two completely different types of behavior. Retail firms increase the rate of secondary part-time employment when unemployment rises, and decrease it when unemployment falls. They do this because in the retail labor market, it becomes more difficult to attract and retain part-time employees (relative to the difficulty for full-time employees) when unemployment falls. Insurance companies, on the other hand, decrease the rate of retention part-time employment when unemployment climbs, and increase it when unemployment drops. In the insurance labor



market, it becomes more difficult, in relative terms, to attract and retain full-time employees when the labor market tightens.

#### A formal model

These findings can be formalized in a model of cyclical adjustment in part-time employment in noncyclical industries. The formal model, of course, is an extreme simplification of the processes seen at work through the interviews. The model supposes that (1) as unemployment falls, people who are working a schedule other than the one they prefer become more likely to find a job with their preferred schedule, and quit. Therefore, (2) since turnover entails costs for firms, the firms adjust their mix of part-time and full-time jobs to try to satisfy more workers. The reverse mechanism operates when unemployment rises. This mechanism operates within a particular institutional structure--and since retail and insurance have different institutional structures, the outcome of the model is different in the two industries.

Several points about the model are important to note:

- \* Wages are fixed in the model. In particular, the full-time/part-time wage differential is fixed.

- \* Unemployment is exogenous to the model. This is not a macroeconomic model.

- \* This is a model of firm behavior. It takes worker behavior as given, rather than performing a simultaneous optimization.

\* Firms are homogeneous.

\* The model removes much of the institutional detail of the last couple of chapters, and flattens firms into unitary profit-maximizers, rather than collections of agents with conflicting interests.

All of these features can be relaxed, and the consequences of relaxing some of them are considered after the model is presented.

First consider a model of the retail labor market, or more generally of a labor market in which secondary part-time employment is the main form of part-time work. The relevant labor market is for simplicity taken to be closed--in that workers cannot choose to enter or leave it--except that unemployment varies due to an exogenously determined influx or outflow of workers. Suppose that some people in the labor market want part-time work, and some want full-time work. However, in general firms offer full-time jobs in a lower proportion than the proportion desiring them in the workforce. Thus, some people work part-time involuntarily. For simplicity, assume that all workers who prefer a part-time job get one--that is, no firm has both involuntary part-time and involuntary full-time workers, and none of the unemployed want part-time jobs.

All workers have a fixed underlying quit probability of  $m$  per period, an exogenous parameter that can be viewed as something like the probability of winning the lottery. Involuntary part-time employees will also quit if they find a

full-time job, which occurs with probability  $f$  per period, giving them a total quit probability of  $m + f$ . Firing does not exist in the model, and firms are always able to fill vacancies immediately.

The firm's problem is to minimize the labor costs of producing a certain amount of output. The total amount of output is taken to be invariant, since the industries being modeled do not face a cyclical demand. To solve this problem, firms think about the cost of filling a full-time equivalent slot. They have two ways of filling the slot: with one full-time person or two part-time people (where two is an arbitrary choice to simplify the model).

In filling the slots, firms encounter two kinds of costs: compensation and training costs. Training costs are assumed to be incurred in the first period. Compensation costs are less for part-time employees, as in actual secondary part-time employment. However, amortized per-period training costs of part-timers are greater than those of full-timers, for two reasons. First, the employer must train two part-time "heads" to fill a single full-time equivalent slot. Second, part-time workers have a higher average quit probability, since they include some involuntary part-timers, so that their training costs are amortized over a shorter average tenure.

The labor cost to the firm of employing a full-timer is given by

$$(9.1) \quad C_F = w_F + T(r+m)$$

and the cost of employing two part-timers by

$$(9.2) \quad C_p = w_p + 2T(r+m+p_f f)$$

where

$w_F$  is per-period compensation to a full-time worker  
 $w_p$  is per-period compensation to a part-time worker  
 $T$  is training costs per new hire (assumed incurred in first period)  
 $r$  is the interest rate  
 $m$  is the underlying per-period quit probability of all employees  
 $p_F$  is the fraction of part-timers who want full-time work  
 $f$  is the probability of finding a full-time job

Note that  $T(r+m)$  and  $T(r+m+p_f f)$  represent amortized, per-period training costs. Although this model shows no productivity difference between part-time and full-time workers, a productivity difference could easily be accommodated by adding a constant to the cost of employing part-timers. Unless the productivity difference is itself a function of the rate of full-time employment, this modification does not change the workings of the model at all.

Worker preferences and behavior are summarized in  $m$ ,  $p_F$ , and  $f$ . The underlying quit probability  $m$  is simply exogenous, but more can be said about the other two parameters. The fraction of part-timers who want full-time work,  $p_F$ , is determined by the rate of full-time employment and the number of people who prefer part-time work:

$$(9.3) \quad p_F = \frac{\text{total PT} - \text{voluntary PT}}{\text{total PT}} = \frac{n_p N - K}{n_p N} = \frac{n_p - k}{n_p}$$

where

$n_p$  is the rate of part-time employment

$N$  is the total number employed

$K$  is the number of workers who want part-time work

$k = K/N$

The probability of finding a full-time job,  $f$ , depends on the number of vacancies and the number of people searching for a full-time job:

$$(9.4) \quad f = \frac{\text{full-time vacancies}}{\text{searchers}} = \frac{m_F}{m_F + p_F P + U}$$
$$= \frac{m n_F}{m n_F + p_F n_p + [u/(1-u)]}$$

where

$m$  is the underlying quit probability of all employees

$F$  is the total number of full-time employees  
(So  $m_F$  is the number of full-timers leaving their jobs each period)

$P$  is the total number of part-time employees

$U$  is the total number of unemployed workers

$n_F$  is the rate of full-time employment (per head),  
 $F/N$

$n_p$  is the rate of part-time employment,  $P/N$

$u$  is the unemployment rate,  $U/(N+U)$

Note that all unemployed workers want full-time jobs, since people who want part-time work are all employed in the part-time jobs.

In this model, firms can't change the relative compensation of full-time and part-time employees. What they can change is the rate of full-time employment. A worker's part-time or full-time status is set for the duration of that worker's employment at the time of hire, so firms can only change the rate of full-time employment by attrition. Firms choose the rate of full-time employment (per head) to minimize total labor

costs. Take the resulting equilibrium to be a Nash equilibrium, with each firm taking the position of all other firms as given. To state the optimization problem, all quantities must be converted to either a per-head basis or a per-full-time-equivalent (FTE) basis. Converting to a per-FTE basis simply involves using the rate of full-time employment per FTE, which is  $2n_F/(n_F+1)$ . Expressed in per-FTE form, the minimization problem is:

$$(9.5) \quad \min C = \frac{2n_F}{1+n_F}[w_F + T(r+m)] + \frac{1-n_F}{1+n_F}[w_p + 2T(r+m+p_{ff})]$$

st  $n_F > 0$   
 $n_F < 1-k$  (that is, there are no more full-time jobs than people who want full-time jobs)

The first order conditions are:

$$(9.6) \quad \begin{array}{ll} \text{(i)} & n_F = 0 \quad \text{for } C_F > C_p \\ \text{(ii)} & n_F = 1-k \quad \text{for } C_F < C_p \\ \text{(iii)} & n_F = n_F \quad \text{for } C_F = C_p \end{array}$$

In other words, when full-time employment is more expensive, firms hire all part-time workers; when part-time employment is more expensive, firms hire all full-time workers; when the cost is identical, firms don't adjust.

How does this firm equilibrium translate to the labor market as a whole? Since firms are identical, the rate of full-time employment  $n_F$  is the same for the whole labor market as for the firm. But whereas the individual firm took the turnover rate of part-time workers as given, when all firms act together the turnover rate changes. Thus, when looking at the

full labor market, the way that the turnover rate depends on the rate of full-time employment must be considered. To encompass this consideration, it is helpful to move to a graphic representation of the possible equilibria.

What matters to firms is not the part-time turnover rate itself, but the difference in turnover probabilities between part-time and full-time workers. This is the central point of the model. The difference depends on two things:  $p_F$ , the fraction of part-time workers that want full-time work (or alternatively put, the probability of wanting a full-time job given that one is employed part-time), and  $f$ , the probability of finding a full-time job. In fact, the part-time/full-time difference in quit probabilities is simply the product of these two,  $p_F f$ . Both of these variables, in turn, depend on the rate of full-time employment,  $n_F$ . Thus, the product can be plotted as a function of the rate of full-time employment. Call this function the turnover difference schedule, or  $D(n_F)$  for short. The turnover difference schedule summarizes the relevant aspects of worker behavior.

While the algebraic expression for the turnover difference schedule is somewhat unwieldy, a number of facts about the schedule's shape can be readily ascertained. When the rate of full-time employment is zero, the probability of finding a full-time job is zero, and  $D$  is equal to zero. On the other hand, when the rate of full-time employment reaches the level where all part-time workers are voluntary ( $n_F = 1 - k$ , where  $k$  is the rate of voluntary part-time employment), the probability

of wanting a full-time job given that one is a part-time worker is equal to zero, and  $D$  is once more equal to zero (as long as  $k > 0$ ). In between these two extremes, both probabilities are positive. Since  $D$  rises from zero to a positive number and then falls to zero again over the domain  $[0, 1-k]$ , there must be an odd number of critical points in the function--in effect, "what goes up must come down." But the first derivative  $D'(n_F)$  is quadratic, so that there are at most two roots (see Appendix F). Thus  $D(n_F)$  has precisely one critical point--a maximum--in the domain we are considering. The turnover difference schedule can be drawn as in Figure 9.4<sup>4</sup>.

When the difference in turnover between part-time and full-time employees ( $p_{Ff}$ ) is zero, part-timers are less costly to employ than full-timers, since they receive less compensation per hour. As the turnover difference grows, the cost gap narrows, until at some point the cost of filling a full-time equivalent slot with one full-timer or two part-timers is identical<sup>5</sup>,  $C_F = C_P$ . Call the locus of point where this equality holds the equal cost locus, as shown in Figure 9.4. The equal cost locus summarizes firm objectives. In the interesting case, the equal cost locus intersects the turnover difference schedule at two points. Below the equal cost locus (i.e., at lower values of turnover difference), full-timers are more costly than part-timers; above the locus, part-timers are more costly.

Referring back to the firm's first-order conditions in equation (9.6), it is clear that three points solve the firm's



optimization problem (Figure 9.4). At point A, the origin, part-time employment is cheaper and firms use all part-time employment. At points B and C, where the equal cost locus crosses the turnover difference schedule, costs are equal and firms don't wish to adjust.

A look at dynamics reveals that only two of the three equilibria are stable. Consider small perturbations from each of the equilibria. If there is a small increase in full-time employment from A, firms, aware that part-time employment is less costly, will replace the full-timers with part-timers, moving back toward A. If there is a small increase in full-time employment from the third equilibrium, C, firms will respond in the same way, replacing full-timers with part-timers until they return to C. Given a small decrease in full-time employment from C, firms will temporarily find full-time employment less expensive than part-time, and will once more move back toward C. However, a small perturbation in either direction from the second equilibrium, B, will lead firms to adjust away from B, toward either A or C. The arrows in Figure 9.4 illustrate these dynamics. Thus, there are two stable equilibria: the corner solution of all part-time employment, and an interior solution. The interior solution is more economically plausible, since in fact retailers employ both part-time and full-time workers, often in the same jobs. But in general the model implies that two sub-regimes exist: to the right of the maximum is a regime of stable interior equilibria, whereas to the left of the maximum is a regime in which firms

come to rest only when they have eliminated all full-time employment.

The graphic representation of the labor market is ideal for looking at the comparative statics and dynamics of change. Consider the effects of an increase in the unemployment rate on the interior equilibrium (Figure 9.5). Higher unemployment shifts the entire turnover difference curve downward, since it decreases the probability of finding a full-time job at every rate of full-time employment. Employers formerly at rest at C find themselves on the new turnover difference schedule at point D. Since they are below the equal cost locus, part-time employment is less expensive, and they replace full-time with part-time workers, moving along the turnover difference schedule until they reach a new equilibrium at E. A higher unemployment rate leads to a higher rate of part-time employment--just as is observed in actual retail labor markets. A decrease in unemployment has the opposite effect. The unemployment-responsive ups and downs of part-time employment in the model are movements of involuntary part-time employment, again matching the movements in the actual retail industry.

Note that a sufficiently large, positive unemployment shock (large enough that the maximum of the turnover difference schedule falls below the equal cost locus) will drive firms to zero full-time employment. Then, even if unemployment falls, firms will stay at the corner solution, since they optimize locally. The only ways to get out of the corner would be through a dramatic increase in compensation of part-timers (to

above full-time levels), or some sort of coordinated effort by firms. Firms become trapped in the part-time only regime.

This framework can also be used to examine the effects of other kinds of changes. For example, suppose training costs fall, perhaps due to deskilling automation. This is reflected in an upward shift in the equal cost locus (Figure 9.6), since it decreases the cost of training two "heads" as well as the cost of turnover. Then firms will move from C to a new equilibrium at D. Thus, a drop in training costs leads to heavier use of part-time employment in this model--a connection suggested by Appelbaum (1987).

Can this model help to explain the rather different patterns in insurance labor markets? Yes. If firms create more full-time jobs than people want, the labor market in effect goes "through the looking glass" to a model that is symmetrically opposite to the model just outlined. In this new mirror-image model, there is a shortage of (retention) part-time jobs and some people are working full-time involuntarily. Involuntary full-timers have a higher quit rate based on their probability of finding a part-time job.

A convenient way of representing this model in combination with the old one is to add a new turnover difference axis extending downward from the origin (Figure 9.7). This new turnover difference axis measures  $ep_{fp}$ , the product of the fraction of full-timers who want a part-time job times the probability of finding a part-time job. Then a new turnover difference schedule can be drawn between  $n_F=1$  (where there are

no part-time jobs to be had) and  $n_F=1-k$  (where everybody who wants a part-time job has one).

A given labor market will fall on one or the other of the two turnover difference schedules. A labor market will fall on the mirror-image schedule if even when there is no difference in turnover, it is more expensive to employ part-timers than full-timers, so that the equal cost locus falls below the zero-turnover-difference axis. This will be true when per-hour compensation costs are greater for part-time employees than full-time, and/or when training costs are high (so that the costs of training an extra head are prohibitive)--both features of the salaried labor markets in insurance. It is easy to verify that this mirror-image model acts like an insurance labor market over the business cycle: when unemployment rises, part-time employment falls.

The first version of the model mimics a retail labor market; the mirror-image model mimics an insurance labor market. The two models can coexist in the economy--or even in the same company--as long as the groups of workers involved are noncompeting groups.

### **Two stylized facts**

Although the model is not estimated or tested in this thesis, it is interesting to note that the model replicates two stylized facts discovered by Bednarzik (1975, 1983). Bednarzik reports that changes in involuntary part-time employment lag changes in unemployment, and that the lag is greater during

economic downturns (when unemployment is increasing) than upturns. In the model, the lag results from the fact that firms convert positions from full-time to part-time and vice versa by attrition, so that any adjustment is paced by turnover. Adjustment is slower when unemployment is rising because firms must wait for the relatively stable full-time employees to turn over before replacing them with part-timers; when unemployment is falling firms are replacing rapidly-turning-over part-timers<sup>6</sup>.

### Relaxing some assumptions

Relaxation of some assumptions changes the look of the model, but it appears that the model can survive at least small changes. For example, suppose that firms can adjust the full-time/part-time compensation differential. A modification within the spirit of the model would be that firms can decrease turnover either by creating more full-time jobs or by raising the pay of part-timers. The question, then, is how firms decide on the combination of compensation and full-time rate--price and quantity, if you will--adjustments to use. The interviews suggest reasons that compensation adjustments may be costly or difficult. Compensation must be increased for all of the part-timers--including the fraction (a majority in many firms) that is working part-time voluntarily. If the pay scale is pegged to entry-level part-time wages, then pay increases to part-timers may entail significant ripple effects. Union restrictions may make it difficult to adjust compensation

(although they may also make it hard to adjust the rate of full-time employment). And efficiency wage considerations may lead to a rigid wage differential. Similar reasons could be posed in reverse for the insurance industry. Thus, even in a model where some wage adjustments are possible, firms are also likely to use the "hidden wage adjustment" of changing the rate of full-time employment.

A second modification is to give workers more instruments for optimizing. In the model as is, unemployed and involuntary part-time workers search for full-time jobs every period. A natural modification would be to make their search intensity a function of the costs and benefits of search. The benefits of search, in turn, would depend on the unemployment rate and the rate of full-time employment. For part-time workers, the optimization problem would be

$$(9.7) \quad \max_s (sfV - C(s))$$

where

- s is search intensity (expressed, say, as the probability of searching in a given period)
- f is the probability of finding a full-time job, as before
- V is the difference in present value between a part-time job and a full-time job
- C(s) is the cost of search

Assume that the cost of search is increasing and convex,  $C'(s) > 0$ ,  $C''(s) > 0$ . Also assume that the resulting equilibrium is a Nash equilibrium, in which each worker takes other workers' search intensities as given, so that  $f'(s) = V'(s) = 0$  in

the worker's optimization problem. Then the first order condition is

$$(9.8) \quad fV = C'(s)$$

Then higher probability of finding a full-time job,  $f$ , leads to a higher equilibrium  $C'(s)$ , and thus a higher search intensity  $s^7$ . When decreasing unemployment increases workers' chances of finding a full-time job, they search harder, too. As a consequence, firms have to adjust  $n_F$  further to reach a new equilibrium. But the basic structure of the model is not affected.

Firm heterogeneity poses bigger problems for the model. In the original model, unless firms have an equal cost locus identical to the labor market average, they will end up with either all part-time or all full-time employees. This results from the facts that part-time turnover is determined external to the firm (by the probability of finding a full-time job), and that firms look at a knife-edge choice (either part-timers are less costly than full-timers, more costly, or the the cost is identical). Both of these features of the model could be modified. For example, firms could influence part-time turnover by adjusting wages, as suggested above. And part-timers could be arrayed along a productivity spectrum, so that small turnover changes only induce firms to substitute between low-productivity part-time workers and full-time workers--a truly marginalist model.

Finally, the model could conceivably be enriched by the inclusion of a variety of institutional details, possibly including the specification of different interests among managers, the role of unions, and so on. But here the usefulness of a formal model breaks down. The model is useful for pointing to a narrowly economic motivation for changing the rate of part-time employment over the business cycle, but the way that this motivation interacts with other motivations in real actors is something that can be understood better in non-mathematical terms.

#### Concluding comments

The foregoing discussion of relaxation of assumptions indicates that the formal model is unrealistic in many ways, but that the basic mechanism postulated could well interact with other mechanisms to determine the overall cyclical pattern of part-time employment. The model provides a way of thinking about some possible reasons for long-term change, such as decreasing training costs. It also raises some intriguing issues: for example, could a labor market get trapped in a "corner solution" with a high rate of part-time employment?

In any case, beyond the strengths and weaknesses of the model itself, the aggregate and interview data strongly suggest that a "hidden wage reduction/increase" mechanism is operative in the contracyclical pattern of involuntary part-time employment--and that a similar mechanism may drive a contracyclical pattern in involuntary full-time employment.



## Notes

<sup>1</sup>However, inclusion of industry shares does eliminate any significant time trend. This confirms the results of shift-share analysis reported below in Chapter 9.

<sup>2</sup>However, other factors impinge on the difference between the two labor markets, and given the nature of the sample, no statistical inference is possible.

<sup>3</sup>As noted in note 2, the gap between Boston and Pittsburgh companies is due in part to differences other than the differing unemployment rates of the two cities. The section on "Pittsburgh vs. Boston," below, discusses this point. Also, the small size and non-random nature of the sample preclude statistical inference.

<sup>4</sup>The second derivative of T is not necessarily negative throughout the interval, so that the schedule is not necessarily concave to the origin as shown (even though it only has a single maximum). However, the static and dynamic properties of the model to be addressed below depend only on the first derivative, so no generality is lost in drawing the schedule this way.

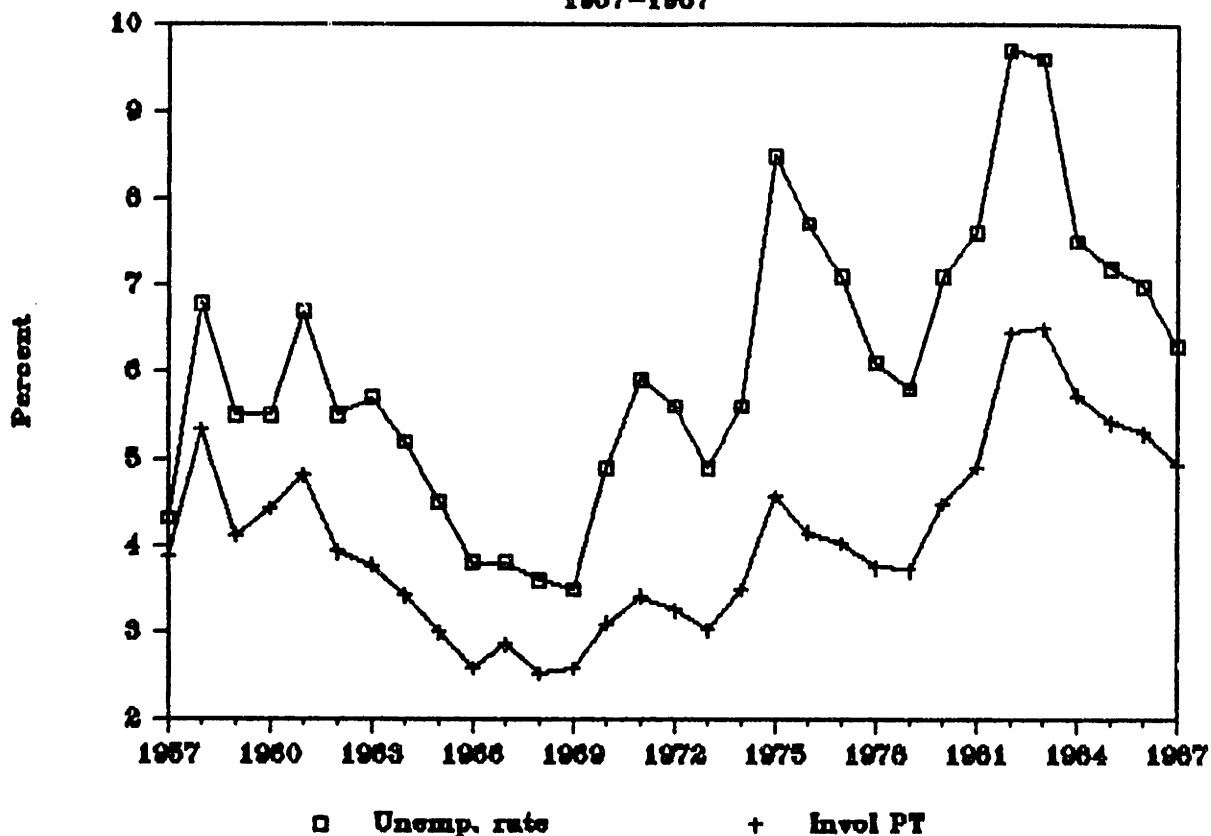
<sup>5</sup>This point will not exist if part-timers are less costly even with 100% turnover. This possibility is unrealistic and not terribly interesting.

<sup>6</sup>Bednarzik (1975) explains these facts by work-sharing adjustments. His explanation surely has some truth to it, but is less satisfactory in 1988 than in 1975, given the decreasing proportion of part-time employment accounted for by work-sharing.

<sup>7</sup>This effect is somewhat offset in equilibrium by the impact of a worker's changing search intensity on the search intensities of other workers. It is also offset by the fact that  $V'(f)$  is negative (since the difference in value between a part-time job and a full-time job narrows when the probability of finding a full-time job in a subsequent period rises. These are both second-order effects.

Figure 9.1

# Unemployment and involuntary PT work 1957-1987

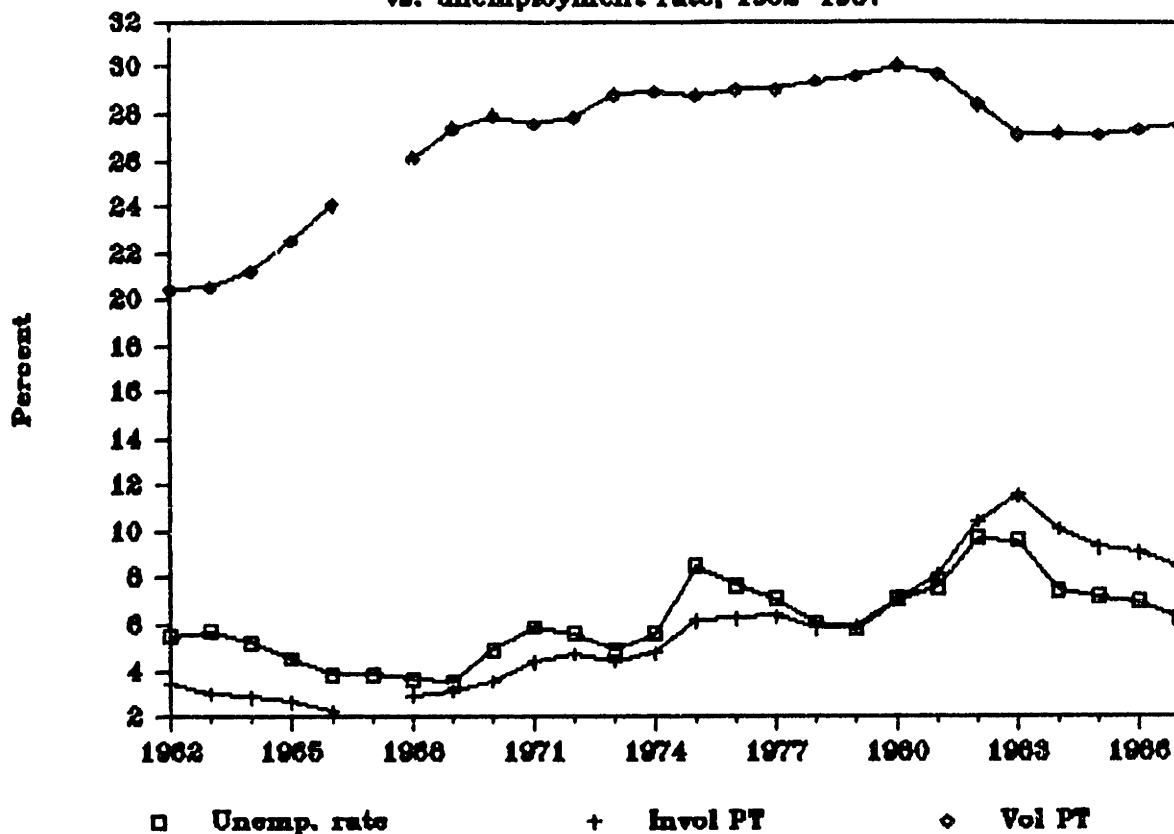


Note: Rate of involuntary part-time employment includes nonagricultural industries only.

Source: U.S. Bureau of Labor Statistics, Employment and Earnings, various dates.

Figure 9.2

# Rate of part-time employment in retail vs. unemployment rate, 1962-1987

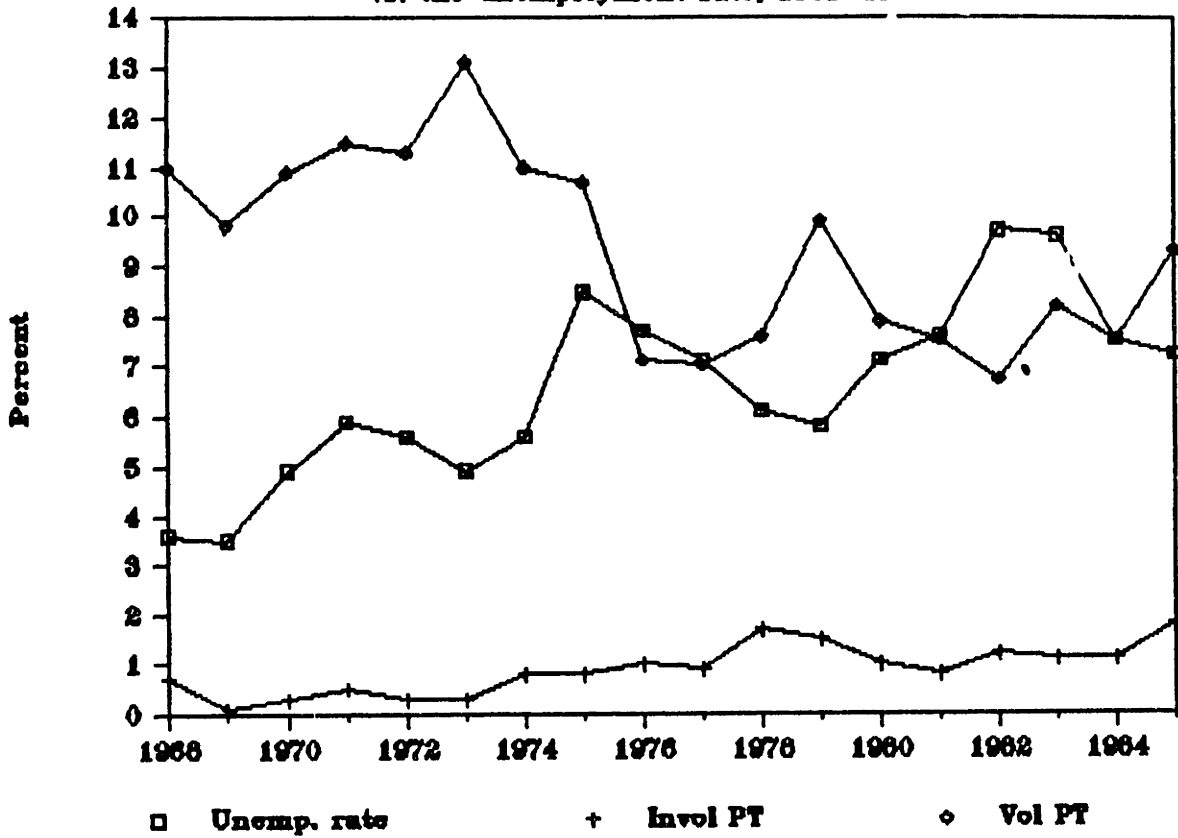


Note: From 1968 onward, retail figures include people with a job but not at work.

Source: U.S. Bureau of Labor Statistics, unpublished CPS figures provided by Thomas Nardone (retail figures), and Employment and Earnings, various dates (unemployment).

Figure 9.3

### Rate of PT employment in insurance vs. the unemployment rate, 1968-85



Note: Insurance figures include March CPS only, rather than annual averages. This helps to explain observed volatility.

Source: Insurance figures computed from CPS computer tapes by the author; unemployment figures from Employment and Earnings, various dates.

**TABLE 9.1**  
**Industry composition effects and within-industry effects on**  
**cyclical movements in the fraction of the at-work population**  
**working part-time**

a) GLS regression of percentage of nonagricultural wage and salary workers working part-time on time trend, unemployment rate, and fraction of at-work population employed in eight major industries (t-statistics in parentheses)

	(1)	(2)	(3)	(4)
Trend	---	---	0.011 (5.0)	0.0017 (.93)
Unemployment rate	0.48 (11.1)	0.59 (3.2)	0.48 (10.2)	0.62 (3.0)
Percent employed by each industry:				
Construction	---	1.7 (2.0)	---	1.9 (1.95)
Durable manufacturing	---	1.8 (2.8)	---	1.8 (2.3)
Nondurable manuf.	---	1.2 (1.9)	---	1.7 (1.5)
Transportation, communication, & utilities	---	0.6 (1.1)	---	0.9 (1.1)
Trade	---	1.2 (2.2)	---	1.4 (1.7)
Finance, insurance, and real estate	---	2.1 (2.6)	---	1.5 (1.8)
Service	---	1.8 (3.2)	---	1.7 (2.5)
Public administration	---	1.4 (2.7)	---	1.8 (2.1)
Adjusted R <sup>2</sup>	.983	.985	.986	.984

Continued on next page

**TABLE 9.1, continued**  
**Industry composition effects and within-industry effects on**  
**cyclical movements in the fraction of the at-work population**  
**working part-time**

**b) Hypothesis tests**

- (i) t-test of the hypothesis that the coefficient on the unemployment rate = 0
- |                 |              |                        |
|-----------------|--------------|------------------------|
| On equation (2) | $t_{14}=3.2$ | Reject at the 1% level |
| On equation (4) | $t_{13}=3.0$ | Reject at the 1% level |
- (ii) F-test of the hypothesis that the vector of coefficients on the industry shares = 0
- |                       |                  |  |
|-----------------------|------------------|--|
| On equations (1), (2) | $F_{8,14}=1.593$ | Accept at the 20% level, reject at 25% level |
| On equations (3), (4) | $F_{8,13}=1.412$ | Accept at the 25% level, reject at 30% level |

Source: Annual data for 1962-86 from Employment and Earnings, supplemented by unpublished data from the Bureau of Labor Statistics (all based on Current Population Survey).

Note: Regressions include a constant and correct for first-order serial correlation. Omitted industries are mining, forestry, and fisheries.

**TABLE 9.2**  
**Reported employer changes in the rate of part-time employment**  
**in reaction to changes in labor market tautness**

<u>Labor mkt change</u>	Number of companies where interviewees reported:			
	An increase in part-time rate		A decrease in part-time rate	
	<u>Retail</u>	<u>Insurance</u>	<u>Retail</u>	<u>Insurance</u>
1) Tighter	-	5	5	-
2) Looser	1	-	-	1

Source: Interviews by author

**TABLE 9.3**  
**Average rate of part-time employment by city and type of retail**  
**and insurance enterprise**

<u>Type of company*</u>	<u>Boston/New York</u>	<u>Pittsburgh/W. PA</u>
a) Retail		
Supermarkets	63.8%	77.5%
Convenience stores	48.5%	65.0%
b) Insurance		
Life, property & casualty	4.8%	1.2%
Group health	20.0%	1.0%

\*Companies are classified by their major line of business.

**Note:** Unweighted averages. Because samples are small and non-random, statistical inference from these sample proportions is not possible.

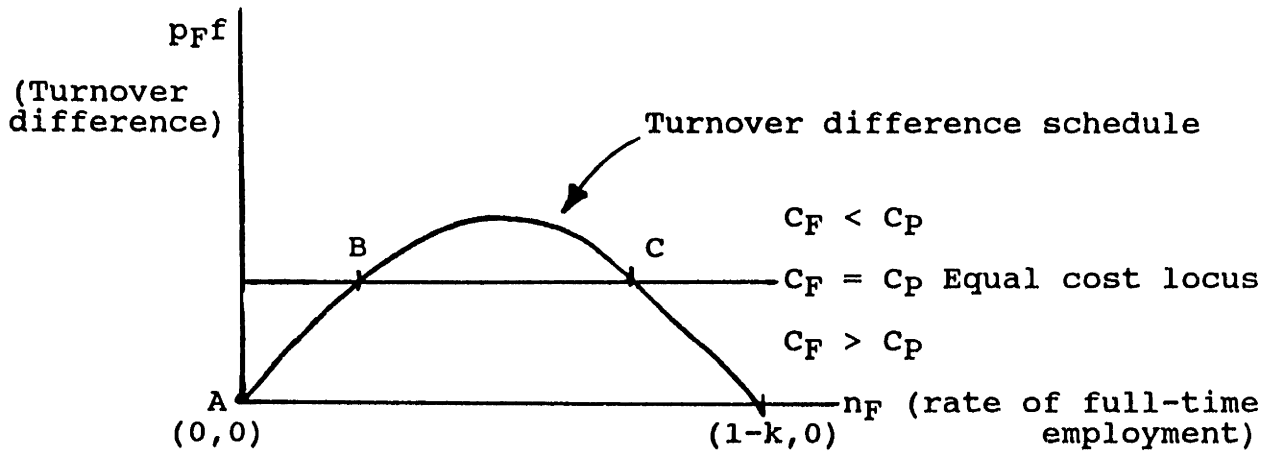
Source: Interviews by author

**TABLE 9.4**  
**Full-time and part-time turnover rates at a SuperValu**  
**supermarket, 1985-1987**

<u>Year</u>	Annual turnover rate, %	
	<u>Full-time</u>	<u>Part-time</u>
1985	13.2%	51.1%
1986	10.5	72.5
1987	17.0	100.7

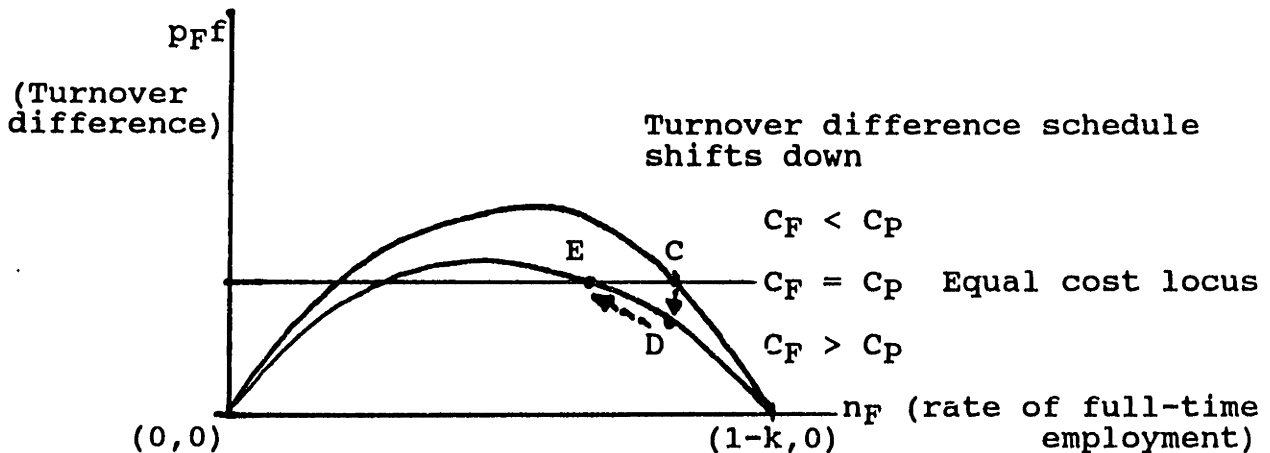
Source: Interview VII.B

**FIGURE 9.4**  
 Graphic representation of labor market equilibria in  $p_{Ff}$ - $n_F$  space



Note: See text for explanation. Arrows show sign of  $dn_F/dt$ .

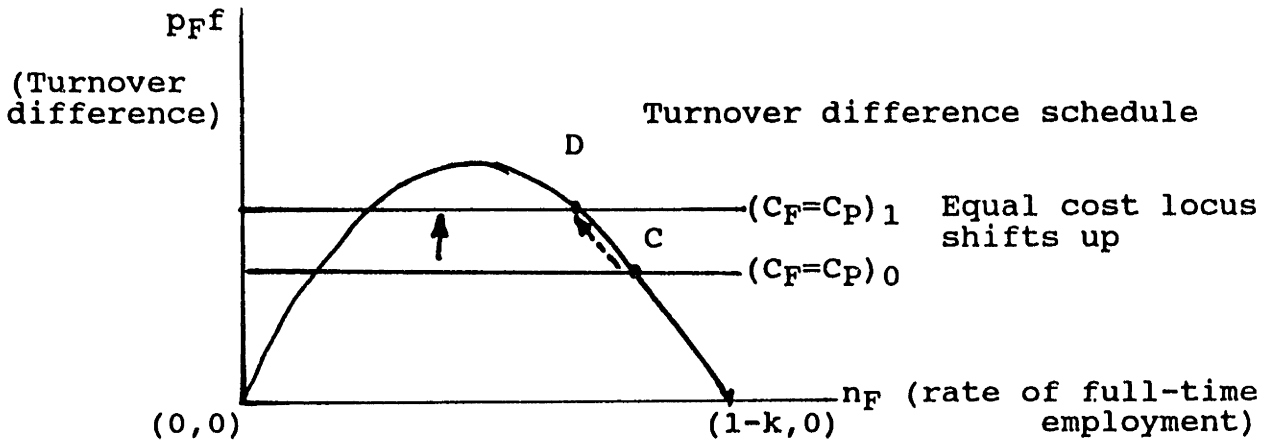
**FIGURE 9.5**  
 Static and dynamic effects of an increase in unemployment



Note: See text for explanation.

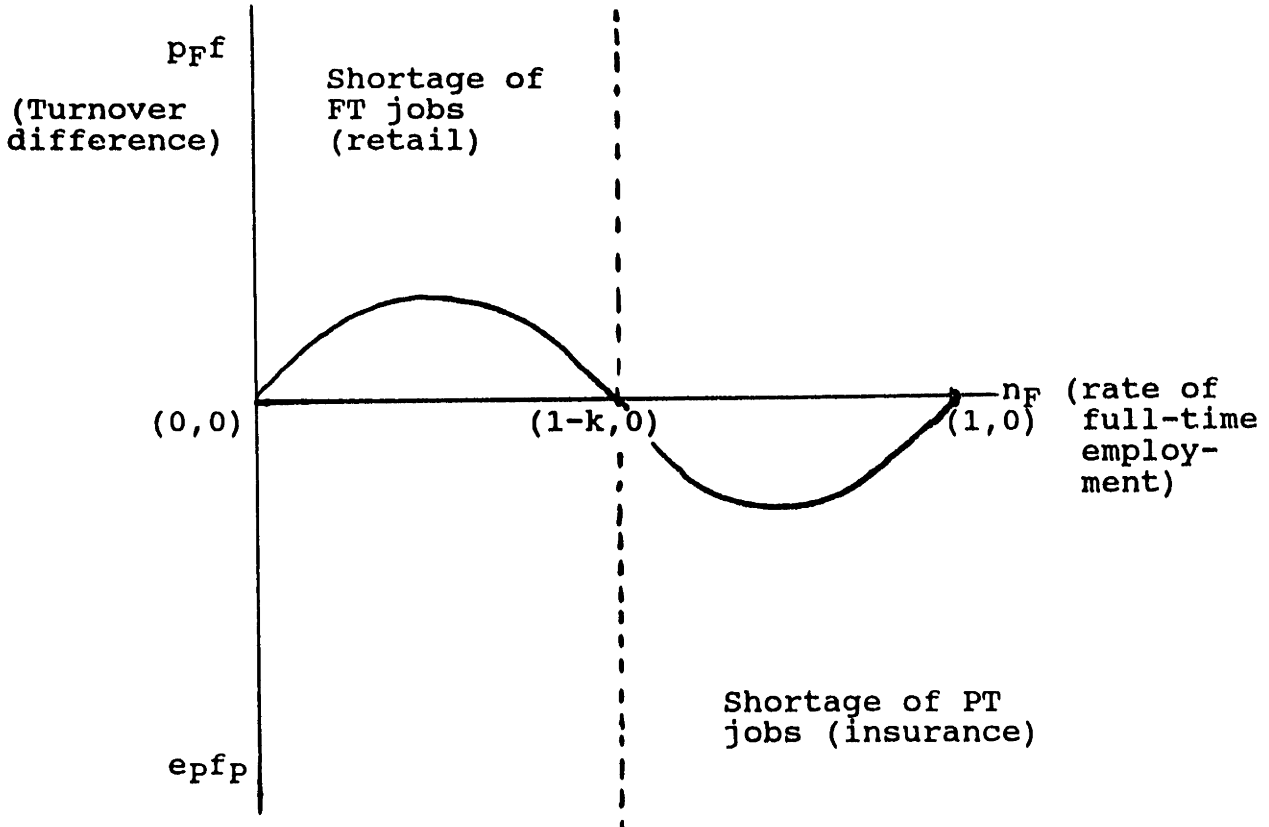


**FIGURE 9.6**  
Effects of a decrease in training costs



Note: See text for explanation.

**FIGURE 9.7**  
Turnover difference schedules in retail and insurance labor markets



Note: See text for explanation.

**Chapter 10**  
**Change in the rate of part-time employment, II:**  
**Secular growth**

The rate of part-time employment continues its secular rise. The rise is demand-driven. In fact, almost all of the increase is due to growth in the rate of involuntary part-time employment. Why are employers creating more part-time jobs if workers don't want them?

The findings of the last several chapters suggest a particular view of this growth: If what's growing is largely involuntary part-time employment, the jobs must be secondary part-time jobs. Companies using secondary part-time employment can realize economic advantages from it even when a substantial proportion of the part-time workers are involuntary. And if secondary part-time employment is expanding, this must be tied to the spread of secondary labor markets.

This chapter supports these views, and adds two new sets of findings about the growth of part-time employment. First, the demand-driven spread of secondary part-time employment represents two distinct structural changes: the growing employment share of the service industries that have had large secondary labor markets all along, and growing use of secondary labor markets within many industries. The former accounts for more of the total growth of part-time employment, but the latter is particularly interesting from the standpoint of understanding how labor markets change.

Second, the cases of within-industry expansion of secondary part-time employment that emerge from the interview data follow

a pattern that is uniform in some respects. Schematically, changes in an industry's available technology coupled with competitive pressures lead firms to shift the boundary between secondary and primary labor markets. The shift is slowed by institutional frictions, and in some cases the change has stretched over decades.

### Changing industry composition of employment and within-industry change

The growth of part-time employment reflects increases both in the fraction of the total workforce that is located in the industries with a high rate of part-time employment, and in the rate of part-time employment within most industries.

Most of the recent secular growth of part-time work can be explained by changes in the industry composition of employment, involving the relative growth of the industries that use the most part-timers. As shown in Table 10.1, if rates of part-time employment within each industry had remained at 1969 levels but each industry had followed its actual employment growth pattern, part-time workers would have risen from 15.5% of the workforce to 17.1%--two thirds of the way to the actual 1987 level of 17.9%<sup>1</sup>.

Time series regression analysis confirms this finding. A comparison of specifications (3) and (4) in Table 9.1 (in the previous chapter) shows what happens when industry shares are added to an estimating equation for the rate of part-time employment that includes a time trend. The time trend coefficient, large and significant when no industry shares are

included, becomes dramatically smaller and insignificant when the industry shares are added--indicating that indeed, most of the trend growth is due to changing industry shares of employment.

The evidence indicates that the industry composition effect represents the growth of secondary part-time employment rooted in secondary labor markets. Of the 1.6% increase in the part-time rate accounted for by changes in industry shares, a full 1.4 percentage points are explained by the growth of trade and services. In fact, between 1969 and 1987, part-time workers in trade and services rose from 11.1% to 14.2% of all nonagricultural wage and salary workers. These are the industries where secondary labor markets are particularly prevalent. And to the extent that retail trade is representative of these industries, they are precisely the industries where secondary part-time employment is most common. Analysis by occupation confirms this finding: part-time workers in clerical, sales, and service occupations climbed from 9.5% to 11.8% of all nonfarm workers between 1969 and 1987<sup>2</sup>.

Why has employment growth in the trade and service industries been so rapid? The reasons are several. These industries have grown in relative terms because the changing international division of labor has increasingly shifted manufacturing to other countries. The absolute level of demand for the the output of the services and trade industries has expanded in a number of areas. Final demand for consumer services has grown via the commoditization of goods formerly

produced at home (breakfast at McDonald's), in part because women entering the workforce no longer provide many of these services through the family. Intermediate demand for producer services has boomed because of the growing importance of specialized business services (legal advice, advertising, accounting) to doing business successfully. Productivity growth in services and trade has been very slow (when positive), so that increases in output have translated directly into increases in employment. And finally, the use of low-cost secondary labor markets has made the growth in demand possible, enabling employers in these industries to keep prices relatively low despite lagging productivity growth.

The employment growth of industries that are heavy users of part-time work is numerically important, but the growth of part-time employment within industries is potentially more interesting. As Table 10.2 shows, the rate of part-time employment in every major industry except for services rose between 1969 and 1987. In many cases, the increase took place even though the rate of voluntary part-time employment declined. Why does the rate of part-time employment rise within particular sectors? The next section suggests some answers.

### **Structural change within industries and the growth of part-time employment**

Once we look within an industry, changes in the rate of part-time employment can once more be broken down into changing composition and change within subgroups. For example, it was

pointed out in Chapter 4 that much of the growth of part-time employment within retail trade resulted from the disproportionate expansion of eating and drinking places. But what's most interesting is changing patterns within fairly narrowly defined sub-industries. This is where the pressures on employers stand out in sharpest relief, as employers choose not to do things the way they always have been done. When change in employment within these sub-industries takes place, it can happen in one of two ways: either firms adapt, or they are supplanted by other firms that do things differently.

The sampled retail and insurance firms offer a microscopic look into the changing utilization of part-time work. The history of changing part-time employment in these firms and the sub-industries they are part of is fraught with industry- and even firm-specific details. Even so, a pattern emerges from this mass of details.

First of all, the large and long-term changes in the rate of part-time employment consist entirely of increases in the use of secondary part-time employment. The two such changes that are well-documented in the interviews are the shifts toward secondary part-time employment in supermarkets and health insurers, respectively.<sup>3</sup>

Second, these changes are triggered by changed technology and propelled by price competition. One reason that in these cases the secondary labor markets take the specific form of secondary part-time employment is that scheduling issues accompany the pressures for cost reduction.

Third, employers have expanded part-time employment even when it meant hiring more involuntary part-timers. This expansion marks a slow, sometimes decades-long reaction to the initial economic stimuli.

Fourth, the gradual nature of the change is explained by a variety of institutional barriers. But, fifth, once a critical mass of employers have expanded secondary part-time employment, the competitive pressures to follow suit are substantial-- because it can yield cost advantages even when it means a fall in productivity.

In what follows, these five features are examined one by one.

a) The expansion of secondary part-time employment

Among the companies surveyed, supermarket owners and health insurers have both dramatically expanded part-time employment. In both cases, it is secondary part-time employment that has grown.

As noted in Chapter 4, the rate of part-time employment in supermarkets increased from 35% in 1962 to 60% in 1985 (Progressive Grocer, 1986). The grocers created part-time jobs with reduced wages, benefits, and skill levels. According to a Boston union official, the chief motivation for the move to part-time work was to obtain cheaper labor (I.B). The industry press agrees:

"To cut labor costs by switching to lower-paid part-timers with fewer benefits, the industry's percentage of part-timers has continually grown...." (Sansolo, 1986, p.75)

Health insurers started increasing part-time employment much more recently, beginning in the late 1970s. The rate of part-time employment soared from less than 7% to over 24% at Healthco (VIII.A), and from less than 1% to 16% at Wellcorp (II.F). The third health insurer surveyed had just initiated a part-time job creation program months before the interview took place (IV.F.1). The part-time jobs reduced skills and fringe benefits. At Healthco, for example,

"The benefits package at [the suburban facility] ran at about 25% of salaries, while the corresponding figure in Boston was approximately 40%." (VIII.H)

**b) What drove the changes**

In both grocery stores and health insurance companies, a technological change led to the initial use of part-timers. The technological changes--in one case lengthening store hours, in the other computerization of claims processing--raised scheduling difficulties that specifically favored part-time employment. Once part-time jobs were introduced, the prospect of reducing labor costs hastened their spread.

The extension of supermarket hours--a change in product technology--initially sparked the growth of part-time jobs in retail food. Said a supermarket chain's personnel director, "The thing that forced the part-time issue was hours." He amplified:

"At that time, we and other stores were basically full-time. Those hours modules could be worked by full-timers....With the flight to the suburbs, and women in the workforce, convenience led to longer hours....As hours started expanding...you couldn't efficiently staff without



part-timers, unless you wanted to have overlapping schedules and redundancies....[Our company] had to meet the competition. Nonunion companies always had the flexibility to use as many part-timers as they wanted. We were forced to go along for competitive reasons." (I.A)

Once the issue was forced, other advantages of part-time jobs became apparent to retailers. A retail union official recalled,

"The retail industry woke up one day. The light bulb went on. They got the profit and loss picture, and started to create more part-time for that reason. This started in early to mid '50s. Since then, it has grown and grown. In the late '40s, early '50s, the key was flexibility. Since then, the key is cost." (I.B)

Subsequent technological changes have permitted greater boosts in part-time employment. Supermarket operators have moved toward stores that are larger both in floor size and sales volume (Cornell University, various years). Since the full-time core of department managers and one or two full-timers per department does not grow proportionally with store employment, larger stores have higher rates of part-time employment (Progressive Grocer, 1988). Innovation in food processing--such as the introduction of boxed beef--has further shrunk the full-time skilled labor force in supermarkets. A supermarket manager commented,

"The meatcutters in the supermarkets nowadays don't do what they used to....Because you took out a few steps of processing the cattle. We have automatic wrapping machines....[T]he clerk, the wrapper only needs to program in pricing to it and make sure all the proper stickers are on it and then stock it in the case." (III.A.1)

Given this automation, stocking the meat case, according to retail analyst Burns (1982), "is no different from stocking cans in the grocery section of the store" (p.41).

In health insurance, the key technological change was the development of comprehensive software packages for claims processing. This innovation came in the midst of strong pressures for cost reduction in the health insurance field (VIII.A.1, VIII.H, Richman, 1986). The health insurance case thus supports Appelbaum's (1987) hypothesis (described in Chapter 2) that automation and heightened competition lead to the use of part-time and other contingent work forms.

As described in Chapter 7, Wellcorp used a new, on-line claims system to de-skill the benefits approver job and staff many of the functions with part-timers. Because of the routinized nature of the work, a Wellcorp informant reported,

"We get our best production in data entry for four to five hours a day." (II.F)

The Healthco story, also begun in Chapter 7, is complicated by the addition of suburbanization. At Healthco, the adoption of a computerized claims system led to a tremendous turnover and a search for a new kind of workforce. The executive who initiated the search noted,

"We also wondered whether one of our problems was the eight-hour day. When a keyer sits at a CRT [cathode ray terminal, also called VDT] all day, you get maybe six hours' worth of productivity before debilitating fatigue sets in. We thought a flexible workday might accomodate our new processing system, but the home office wasn't the right environment for making such a change." (VIII.H)

A Healthco task force selected a suburban location "where the people were that needed jobs," as one claims manager put it (VIII.D), and tested the waters by running an advertisement for "Full time/Part time positions" (VIII.H). When applicants showed up,

"[W]e had them fill out a survey. So we left it up to the people. We said, "Tell us what hours you want." And they chose six hour shifts, with one break. And that's how we ended up with what we have in [the suburban facilities]." (VIII.F)

The manager who headed the task force noted that the applicants' choice of part-time hours had been foreseen:

INTERVIEWER: Given the VDT productivity issue, if people had expressed a preference for an eight-hour shift, would you have created eight hours?

MANAGER: It didn't happen that way. The way the questionnaire was designed, they could have answered it that way. It asked when they would like to begin and end work, in half hour increments from 7 in the morning till 9 at night. So they could have picked 9 to 5. Even though we had a bias for part-time because of the fatigue factor on the VDTs, it could have come out differently.

INTERVIEWER: So it was fortuitous that it came out the way it did?

MANAGER: I don't know if I'd call it fortuitous. I'd call it: we guessed right. We were creating jobs close to people's homes, they had other obligations and lifestyles.... (VIII.G)

Once the part-time experiments at Wellcorp and Healthco proved successful at reducing labor costs, both companies moved to convert more areas to part-time. At Wellcorp, for example,

"Our whole drive is to go toward more part-time jobs. It's very cost-effective." (II.F)

c) In spite of what workers want?

Why have employers continued to pile up part-time jobs if, at the margin, increases in the rate of part-time employment are involuntary? After all, involuntary part-time employment may come as an acceptable adjunct to secondary part-time jobs and to rigid compensation differentials, but it surely has costs to employers--costs that rise as the fraction of involuntary jobs rises. The behavior of employers is particularly perplexing if, as postulated in the previous

chapter's model, they keep a close watch on turnover-related costs and adjust their use of part-time employment accordingly.

A closer look at what grocers have done offers a solution to this paradox. Although some companies have adjusted the rate of part-time employment up and down as unemployment fluctuated, many other retailers simply set their sights on expanding part-time employment as long as thirty years ago, and have only backed off from this goal over the last couple of years as the labor market became extremely tight. In other words, it took employers literally decades to reach an "equilibrium."

The testimony of SuperValu's personnel director paints precisely this picture:

"[I]deally, we would have wanted [the rate of part-time employment in the stores] to go up, and it did for a long time. The only reason it stopped was because of the labor market. It started going down about one and a half years ago. We were as high as 80% [part-time] and even higher in some stores....I started eleven years ago. At that time, the ratio was about 70:30." (VII.A.1)

During the 1950s and 1960s, employer expansion of part-time jobs was ratified by the labor market entry of housewives and youths who wanted part-time work. But between 1979 and 1987, the rate of voluntary part-time employment fell from 24.6% to 22.9% in retail, even as retail's total rate of part-time work climbed slightly. Retailers were replacing voluntary part-timers with involuntary ones.

By the time food retailers began to reduce part-time employment in the mid-1980s, there was some evidence that the supermarket operators had not been optimizing, but

overshooting. According to Progressive Grocer magazine (1986),

"Some retailers are rethinking the pros and cons of part-timers vs. full-timers. The high turnover rate and costs of training replacement employees may outweigh the advantages of part-timers. These operators point out that full-timers tend to be more loyal and add stability to a store's staff. Another problem today is the difficulty some retailers experience in locating enough part-timers."  
(p.62)

None of the retailers interviewed measure productivity or absenteeism separately for part-timers and full-timers, and some don't even keep separate turnover records (I.G). Thus it is quite possible that in their enthusiasm for reducing average wage and benefit costs and matching staffing to demand patterns, retailers overlooked the costs of part-time employment.

If in the aggregate many retailers have found the upper limit of part-time employment during the current upturn, then in the future more of them would be expected to follow the cyclical pattern outlined in the previous chapter. Cyclical fluctuations would then grow at the expense of the trend.

Like the retail food companies, the health insurers in the sample have been gradually increasing part-time employment after an initial stimulus. Unlike the retailers, they have not yet reached a point where they are doubling back or even levelling off toward more use of full-time employment.

#### d) Friction in the system

If the long-term growth of part-time employment in the companies in question is largely a gradual reaction to changes that took place up to thirty years ago, the obvious question is

why it took them so long to change. One source of friction is that both grocers and insurers converted full-time jobs to part-time strictly by attrition (I.B, VIII.F). After all, as one Healthco manager said,

"[I]t would be punishment to revert [full-timers] to part-time, unless it was their choice, of course." (VIII.F)

But a variety of other institutional barriers to change have further slowed the spread of secondary part-time jobs.

In the supermarket business, the "light bulb" didn't actually just "go on" at a particular point. There has been a learning curve. Over time grocers have become more acutely aware of possible cost savings from the use of part-timers, and have implemented management mechanisms to foster this use.

At SuperValu, the personnel director pointed to the impact of "increased knowledge, increased reporting of what full-time pay is actually costing us" (VII.A.2). A SuperValu store manager offered a more detailed description of the change:

MANAGER: Before, [the staffing process] was catch-as-catch-can. The manager basically decided. Then there was the development of a specific department [the Targeting Department in Management Information Systems] to give you information. It's a tool. Sometimes you use it, sometimes you don't....

INTERVIEWER: So that department didn't exist before?

MANAGER: No, it existed before, but it was pretty loose. It didn't give very precise information.

INTERVIEWER: Is the improvement because of computers?

MANAGER: It's partly because of computers. (VII.B)

And a union official added that,

"At first, store managers were told 'you have so many man-hours to handle the volume.' But then, it became dollar-man-hours." (I.B)

Even to the extent that supermarket operators had a clear goal of expanding part-time jobs, a number of other frictions

slowed them down. The retail unions opposed--and continue to oppose--the growth of part-time employment (I.B, III.B). This resistance slowed the expansion of the part-time ranks among clerks and cashiers, although it did not reverse it. Retailers are still working to overcome union resistance to part-time jobs among meatcutters, warehouse workers, and truck drivers. At one supermarket chain, the personnel director declared,

"We have problems contractually with working [people] part-time in the warehouses. That's going to have to break down. Next month, the contract with our major warehouse comes up. We can't have stores that never close, and warehouses that run from 9 to 5. It broke down in the stores, and it must break down in distribution."  
(I.A)

The decreasing rate of unionization in supermarkets (from 56% unionized in 1976 to 53% in 1987 among chains; from 25% to 16% among independents) means that fewer and fewer retailers face this particular barrier to the creation of part-time jobs (Progressive Grocer, 1977, 1988).

Store managers also sometimes resist the expansion of part-time employment, as described in Chapters 7 and 8.

Pittsburgh represents an interesting special case in the evolution of supermarkets toward an overwhelmingly part-time workforce. Retail food in Pittsburgh lagged far behind Boston in the rate of part-time employment up to the mid-1970s, but then rapidly overtook Boston in a rush toward part-time employment in the last ten to fifteen years. In effect, Pittsburgh went through a sped-up version of national trends. Whereas in Boston the shift to a low-wage part-time labor strategy took place somewhat gradually via adaptation by the

large chains, in Pittsburgh the shift took place suddenly, via succession of the large chains by independents. Six food chains left Pittsburgh during the 1970s (III.B, III.F, III.K, III.L, III.M).

Three factors caused and shaped this speedy transformation of Pittsburgh's retail food sector. (1) The rapid decline of heavy manufacturing (particularly steel) in Pittsburgh drove up displacement and the unemployment rate. (2) The independent supermarkets adopted an aggressive competitive strategy of low wages, high utilization of part-time employment, and low prices. (3) Union strength in the chains, which accounted for the low rate of part-time employment to begin with, prevented the chains from matching the independent strategy. The result was that the rate of part-time employment among non-management employees in Pittsburgh stores shot up from "a fifty-fifty ratio" or less in the early 1970s to "90 percent or 85 percent" in 1987 (III.B).

An independent store manager summed up the change:

"[T]en years ago our [Pittsburgh supermarkets'] prices were very high, and our rates of pay were very high. Now, our prices...are very low, and our rates of pay are very low, and we're dealing with basically the part-time people." (III.H)

In the health insurance business, it is not union resistance but management reluctance that explains the uneven spread of secondary part-time employment. For example, Eternal Life, though predominantly a life insurance company, had a group health line as well. The claims processing technology used by Eternal Life appears to be similar to that used by



Healthco and Wellcorp: "It's all computerized, and has been for a long time" (IX.A.2). But Eternal Life's culture precludes the secondary part-time option, as the company's personnel director pointed out in an assessment of third-party administrators (TPAs), which have adopted claims-processing procedures similar to those of Healthco:

"[T]hey are paying their workers sweatshop wages and offering them no benefits at all....They also take advantage of workers, particularly of women, because they play into the interests of women to work on a part-time basis and they have night hours, they pay their claims at night and they get the housewives who can go to work when the husbands come home and that sort of thing. It's a different philosophy of how you treat employees and it's driven by economic realities, and I suppose if things got tough enough it could come to [our company using those methods], but I don't think it will....There are lots of ways to skimp, and those ways [are] inconsistent with our philosophy and culture and approach." (IX.B)

Competition is a harsh judge of corporate strategy. In the Pittsburgh grocery industry, price competition from the independents eventually drove the chains out of the city. In the case of Eternal Life, the company's personnel director admitted:

"[O]ne of the difficulties is that we are competing with TPAs and they are paying their workers sweatshop wages and offering them no benefits at all and we're offering good benefits, and it can hurt us in terms of a competitive position....It costs us a lot more to process claims than it does the TPAs and it is a big, big problem....I suppose at some point, if we decided to get out of that line of business and somebody did a post-mortem on what happened and why,...[o]ne of the answers is expenses overall...and that one of the expenses was personnel and benefits expenses." (IX.B)

Just months after this interview, Eternal Life announced plans to get out of the health insurance business "to refocus the company toward its mainline product: life insurance for the

upscale market" (IX.F).

e) The competitive context

In both retail and insurance, competition on the basis of keeping compensation down is a recipe for at best slow productivity growth. By expanding the secondary labor market, employers accepted low productivity to obtain even lower costs. The spread of part-time work surely contributed to the 12% fall in productivity in retail cited in Chapter 4. But as part of a competitive strategy, the expansion of the secondary labor market worked--at least in the short run. Many of the companies that tried to steer clear of this strategy, such as the Pittsburgh supermarket chains and Eternal Life, were swept out of the way.

This disjunction between productivity growth and competitive success suggests two things. First, short-term competition may be providing the wrong incentives--leading to the sacrifice of the long-term, dynamic advantages of productivity growth for the sake of short-term, static gains. But second, the companies that fell by the wayside did not succeed in making the opposite tradeoff. Instead of pursuing innovations that would make the most of a relatively skilled, committed workforce, they simply persisted in doing things the way they had always been done in a sheltered market. Eternal Life's sense of tradition and propriety was no match for Healthco's benefit-slashing switch to part-time jobs, but the development of specialized health insurance products might have

been.

### From case studies to industries

To what extent are the supermarket and health insurance cases typical of the retail and insurance industries? In retail, the expansion of part-time work in supermarkets appears to be typical of changes throughout the industry. The rate of part-time employment climbed in every single retail sub-industry between 1960 and 1980 (Table 4.1). The interviews also documented changes in retail sectors other than retail food. For example, a union representative for department store workers argued that their stores, too, had increased part-time employment to save on benefit costs (I.B). She estimated that,

"Since fifteen years ago, the stores have probably flipflopped in terms of ratios [of part-time to full-time]." (I.B)

And two convenience store informants reported long-term increases in the use of part-time employment that came to an end in the last several years:

PERSONNEL DIRECTOR I: [W]hen I started, and this goes back to '74, they automatically hired full-time. Now, toward the mid to late '70s they changed that and went to hiring part-time only. [This policy was relaxed about a year and a half ago.] (III.E)

PERSONNEL DIRECTOR II: The proportion of part-time changed two times in fifteen years, since the early 1970s. First, we consciously made a shift from full-time to part-time when I first came in fifteen years ago....We probably went to excessive part-time--almost completely part-time....So we made a slight adjustment back about four years ago. (III.C)

The experience of the health insurers as also not unique. An informant from a life insurance company commented that the company had been hiring a lot of part-time workers in claims

processing, much like the health insurers (II.B). But in the insurance industry as a whole, the rate of part-time employment has been on the decline since the early 1970s (Figure 4.2). A likely reason for the decline is that the low-level jobs that can easily be staffed by part-timers are also rapidly being thinned out by automation and consolidation. One Healthco manager said he was replacing full-time data entry clerks with part-timers, but went on to say that overall the fraction of part-timers in his department has declined over time. The reason: "I've put in ten or twelve system enhancements," decreasing employment by almost 40%--an employment cut which disproportionately removed junior and less-skilled workers (VIII.F).

#### **An end to the growth of part-time employment?**

Many of the grocers in the research sample seem to have peaked in their use of part-time jobs, and seem likely to further increase part-time employment only to the extent that the labor market slackens. Is this a sign that the secular growth of part-time employment is ending?

The answer is that it certainly signals a slowing of the growth of part-time jobs. But an end to the increase is much less certain. For one thing, there may be many more potential "Pittsburghs" out there: geographic areas or sub-sectors where the expansion of part-time jobs has been delayed but where competitive pressures will eventually re-start that expansion. In addition, the example of Healthco and the other health

insurers suggests that there are many industries beyond the traditional part-time users that could suddenly discover the benefits of secondary part-time employment, especially given technological changes such as the spread of VDT use.

On the other hand, the health insurance example also raises the prospect of labor-saving automation that will replace the part-timers altogether. Such automation may lie in the future of supermarkets as well:

"Kroger's testing the cash register in Atlanta, Georgia, that basically doesn't need a cashier. And you know, that's almost 40 percent of our workforce, on the front end there....[I]t takes one person to run three cashiers, so we can reduce it by one third....You actually pick up your own merchandise and put it on a belt, and it's electronically, it takes it down a belt, and scans it, and then one cashier will take your money for three different [registers]...." (III.H)

Thus, the future of part-time employment takes on the quality of a tug-of-war between two forces. One force is the spread of secondary part-time jobs, sparked by technological changes, fueled by the prospect of cost-cutting, and speeded or slowed by the institutional environment. The other force is the elimination of low-skill jobs by automation. But rather than simply sitting back and watching the tug-of-war, it is possible to bring a third force to bear: public policy. Such policy could be used not only to reduce the spread of secondary part-time jobs, but also to create more retention part-time jobs. The concluding chapter, after summarizing the argument of the thesis and outlining areas for future research, addresses a policy agenda for part-time work.

## Notes

<sup>1</sup>17.9% is the 1987 rate of part-time employment for nonagricultural wage and salary workers at work, as opposed to the rate of part-time employment for all nonagricultural workers at work, 18.4%, which is cited elsewhere in this thesis. This difference appears because of the way that the BLS reports data.

Changes in industry composition play an even more important role in explaining the growth of part-time work in the most recent period. If the shift-share is repeated for 1979 and 1987, changes in industry share account for all of the growth of part-time employment.

<sup>2</sup>These years combine different occupational definitions, but for this kind of comparison the definitional changes don't matter much.

<sup>3</sup>To be sure, the interviews turned up plenty of other changes: for example, the broadening of retention part-time employment at Eternal Life (long-term, but a small change), or the reduction of secondary part-time employment by retailers in response to the tightening labor market (in some cases a large adjustment, but presumably not long-term).

**TABLE 10.1**  
**Industry composition of the labor force and rate of part-time employment, 1969 and 1987**

	-----1969-----		-----1987-----		
	As percent of at-work <u>population</u>	Percent <u>part-time</u>	As % of at-work <u>pop.</u>	Percent <u>part-time</u>	Percent PT held at <u>1969 levels</u>
Construction	6.4%	8.6%	6.0%	11.5%	8.6%
Durable manufacturing	16.7%	3.2%	12.3%	3.9%	3.2%
Nondur. man.	11.4%	7.8%	8.3%	8.2%	7.8%
Transport, communic., utilities	7.2%	7.8%	7.4%	8.5%	7.8%
Trade	20.6%	26.3%	21.5%	30.4%	26.3%
Finance	5.8%	10.5%	7.2%	11.4%	10.5%
Service	24.9%	26.2%	31.3%	24.5%	26.2%
Public admin.	6.2%	6.2%	5.2%	6.4%	6.2%
<u>Mining</u>	0.8%	5.0%	0.8%	6.1%	5.0%
All industries	100.0%	15.5%	100.0%	17.9%	17.1%

**Note:** Includes only nonagricultural wage and salary workers at work.

**Source:** Computed from Employment and Earnings, January 1970 and January 1988. Percent part-time in mining in 1969, which was not published separately, was computed from available information.

**TABLE 10.2**  
**Rate of involuntary, voluntary, and total part-time work by**  
**industry, 1969 and 1987**

	-----1969-----			-----1987-----		
	<u>Invol</u>	<u>Vol</u>	<u>Total</u>	<u>Invol</u>	<u>Vol</u>	<u>Total</u>
Construction	4.4%	4.2%	8.6%	6.9%	4.6%	11.5%
Durable						
manufacturing	1.4%	1.8%	3.2%	1.6%	2.3%	3.9%
Nondur. man.	3.4%	4.4%	7.8%	3.9%	4.3%	8.2%
Transport,						
communic.,						
utilities	1.8%	6.0%	7.8%	3.2%	5.3%	8.5%
Trade	2.9%	23.4%	26.3%	7.5%	22.9%	30.4%
Finance	1.0%	9.5%	10.5%	1.9%	9.5%	11.4%
Service	3.1%	23.1%	26.2%	5.5%	19.0%	24.5%
Public admin.	0.8%	5.4%	6.2%	1.3%	5.1%	6.4%
<u>Mining*</u>	1.6%	3.4%	5.0%	3.9%	2.2%	6.1%
All industries	2.5%	13.0%	15.5%	4.7%	13.2%	17.9%

\*"1969" figure for mining is from 1976, because earlier figures are not available in published form.

Note: Includes only nonagricultural wage and salary workers at work.

Source: Computed from Employment and Earnings, January 1970 and January 1988.



## Chapter 11 The case for new policies

This thesis began with a discussion of the maldistributive effects of the growth of part-time employment. The findings presented in the chapters that followed offer a detailed look at how part-time labor is used by service industry employers, and what shapes employer decisions about part-time jobs. Based on these findings, how effective are current labor market policies at alleviating the distributive--and efficiency--problems posed by part-time employment? What modifications or extensions of these policies are called for?

This chapter addresses these questions in three steps. First, existing U.S. policies--including collective bargaining agreements as well as governmental policies--that affect part-time work are briefly reviewed, and contrasted with policies in other countries. The second step is to assess the equity and efficiency problems that persist in spite of these policies. And third, a set of policy changes is proposed.

### Current policy approaches

To obtain an accurate sense of current policies, it is necessary to disentangle rhetoric from reality. At the level of ideological pronouncements, representatives of business and labor have proposed sharply divergent approaches to part-time employment. Business spokespeople have claimed that the growth part-time employment and other flexible work forms are essential to restoring efficiency and competitiveness to U.S.

industries. In the words of Audrey Freedman, at that time chief economist of the Conference Board,

"I don't think we're going back to any fixed arrangement [between employers and workers]. I think that this time of fluidity is not momentary. We needed it in order to have an adaptive economy. If we don't have an adaptive economy, we are really going to be behind the eight ball." (Quoted in Worsnop, 1987, p.293.)

Labor leaders, on the other hand, have opposed part-time employment as a threat to full-time jobs and compensation levels. The AFL-CIO's John Zalusky, the labor federation's main spokesperson on part-time work, exemplifies this hostility:

"This nation sorely needs more jobs, not different ways of pulling people into the labor market, or repackaging the 40 hour workweek, or redefining the relationships of employee/ employer and work. What is being created is a new sub-class of workers." (in Bureau of National Affairs, 1986, p.98)

But at the level of practice, the policies and collective bargaining agreements that affect part-time employment exhibit quite a bit more subtlety. The remainder of this section summarizes the current state of (a) government policies, (b) union collective bargaining approaches, and (c) policy and collective bargaining initiatives developed in other countries, particularly in Europe.

#### a) Government policies

A variety of laws affect the use of part-time employment, both directly and indirectly. On the whole, as noted in Chapter 8, the indirect regulations probably have a larger effect.

The major direct regulations are three: (1) The Federal

Employees Part-Time Career Act, 1978; (2) Various state short-time compensation (STC) laws, and supporting federal legislation; (3) Laws to facilitate and encourage payment of pension, health, and other benefits to at least some part-timers.

The Part-Time Career Act encourages the establishment of permanent part-time positions in federal jobs, with goals and timetables. Some states have adopted similar legislation covering state jobs. Short-time compensation offers partial unemployment benefits to workers whose hours are temporarily reduced for economic reasons. Between 1978 and 1984, STC programs were created in seven states (Kahne, 1985).

Finally, a number of federal and state laws support equal benefit coverage of part-timers. ERISA and Section 89 of the 1986 tax act were discussed in Chapter 8. In addition to these laws, Hawaii and Massachusetts have enacted laws requiring most employers to provide health benefits to all employees over a certain hours threshold. And in 1987 New Hampshire passed a law preventing insurers from barring part-timers from group health plans. The Wall Street Journal (1987) termed the legislation "apparently the first of its kind."

Laws with an indirect impact on part-time employment are a more varied lot. Laws mandating a wage premium for overtime (the Fair Labor Standards Act of 1938 and related subsequent legislation) encourage employers with variable workloads to use part-timers to take up the slack. Old Age, Survivors, and Disability Insurance, better known as Social Security, places

earning ceilings on benefit eligibility, creating an incentive for older workers to work part-time so that they can collect benefits as well. On the other hand, ceilings on the payroll taxes that fund Social Security and Unemployment Insurance mean that employers (sometimes) pay higher average tax rates on part-timers. The minimum wage places a limit on the part-time/full-time wage differential in low-wage industries such as retail.

More broadly, many types of legislation--such as college financial aid, truancy laws, and restrictions on teenage labor--affect the supply of potential part-time workers, while still other laws, such as equal employment opportunity/affirmative action, affect the demand. Even more broadly, a variety of policies--both macroeconomic and microeconomic--that are not directed primarily at the labor market affect part-time employment. For example, aggregate demand management helps to determine the level of involuntary part-time employment. And policies including trade, monetary policy, and military procurement shape the industry mix of employment and thus the share of jobs located in industries with high rates of part-time employment.

#### **b) Union approaches**

U.S. unions have a mixed attitude toward part-time employment. The predominant attitude in the U.S. labor movement is at best skeptical toward part-time employment, as Kahne (1985) notes:

"With a number of exceptions, trade unions have viewed part-time work with some skepticism. One reason for this has been the low status and pay of many traditional part-

time jobs. This has resulted in a fear, sometimes substantiated by experience, that the introduction of part-time work will lower the economic status of an occupation and increase competition between full-time and part-time workers for the work that is available." (p.114)

However, exceptions to this viewpoint within the labor movement are growing. Many unions, particularly those representing service, retail, and government workers, have actively sought to organize and represent part-timers (Appelbaum and Gregory, 1988; Nine to Five, 1986; Nollen, 1982). In the process, unions have found that most part-time workers want part-time hours. In fact, in some cases unions have tried to expand opportunities for part-time work. The resulting debate within the labor movement is illustrated by an exchange that took place at a symposium on part-time work at the 1986 Industrial Relations Research Association meetings. Three union representatives got up to make statements about part-time jobs. The first representative stated, "We believe that part-time jobs undermine the full-time workforce and threaten its wages and benefits. We oppose the introduction of part-time jobs under any circumstances." The second union rep, on the other hand, said, "A large fraction of our members are part-time, and we can't change that fact. Our goal is to get parity of benefits for our part-timers." Finally, the third representative spoke up: "Many of our members--particularly women with babies--want to switch from full-time to part-time. We're trying to win the right to job-share, plus protections for part-timers."

Overall, the two most common union bargaining agendas with

respect to part-time employment are to limit the spread of secondary part-time jobs, and to obtain equal compensation for part-timers. Union efforts to lessen the part-time/full-time compensation differential extend the notion of "taking wages out of competition." These efforts are part of a more general union objective of minimizing employer use of secondary labor markets. Unions have had some success in meeting this objective. In fact, the nonunionized supermarket manager who was quoted in Chapter 7 as describing the cycle of "the less skill, the less money, the higher turnover," went on to say,

"Now, the only way to get around that is if there's a union, you know. Then you're obligated to pay a higher wage...." (III.F)

Union bargaining for the right to move to part-time status remains relatively rare.

Because the rate of unionization is declining in virtually every industry (Adams, 1985), unions' impact on employment practices in the United States is diminishing.

#### c) Other countries

The industrialized countries other than the United States tend to have more interventionist policies toward part-time employment, and there tends to be more coordination between government and unions on these issues. The International Labor Office (1986) surveys legislation and collective bargaining agreements on work schedules, including part-time work, in Western and Eastern Europe, North America, Japan, Australia, and New Zealand. The ILO notes that

"A basic principle explicitly included in the legislation in most countries is that terms and conditions of employment should be no less favourable than those of

full-time workers, account being taken as appropriate of the shorter hours of work. This principle covers a range of extremely important conditions: hourly wages, holiday entitlements, security of employment, the right to join trade unions and hold trade union office, etc. Protection varies, however." (p.16)

Some countries actively promote the creation of part-time jobs, often by government agencies or industries. Such jobs are particularly targeted to mothers, older and retired workers, and students. On the other hand, some countries (and in some cases the same countries) restrict the conversion of full-time to part-time jobs, or require consultation with unions or works councils before undertaking such conversion.

Hart (1984) offers a more detailed discussion of steps taken by the governments of France, the Federal Republic of Germany, and the Netherlands to encourage the employment of part-timers. The steps range from prorating employer social security payments for part-timers (so that employers don't end up paying a fixed amount regardless of the employee's hours) to subsidizing part-time job creation outright. However, he comments that unions in these and other western countries are "somewhat hostile" (p.56) to the use of part-time employment.

### **The case for policy changes**

Much in the current panoply of policies affecting part-time employment is useful. But the current set of policies is incoherent and incomplete as a response to the problems of part-time employment. The case for policy changes in the arena of part-time employment rests on a number of considerations of equity and efficiency, some of which extend beyond the

distribution of income. However, the most clear and urgent policy concerns remain distributional.

Two interlocking issues make out the case: (a) The low wages and benefits paid to part-timers contribute to polarization in the distribution of earnings and income, and also contribute indirectly to slow productivity growth. (b) The large number of people who work part-time or full-time involuntarily raises equity and efficiency problems. This section discusses the two problem areas, adds (c) suggestions for further research, and concludes with (d) five broad guidelines for policy.

**a) Low wages and benefits**

The expansion of secondary part-time employment involves the spread of jobs with low wages and limited fringe benefits. This growth of low-compensation jobs has definitely contributed to disequalization in the distribution of individual earnings, but its effects on the distribution of family income are less clear.

The polarizing effect of part-time employment on individual earnings is documented by Tilly, Bluestone, and Harrison's (1986) finding that the growth of part-time employment and the widening of the difference between part-time and full-time earnings account for 42% of the increase in inequality in annual wages and salaries between 1978 and 1984, as cited in Chapter 1. But the growth of low-compensation jobs, and the resulting skewing of the individual earnings distribution, are not necessarily serious problems. Certainly few would object



to teen-agers baby-sitting or shoveling snow for low wages and no benefits in order to accumulate spending money for discretionary purchases, nor would many object if a stiffening of the work ethic led more teen-agers to take such jobs.

Low-compensation jobs do pose a problem when the opportunity to work more productive, better compensated jobs is lacking for those who are willing and able to work such jobs, and when the growth of low-compensation jobs leads to the stagnation and fall of the standard of living of a significant fraction of the population, either in absolute terms or relative to others in the population. In other words, the growth of low-compensation jobs such as secondary part-time jobs is a problem when in some sense these jobs replace high-compensation jobs. In this case the growth of low-wage jobs leads (in partial equilibrium) to regressive redistribution. Families who end up with low-compensation jobs--and thus with lower family income or higher levels of effort expended--lose. Families who hold onto high-compensation jobs or sell non-labor factors of production gain in real terms from the lower prices for the goods and services produced by low-compensation workers.<sup>1</sup>

There is evidence that the growth of secondary part-time employment does pose these problems. Chapter 10 of this thesis points out that low-compensation secondary part-time jobs are in fact replacing full-time jobs in two ways: the industries with high rates of secondary part-time employment are growing, and individual industries are converting full-time, primary

labor market jobs to part-time, secondary labor market jobs. A gross indication of this trend is that between 1969 and 1987, part-timers in service and trade surged from 11.1% to 14.2% of all nonagricultural wage and salary workers; part-timers in clerical, sales, and service occupations climbed from 9.5% to 11.8% of all nonfarm workers. Furthermore, only one sixth of this replacement trend can be accounted for by the growth of workforce groups with high rates of part-time employment (Chapter 2). Roughly five sixths of the growth in the rate of part-time employment is due to the spread of involuntary part-time work (Chapter 2). Therefore, this replacement does indeed represent a decline in the opportunity to work in more productive, more highly compensated jobs--since the desire and capacity to work those jobs remains.

To complete this analysis, it is necessary to study the effects of the growth of part-time employment on family living standards and the distribution of family income, as discussed in part (c) below. Further research is needed to measure these family income effects.

Beyond the distributional effects of the proliferation of low-compensation part-time jobs, this proliferation also raises the specter of slower productivity growth and dynamic inefficiency. It is abundantly clear that secondary part-time jobs have low productivity, as evidenced both by the consensus of interviewed managers and by the low compensation attached to such jobs. Although in conventional economic theory low productivity leads to low compensation, the causality can also

run in the opposite direction: access to labor at low compensation makes productivity increases unnecessary for employers. Because many service employers have used secondary part-time employment to go the route of low compensation and low productivity, they may have failed to search for or utilize possibilities to increase productivity that would involve full-time work and higher compensation. In short, rather than leading to greater efficiency as some business spokespeople have claimed, the growth of part-time employment may have led to decreased efficiency.

The retail industry, and particularly retail food, is a case in point. As noted in Chapter 4, retail productivity grew at 0.5% annually between 1969 and 1986, and food store productivity actually declined 12% between 1970 and 1982. The main reaction of grocers to falling productivity was to further slash compensation (primarily that of part-timers), via two-tier compensation schemes and other cutbacks, rather than to innovate (although there have been some attempts to innovate, such as the--slow--adoption of scanners and the multi-customer cash register described in Chapter 10).

Arguably a high-wage/high-productivity strategy is a viable competitive strategy, at least when coupled with an appropriate product market strategy (Kochan, Katz, and McKersie, 1986). But to explore higher-productivity options would require more than a marginal adjustment. The qualitative changes necessary for this exploration exceed the range of vision of retailers, and the strategy built around secondary part-time employment

becomes self-perpetuating.

Of course, some of the sluggish productivity performance of the service industries simply reflects consumer preferences of low price and convenience over higher quality. Again, retail food illustrates the point. For example, a major contributor to falling grocery store productivity is the extension of store hours, which undoes economies of scale (and not incidentally involves the hiring of many more part-timers). But retailers see 24-hour operations as a necessary competitive device. Even in the acute labor shortage of the Boston area, SuperValu's personnel director declared that "Nobody wants to be the first one to cut back store hours" (VII.A.1). She added, "No chain wants to be first to raise the prices to compensate for labor costs." As Progressive Grocer commented in their "Annual Report of the Grocery Industry" (1988), "Consumers want services, but they don't want to pay the cost of providing them" (p.5).

To the extent that retailers and other service employers have accurately determined the lowest-cost way of satisfying consumer preferences, charges of static and even dynamic inefficiency can be deflected. But at the risk of violating the precept of de gustibus non disputandum, a case can still be made for overriding consumer preferences to achieve distributional goals.

Two final notes of caution. The existence of retention part-time jobs indicates that it is not part-time employment in general, but low-compensation secondary part-time employment in

particular that has negative distributional consequences. And the fact that the growth of secondary part-time employment appears to have hurt earnings opportunity and living standards on the margin does not imply that all or even most secondary part-time employment has negative effects. Much secondary part-time employment is surely benign in the same sense that baby-sitting and snow-shoveling jobs are.

b) Involuntary part-time and full-time work

Most part-time workers (75% in 1987) would not prefer a full-time job; most full-time workers (perhaps 93% in 1985) would not prefer a part-time job. But the discontented minority represents quite a large group: 5.4 million involuntary part-time workers, 6.4 million involuntary full-time workers<sup>2</sup>. And the rate of involuntary part-time employment is growing over the long run--by about 0.13 percentage points per year between 1969 and 1987, of which 0.12% is due to the growing number of involuntary part-timers who report that they usually work part-time<sup>3</sup>. Involuntary part-time and full-time jobs raise issues of both equity and efficiency.

The equity issue is most clear with involuntary part-time employment. The loss of potential income by involuntary part-timers is disequalizing: the median family income of involuntary part-timers in 1978 was only roughly 83% of the full-time median, and only 68% of the median for families headed by a year-round, full-time worker<sup>4</sup>.

Involuntary full-time work, while it does not imply

heightened income inequality, does involve inequality of opportunity. Women with young children, people near retirement age, and others for whom working full-time entails personal sacrifice are forced to either make that sacrifice or leave their jobs. The comments of one insurance company's personnel director, quoted in Chapter 8, are apropos:

"[I]f you look at... women, affirmative action,...there's a lot of things going on today that you read about, the glass ceiling and a lot of people who [are] starting to rise in the corporations and then all of a sudden decide, forget it, I'm going back to raise my family or whatever. I'm not sure if you would have the same issues if...they ha[d] the opportunity to work part time." (II.E)

Involuntary part-time and full-time jobs also hamper macroeconomic and microeconomic efficiency. At a macroeconomic level, the foregone output represented by 5.4 million people underemployed and involuntarily working part-time is comparable in order of magnitude to losses from unemployment. At a microeconomic level, both involuntary part-time and involuntary full-time employment represent--in theory--opportunities for Pareto-improvement. For example, if full-time/part-time wage differentials are based on efficiency wage considerations, then subsidy of the "over-compensated" jobs (full-time jobs in the secondary context, part-time jobs in the salaried context) financed by a lump-sum tax can lead to a net welfare gain, as demonstrated by Bulow and Summers (1986).

While currently published research, including that in this thesis, does not permit any reliable estimates of the welfare cost of involuntariness, it does allow some assessment of what kinds of changes would be necessary to reduce or eliminate

involuntary part-time and full-time employment. As noted in Chapter 6, there are several reasons for involuntary part-time and involuntary full-time employment in the service industries (where 76% of involuntary part-timers and an estimated 77% of involuntary full-timers<sup>5</sup> work). Consider in order the impacts of macroeconomic slack, compensation differentials, managerial tradition, and frictional forces.

Insufficient aggregate demand cannot be the major source of either the problem or the solution, at least as concerns involuntary part-time employment. As pointed out in Chapter 2, as much as 2.0 percentage points of the 2.2 percentage point increase in the rate of involuntary part-time employment is explained by a time trend after controlling for unemployment (calculated from Ichniowski and Preston, 1985). In fact, Ichniowski and Preston's point estimates suggest that even had there been an unemployment rate of 0% in 1987, the rate of involuntary part-time employment would have fallen only to 2.5%.

Rigid compensation differentials probably play a more crucial role in involuntary part-time and full-time employment. One indication of the importance of these differentials is obtained by applying the supply and demand elasticities estimated by Owen (1979) and Ehrenberg et al (1986) using two-stage least squares. Based on these estimates, a decrease of 1.8 to 4.4 percentage points in Owen's estimated 29% adjusted hourly wage differential, or as little as 0.07 to 0.44 percentage points in Ehrenberg et al's adjusted differential of

12.6% (which controls for additional worker and job characteristics, including family and regional descriptors and industry<sup>6</sup>) would eliminate the 1987 level of involuntary part-time employment<sup>7</sup>. In other words, small changes in the wage differential would have large effects on involuntary part-time employment, at least at the margin. Of course, for these changes in the wage differential to take place, rigidities in the differential due to efficiency wages or other causes would have to be overcome.

The interviews cited in this thesis also point to the role of tradition and managers' beliefs in limiting retention part-time employment and thus maintaining involuntary full-time employment. Household survey data do not permit estimation of the size of this effect.

Finally, some residual amount of involuntariness can be attributed to frictions or search behavior. The frictional component is probably relatively small. As noted in Chapter 6, persons experiencing from one to four weeks of involuntary part-time employment--amounts that could plausibly be considered frictional--totaled 29% of the persons working part-time involuntarily, but only 5% of the person-weeks of involuntary part-time employment.

### c) Directions for further research

Three additional pieces of research would clarify the case for new policy action considerably. First, the structure of part-time employment in service industries that is analyzed in



the thesis should be generalized and statistically tested. Second, it is important to determine to what extent employers introduce part-time employment when there are no scheduling issues. Third, the effects of part-time job growth on the distribution of family income need to be measured. Each of these three research elements is considered briefly here.

A first step in generalizing the thesis's findings would be to examine the use of part-time employment in industrial and craft labor markets, in addition to the secondary and salaried labor markets that are the main focus of this study. To fully test the generalizability of this study's results, it would be necessary to turn to statistical analysis of larger, randomly-drawn samples of firms or workers. The ideal data set for such an analysis would be a longitudinal survey of firms drawn from a wide range of industries, with substantial labor market information--including, of course, information about part-time employment. To this author's knowledge, no such data set exists. Short of conducting an original survey, one could test pieces of the picture with available data sets. Especially salient questions are whether the secondary/retention typology is robust, and to what extent secondary part-time employment is growing.

Further research could also reveal to what extent employers have created secondary part-time jobs simply to reduce compensation costs, in the absence of schedule-related stimuli. In the cases reviewed in Chapter 10, businesses created a secondary labor market in the form of part-time employment at

least in part because short-hour workers proved more productive on video display terminals (in the health insurance companies) and better able to staff extended store hours (in retail food). If in general employers don't institute part-time employment except where such scheduling advantages arise, then there are natural limits on the spread of secondary part-time employment--although secondary labor markets may continue to expand in other forms.

Finally, a definitive assessment of the distributional impacts of growing part-time employment depends on tracing the effects of this employment shift on family incomes. As noted in Chapter 1, the growth of part-time work appears to be part of a more general movement away from the traditional (though never universal) model of a family supported by one breadwinner. Given this, research should focus on three channels whereby the proliferation of secondary part-time jobs might erode family living standards. First, is the displacement of high-compensation full-time jobs by low-compensation part-time jobs compelling families to work more total hours to maintain the same living standard? For example, does the growth of multi-earner families in part reflect the fact that multiple family members must now work part-time jobs to earn what a single worker used to obtain (via the "family wage") in a full-time job? Second, does the low average income of the growing number of female-headed families in part reflect the fact that female heads are particularly likely to be trapped in part-time jobs with wages and benefit packages

designed for "supplementary" earners? And third, is the unavailability of full-time jobs artificially binding together families--for example, preventing young adults from leaving home or wives from leaving husbands--with emotional rather than directly economic costs? Firms conclusions about the distributional effects of growing secondary part-time employment await this research.

(d) Five guidelines for policy

On the basis of the arguments above, five guidelines for policy with respect to part-time employment can be projected.

1) Part-time employment is in itself not a bad thing. Retention part-time jobs are desirable jobs. Even most secondary part-time jobs are held voluntarily; a secondary part-time job is better than no job.

2) However, the proliferation of low-wage, low-productivity secondary part-time jobs is a problem. Part-time-related policies that helped redirect employment creation to more productive, more highly-compensated jobs would be positive.

3) Involuntary part-time and involuntary full-time employment are also problems. They are problems for reasons of both equity and efficiency. Thus, encouraging the growth of primary labor markets is not alone sufficient, since such labor markets--like the salaried labor markets studied in this thesis--tend to generate involuntary full-time employment.

4) Whereas attempts to curtail the growth of secondary part-time employment are called for, attempts to restore the status quo ante are undesirable and probably infeasible. For

example, efforts to rebuild family living standards by re-establishing the model of a "family wage" earned by a single breadwinner per family would probably result in women and youths being directly or indirectly driven out of the workforce.

5) More information is needed to guide policy on part-time employment. This implies not only that more research needs to be conducted, but also that more information should be gathered by the government agencies whose data form the basis for decision-making.

#### **Adding to current policies**

Two major problem areas associated with part-time employment have been identified: (a) income distribution and productivity growth, and (b) involuntariness. These problems persist despite the impact of existing policies and collective bargaining. This section recommends changes in government policy that would begin to deal with the problems. The changes are of two types. Some changes involve increasing the "voice" or bargaining power of workers, so that they can negotiate new rules and standards with management as they see fit. A second set of changes involve direct policy intervention by the government in the labor market. The direct interventions should be undertaken with considerable caution, both because governments are ill-equipped to fine-tune the microeconomics of labor markets, and because policies aimed at affecting part-time employment will have effects on many other aspects of the

labor market. After discussing possible changes in labor market policies, the section concludes by proposing (c) additional policy measures to increase our knowledge about part-time employment.

a) Dealing with low-compensation jobs

The state has at its disposal a variety of microeconomic employment policy instruments that could be applied to redistributive goals. In many cases, the general application of these instruments would have the specific effect of curtailing the growth of secondary part-time employment as part of a broader contraction of secondary labor markets and expansion of primary labor markets. In the arena of income distribution, it is appropriate to use such broad policies rather than singling out part-time employment for attention. Low-paid full-time workers need help as much as much as low-paid part-time workers--although involuntary part-time workers are a separate case, discussed in (b) below.

There are two ways to redirect employment toward higher-compensation jobs. First, industrial policies could be used to encourage the relative growth of industries such as heavy manufacturing that are characterized by primary labor markets--undoing some of the compositional shifts that have led to the expansion of secondary part-time employment. Second, other policies could be used to spur the growth of primary labor markets within a wide range of industries. It is inappropriate to prescribe industrial policies to adjust part-time employment, since such policies serve much broader objectives.

Therefore, this discussion examines possible policy changes designed to act within industries.

The goal is to push employers within each industry in the direction of primary labor markets. Probably the single most effective policy to achieve this end is to support unionization. Unions place organized pressure on employers to adopt primary labor markets. In the context of part-time employment, unions work to reduce the part-time/full-time compensation differential, and to limit the spread of secondary part-time jobs, especially where they threaten to replace more highly-compensated full-time jobs.

A comparison of the United States and Canada suggests that higher levels of union representation do indeed lead to a smaller pay differential between part-time and full-time workers. 18% of Canadian part-time workers and 40% of full-timers are union members, well above the United States levels of 7% and 20%, respectively (Commission of Inquiry, 1983; Appelbaum and Gregory, 1988). And the part-time/full-time hourly wage differential is much smaller in Canada. Canadian full-timers earned only 21% more on average than part-timers in 1981, compared to 39% more in the United States in the same year<sup>8</sup>, even though in most respects the profile of part-time employment is quite similar in the two countries<sup>9</sup>. In fact, there is only a 2% part-time/full-time wage differential among unionized jobs in Canada<sup>10</sup> (Commission of Inquiry, 1983).

The most direct way to strengthen unions is to reform labor laws to block employer anti-union campaigns and facilitate

union organizing. Heightened employer resistance to unionization--often involving technically illegal tactics--has been a significant contributor to the decline of union representation (Freeman and Medoff, 1984). The National Labor Relations Act in its current state does little to deter such employer resistance. Reforming the NLRA would give unions added leverage for organizing.

Supporting unionization is a rather indirect way of restricting the within-industry growth of secondary part-time employment. A more direct approach is to use policy to do one of the things that unions do--namely, narrow the compensation differential between part-time and full-time workers.

Narrowing the compensation differential could have a number of positive effects in settings where secondary part-time employment is used. It would lead to some combination of increased part-time compensation and decreased full-time compensation, leading to downward redistribution. It would lead to replacement of some secondary part-time jobs with full-time jobs, decreasing involuntary part-time employment. Whereas the option of employing part-timers at rock-bottom compensation encourages complacency about stagnating productivity, a limit on the differential would induce employer attempts to increase productivity.

But narrowing the compensation differential is also likely to have negative effects. It will surely lead to disemployment, as firms react to higher required compensation levels for part-time workers. And it may have destructive

incentive effects, to the extent that the part-time/full-time wage differential serves incentive purposes.

Because of these tradeoffs, which are likely to be highly industry- or even firm-specific, it is most appropriate for workers and employers to negotiate changes in the differential on a case-by-case basis. But given the absence of unions from the vast majority of workplaces, some conscious governmental action to narrow compensation differentials is called for. The action should not be directed exclusively or even primarily at the differential between part-time and full-time jobs; rather, it should address the overall level and dispersion of wages and fringe benefits--and therefore should be based on a far more comprehensive analysis of trends in compensation than is presented in this thesis.

The main policy instruments needed to narrow the part-time/full-time compensation differential already exist: the minimum wage, ERISA, and Section 89 of the 1986 tax act. The minimum wage, as is well known, has fallen in real terms since the last nominal increase in 1981, but it still forms an important floor for part-time wages. 28% of part-time workers earned the minimum wage or less in 1985, and 65% of workers earning the minimum wage or below worked part-time (Mellor and Haugen, 1986, as cited in Chapter 2). Thus, raising the minimum wage--at least back to its real 1981 level--and indexing it to inflation would effectively compress the part-time/full-time differential. Extension of the coverage of minimum wage laws, particularly to smaller businesses, would assist in this



effort.

As for the gap in fringe benefits, ERISA (which covers pension benefits) and Section 89 (which covers health benefits and a number of other fringes) provide a framework for policy intervention. A number of loopholes in these laws should be closed: for example, additional legislation should be adopted to discourage firms from subcontracting their low-compensation jobs to avoid paying fringe benefits. In addition, insurers should be required to extend group coverage to part-time workers, as New Hampshire now mandates. Once these changes are incorporated, serious enforcement of ERISA and Section 89 would go a long way toward narrowing the fringe benefit differential between full-time and part-time workers.

#### b) Reducing involuntariness

Like the policies to reduce low-compensation part-time jobs, policies to reduce involuntary part-time and full-time jobs fall into two categories: policies to empower workers, and policies for direct government intervention.

Encouraging unionization, as proposed above, will facilitate the elimination of involuntary part-time jobs, since this goal is part of the union agenda. Unions' record on involuntary full-time employment is more mixed: some unions have demanded the right to shift to part-time employment, whereas others have flatly opposed part-time employment. Thus, in order to lessen involuntary full-time employment it is appropriate to take the additional step of promoting equal

participation of women and older workers in unions and management. Women in particular have been the most active constituency working for more retention part-time employment. Increasing women's representation in unions and management provides one of the bases for mobilization in support of other parts of this program. In the labor movement, a variety of voluntary steps can be taken to foster women's activity: support for the Coalition of Labor Union Women, leadership training aimed specifically at women, even provision of child care at union meetings. In management, federal and state government can play a role by enforcing affirmative action/equal employment opportunity--as well as age discrimination laws affecting older workers. A stronger voice for women and older workers would increase advocacy for the part-time option within businesses and unions.

To supplement these policies to enhance worker "voice," a couple of direct policy measures should be used.

At a macroeconomic level, aggregate demand management should take involuntariness into account. Current macroeconomic policy, to the extent that it targets labor market variables, focuses only on the unemployment rate. Macroeconomic targeting should be modified to explicitly include goals for involuntary part-time and involuntary full-time<sup>11</sup> employment as well as unemployment.

Historical data on involuntary part-time employment indicate that in dxr, taking involuntariness into account can markedly change the apparent state of the macroeconomy. For

example, the unemployment rate in 1987 was 6.2%, not much higher than the 5.8% unemployment rate in the expansion peak year of 1979. But the "underemployment rate"--calculated as the unemployment rate plus one half of the involuntary part-time employment rate<sup>12</sup>--was 8.4% in 1987, closer to the 9.1% level in the recession year of 1980 than to the 7.5% rate of 1979.

Macroeconomic intervention alone is insufficient to eliminate involuntary part-time and full-time employment. Involuntariness results not just from macroeconomic slack, but also from structural causes--in particular rigid compensation differentials between part-time and full-time jobs. A series of steps to narrow compensation differentials has already been proposed in section (a) above. These steps would lessen involuntary part-time employment, both by decreasing employer demand for secondary part-timers vis-a-vis full-time workers, and by increasing the supply of people who would willingly work part-time hours. But would these measures to bring part-time and full-time compensation closer together stimulate increased involuntary full-time employment? Probably not to any major extent, because of the different forms taken by part-time employment in primary and secondary labor markets. Raising the minimum wage will push up the wages of many secondary part-time jobs, but will affect the wages of few retention part-time jobs, so this policy is unlikely to lead to curtailment of retention part-time opportunities. Similarly, many retention part-timers already receive the fringe benefits covered by

EPISA and Section 89.

c) The need to know

To guide intelligent policy-making about part-time work, more knowledge about part-time employment is needed. For one thing, there are important gaps in existing data series about part-time employment. For example, the Current Population Survey asks a very narrow set of questions about involuntary part-time employment. It would be useful to know how many part-timers would want a full-time job if they could get adequate dependent care--and how many would still want a full-time job if they could get prorated benefits on their part-time job. Also, no statistics are currently kept on involuntary full-time employment. Questions added to the Current Population survey for particular months could deepen our knowledge about part-time work considerably, guiding further action.

In addition, further support should be provided for research on part-time employment, as well as other "flexible" work forms. At the risk of appearing self-serving, this author would like to point out that even as part-time, temporary, and other flexible forms of work have become a "hot topic" for the media, research in these areas remains thin. The same facts and statistics are discussed over and over again in policy debates, and many of the most important questions remain unanswered. Much of the scholarly literature on employment overlooks the existence of part-time employment altogether. Given that almost one fifth of the workforce works part-time,

and that this share (as well as the share of other flexible work forms) has been increasing over the long run, these subjects deserve more attention.

\* \* \*

Taken together, this combination of new and existing policy tools could substantially reshape the way that companies use part-time employment. Efforts to implement this program can move us closer to an economy characterized by high-compensation, high-productivity jobs--both part-time and full-time. They can move us closer to an economy where companies create part-time jobs because workers want them, rather than creating part-time jobs where workers don't want them and refusing to create them where workers do want them.

## Notes

<sup>1</sup>Taking imperfect competition into account would modify this outcome quantitatively, but not qualitatively. More importantly, different macroeconomic models lead to different predictions of the general equilibrium effects of these changes. Macroeconomic adjustment certainly will not rectify the maldistributive microeconomic effects. It is reasonable, though far from incontestable, to suppose that one likely outcome is that upward redistribution will also lead to slower growth or even economic contraction, ceteris paribus.

<sup>2</sup>These figures include agricultural workers. Thus, they differ from figures cited in Chapters 2, 9, and 10. For policy purposes, the most complete measure of part-time employment is appropriate.

<sup>3</sup>Since involuntary part-timers who usually work part-time (as opposed to those undergoing a temporary hours reduction) make up the majority of part-timers and are the group of part-timers that has been growing in relative terms, this discussion addresses their plight.

<sup>4</sup>In this calculation, the involuntary part-time "median" is actually the weighted mean of the median family incomes of two groups of involuntary part-time workers: those unable to find full-time jobs, and those working part-time because of slack work. Calculations are based on results by Terry (1982), which is the most recent published research providing detailed family income information on involuntary part-timer, and U.S. Census Bureau, Current Population Reports P-60, "Income of Households, Families, and Persons in 1978."

<sup>5</sup>Estimate for full-timers is calculated from Shank (1986) Table 3, and May 1985 CPS data reported in Employment and Earnings, June 1986. It is assumed that the fraction of workers stating a preference for less hours and less money is proportional to the fraction who are involuntary full-timers, with the constant of proportionality common across industries.

<sup>6</sup>In fact, Ehrenberg et al estimate a separate wage differential for each of 46 industries, in effect fully interacting the model with industry. The 12.6% differential cited here is an employment-weighted average of the industry differentials.

<sup>7</sup>Ranges cited are based on 95% confidence intervals around the reported point estimates. The estimated elasticities relate the ratio of part-time to full-time employment (Ehrenberg et al) or the logarithm of that ratio (Owen) to the logarithm of the ratio of hourly wages. The elasticities are assumed constant in the relevant ranges. Note that Owen's estimation uses 1973 data; Ehrenberg et al's estimates are based on 1984 data. Since the raw wage differential has changed little since 1973 (see Chapter 2), there is no particular reason to think that estimates based on more current data would differ greatly.

<sup>8</sup>The two figures are not strictly comparable, because the Canadian figure is based on mean wages, while the U.S. figure is based on median wages. This discrepancy probably means that the difference between the two countries is understated, since wage distributions are right-skewed.

<sup>9</sup>For example, in 1981, 78% of Canadian part-timers worked in trade and services, compared to 79% in the United States. 72% of part-time workers in Canada were women and 44% were less than 25 years of age, compared to 66% and 47%, respectively, in the United States (Commission of Inquiry, 1983).

<sup>10</sup>Part of the reason for this small differential is that unionized jobs tend to be concentrated in particular industries and occupations. However, the part-time/full-time wage differential can be large even within industries. For example, the (unweighted) average wage differential within eight selected service industries in Ontario in 1975 was 19% (Commission of Inquiry, 1983, p.164).

<sup>11</sup>Setting goals for involuntary full-time employment requires measuring involuntary part-time employment over time, as proposed in (c) below.

<sup>12</sup>This approximation is apt, since involuntary part-timers work an average of 22.1 hours per week. A full underemployment rate would also count discouraged workers.

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## APPENDIX A

### Definitions of concepts related to part-time employment

In this dissertation, two definitions of part-time employment are used. Throughout discussions of economic theory and the interview data, the term "part-time employment" is used to refer to jobs that in the short run usually involve fewer than the standard number of hours per week considered full-time by a given employer. The job-centered definition is chosen because the dissertation primarily examines why and to what extent employers use part-time work. Thirty-five hours turns out to work well as a rough-and-ready cutoff point, although each company's personnel policy has its own definition of full-time work. Part-time employment is taken to include involuntary part-time positions and temporary hours reductions, since both involve a decision by the firm to create a part-time job--if only temporarily.

In addition to jobs falling below the hours cutoff, jobs involving full-time hours but classified as part-time are considered to be part-time. For example, a grocery store manager reported that about 15% of his part-time employees are working 40 hours a week, in order to deal with a severe labor shortage. They remain "part-time" in the sense that they have not been promoted to full-time positions, and therefore receive lower hourly pay, fewer benefits, and a smaller number of guaranteed hours than full-timers (Interview VII.D). It seems appropriate to view these workers as part-time.

Virtually all statistical results cited in the dissertation draw on household data using a second, person-based definition

of part-time work. This definition is the U.S. Bureau of Labor Statistics (BLS) definition of persons working "part-time schedules": persons working less than 35 hours a week except for those usually-full-time persons who are working part-time for noneconomic reasons (such as a holiday)<sup>1</sup>. In particular, all results based on the Current Population Survey, the BLS's Employment and Earnings, or other BLS and Census data use this person-based definition. These household data are used in the thesis, despite their different definition of part-time employment, for the simple reason that they are what's available.

The BLS classifies part-timers at work as voluntary or involuntary according to how they answer the question, "Why are you working less than 35 hours a week?" Persons reporting the reason as slack work, material shortages or repairs, starting or ending a job during the week, or inability to find full-time work are considered involuntary, or "part-time for economic reasons"; all others are considered voluntary.

Of course, the BLS definition only counts as involuntary those part-time workers who would prefer a full-time job in their present circumstances. For example, a woman who can only work part-time because she is unable to find day care is a voluntary part-timer by this criterion. Presser and Baldwin (1980), who surveyed mothers with children aged less than five, discover that one quarter of the mothers employed part-time

<sup>1</sup>The complete list of such noneconomic reasons is legal or religious holiday, vacations, (temporary) illness, bad weather, or industrial dispute.



feel they are blocked from working more hours by unavailability of day care.

On the other hand, the BLS definition does not ask part-time workers whether they would prefer a full-time job at the same rate of pay and benefits, so many involuntary part-time workers are presumably expressing a desire for greater hourly compensation as well as more hours.

In the interviews conducted for this study, involuntary part-time employment (and involuntary full-time employment) was gauged by asking whether workers would prefer to have full-time jobs (or part-time jobs, if they were working full-time). This concept is somewhat different from the BLS definition, and perhaps even more ambiguous. However, it is simple and readily understood by the managers and workers interviewed.

## APPENDIX B

### Additional time series and cross-section analysis of the relationship between part-time employment and unemployment

In Chapter 2, it is reported that Ichniowski and Preston, (1985) and Ehrenberg, Rosenberg, and Li (1986) find a positive, significant time trend in involuntary part-time employment after controlling for the unemployment rate. Ichniowski and Preston estimate the unemployment-elasticity of involuntary part-time employment at 0.4. This appendix reports additional research supporting these results.

Constructing time series analysis with national data only is an incomplete experiment, since national unemployment rates have moved relatively little compared to unemployment in particular regions, and have trended upward since the 1960s, at least until very recently. To provide a more complete test, analogous regressions were conducted on state-level data for Massachusetts and Pennsylvania, the two states that are the loci for the interview data in this thesis. Massachusetts is of particular interest, since its unemployment rate fell from 11.7% in the second quarter of 1975 to 2.7% in the third quarter of 1987.

Results are shown in Table B.1. In accord with the national-level findings, the unemployment-elasticities of involuntary part-time employment are 0.3 in Massachusetts and 0.4 in Pennsylvania. While involuntary part-time work is positively related to the unemployment rate, the relationship of voluntary part-time work is mixed: positive and significant in Massachusetts, but negative and insignificant in

Pennsylvania<sup>1</sup>. There is in both states a positive, significant time trend in the rate of involuntary part-time employment. Unlike national-level time series results, there is also a positive, significant time trend in voluntary part-time work.

Cross-sectional analysis sheds more light on the relation between involuntary part-time employment and unemployment. The rates of involuntary, voluntary, and total part-time employment were regressed on the unemployment rate and a constant. Regressions were repeated for state-major (one-digit) industry combinations, states, and SMSAs from the March 1985 Current Population Survey (see Table B.2). The rate of involuntary part-time employment is strongly, positively related to the unemployment rate, with a coefficient similar to the ones estimated on time series. This relationship is stronger for states and for SMSAs than for state-industry combinations, suggesting that displaced workers often take involuntary part-time jobs in a different industry than that of their previous job. The rate of voluntary part-time employment is not significantly related to the unemployment rate.

<sup>1</sup>Further analysis (not shown) indicates that in regressions containing a time trend, the rate of voluntary part-time employment is positively related to the rate of full-time unemployment, and negatively related to the rate of part-time unemployment (in both states). This suggests that there may be a part-time added worker effect in times of high full-time unemployment.

TABLE B.1

Ordinary least squares regression of part-time workers as a percentage of those employed on time trend and the unemployment rate in Massachusetts and Pennsylvania, 1970-87

(Standard errors in parentheses)

	Massachusetts		
	<u>% involuntary PT</u>	<u>% voluntary PT</u>	<u>% total PT</u>
Time trend	2.24x10 <sup>-4</sup> (3.2x10 <sup>-5</sup> )	2.35x10 <sup>-4</sup> (6.3x10 <sup>-5</sup> )	4.60x10 <sup>-4</sup> (6.0x10 <sup>-5</sup> )
Unemployment rate	0.297 (.031)	0.169 (.063)	0.475 (.060)
Adjusted R <sup>2</sup>	0.659	0.723	0.762

	Pennsylvania		
	<u>% involuntary PT</u>	<u>% voluntary PT</u>	<u>% total PT</u>
Time trend	3.19x10 <sup>-4</sup> (3.7x10 <sup>-5</sup> )	2.40x10 <sup>-4</sup> (4.0x10 <sup>-5</sup> )	5.59x10 <sup>-4</sup> (5.3x10 <sup>-5</sup> )
Unemployment rate	0.379 (.037)	-0.023 (.041)	0.357 (.054)
Adjusted R <sup>2</sup>	0.863	0.734	0.856

Source: Unpublished quarterly data from 1970 to the third quarter of 1987, not seasonally adjusted, from the Bureau of Labor Statistics. Data do not include 1973, the fourth quarter of 1976, or 1977, because information for these dates was not available from the BLS or the Census Bureau.

Note: Regression includes a constant and three dummy variables representing quarters (as a seasonal adjustment).

**TABLE B.2**  
**OLS regressions of part-time employment as a percentage of**  
**total employment on the unemployment rate, for various**  
**geographic-industrial units**

(Standard errors in parentheses)

<b>Involuntary part-time</b>			
	<u>State x industry</u>	<u>State</u>	<u>SMSA</u>
Unemployment rate	0.16 (.03)	0.50 (.09)	0.38 (.08)
Adjusted R <sup>2</sup>	0.067	0.374	0.312
<b>Voluntary part-time</b>			
	<u>State x industry</u>	<u>State</u>	<u>SMSA</u>
Unemployment rate	-0.01 (.04)	-0.25 (.17)	0.23 (.14)
Adjusted R <sup>2</sup>	-0.002	0.021	0.039
<b>Total part-time</b>			
	<u>State x industry</u>	<u>State</u>	<u>SMSA</u>
Unemployment rate	0.15 (.05)	0.25 (.22)	0.62 (.16)
Adjusted R <sup>2</sup>	0.017	0.006	0.238

**Note:** Current part-time status from March 1985 Current Population Survey. "Industry" denotes breakdown by ten major industries.

**Source:** Computed by author from March 1985 CPS.

## APPENDIX C

### Questionnaires about part-time employment used with personnel officers, line managers, and employees

#### 1) Questions about part-time employment for personnel officers

(1) What level of employment are you responsible for? How many employees? How is employment distributed--geographically, among sizes and types of business units?

(2) How old is the company? What ownership structure? Has it been growing? Downsizing?

(3) What proportion of jobs are PT?

(4) Has proportion been growing or decreasing? Why? What are past patterns? (What was the proportion that were PT five years ago? Ten years ago?)

(5) In which occupations or what operations does your company use part-timers? Why are they suitable for some and not others?

(6) What would you say are the company's biggest problems or challenges in terms of personnel or human resource management? (If relevant:) Does PT employment help to solve these problems

(7) Have firm policies or practices changed with respect to part-time employment--eg, were jobs that are now PT always PT? When? How? Why?

(8) Why don't two PT jobs add up to a full-time job? On the other hand, why not break down more FT jobs into part-time pieces? Who decides if a job is PT? Are there company guidelines?

(9) Is there management resistance to creation of PT jobs/ use of part-timers?

(10) Does the company use other flexible work arrangements, such as temps, contractors? Are these interchangeable with PT, or do they meet very different needs?

(11) How do unit costs of PT compare to FT, in terms of wages, benefits, hiring and training costs, management costs? What are PT and FT entry-level wages?

(12) Do PTers differ much in absenteeism, productivity, turnover, desire for promotion, general commitment?

(13) How is a Pter's schedule for the week set?

(14) Has the company undergone much up-and-down variability in employment over the last several years? Does this

variability have any bearing on the use of part-time employment or other flexible forms of employment?

(15) What kinds of people end up in PT jobs (vs. FT)? Do you screen for any particular characteristics?

(16) How would you recruit for PT job? A FT job? Is there a labor shortage?

(17) Is it harder to find people to fill a position PT rather than a FT position, other things being equal?

(18) How much are PT jobs filled by new hires? How common is it for FT employees to reduce their hours to PT? Is it common for PT to be a step toward FT? In general, are most jobs filled by promotion from within or hiring from outside? What fraction of PT workers would prefer a full-time job?

(19) What's your perception of how your practices compare to other companies in your labor market? Do you communicate with other companies on these issues? What are your main sources of information?

(20) Is any part of your company unionized? Does union avoidance or labor relations affect your policies about PT employment?

(21) Overall, what would you say are the pluses and minuses of employing somebody on a PT basis?

## 2) Questions about part-time employment for unit managers

(1) How many people are employed in the unit [store, department]? What shifts and jobs? How long have you been managing? Working for the company?

(1) What proportion of jobs are PT?

(2) Has proportion been growing or decreasing? Why? What are past patterns? What proportion do you think is ideal?

(3) What are the jobs in the unit? In which jobs do you employ part-timers? What makes PT employment suitable for some and not others?

(4) What would you say are the main challenges or issues that you have to deal with as a manager? Does PT employment help you to solve them? If not PT employment, what has been effective?

(5) Have your policies or practices changed with respect to part-time--eg, were jobs that are now PT always PT? When? How? Why?

(6) Why don't two PT jobs add up to a FT job? On the other hand, why not break down more FT jobs? Who decides if a job is PT? Are there company guidelines?

(7) Do you find that the difference between a PT and FT employee in the same job is more than just the hours? Do you change the job or expectations in any way?

(8) Do you feel like you get a message from the company to pursue a certain policy about where and when to employ part-timers?

(9) Do you sometimes hire people on a temporary basis? When, how often, etc.

(10) In setting staffing levels, are you given a budget, a head count, or what?

(11) In staffing, do you take into account cost differences between PT and FT? What cost differences? Fringe benefits? Do you take into account investment in training? Difficulty in managing PT vs. FT employees?

(12) Do PTs differ much from FT in turnover in your unit? What about productivity? Absenteeism? General commitment, desire for promotion?

(13) How do you set a PTER's schedule for the week? How variable is the schedule from week to week (in quantity of hours, scheduling of hours?)



(14) Does the unit undergo seasonal variations in employment? How do you handle this (especially when it comes to a downturn)?

(15) What kinds of people end up in PT jobs (vs. FT)? Do you screen for any particular characteristics?

(16) Do you do recruiting for your own unit? How do you recruit for a part-time position, for a full-time position? Is there a labor shortage? How do you experience the shortage, if any?

(17) Is it harder to find people to fill a PT job or a FT job, other things being equal?

(18) How much are PT jobs filled by new hires? How common is it for FT employees to reduce their hours to PT? Is it common for PT to be a step toward FT? In general, are most jobs filled by promotion from within or hiring from outside?

(19) Are there many PT who want a FT job? How do you deal with this? What about the opposite problem--PT who are being asked to do more hours than they want to?

(20) What's your perception of how your practices (re employing part-timers) compare to other managers, either within the company or in competing companies? Do you communicate with other managers on these issues?

(21) Overall, what would you say are the pluses and minuses of employing somebody on a PT basis?

### 3) Questions about part-time employment for employees

(1) Name, job, hours, length of time worked here. Brief description of job.

(2) What kinds of jobs does company hire PT people for? What hours? Are tasks for PT and FT different even in the "same" job?

(3) Why do people at the company work part-time? What are some of the differences between the typical full-timer and the typical part-timer? What were PT people doing before they worked PT?

(4) Would most PT people like FT, or do they prefer PT? [Those who want FT:] Why can't they find FT? What if FT job offered the same hourly pay and benefits--would they still want FT? Willing to travel farther for FT job?

Are there cases of PT people unhappy because they're being asked for too many hours?

(5) How does the company rate overall as an employer?

(6) Is proportion of PT increasing, decreasing, or staying about the same?

In what jobs? Why?

Is this trend happening in (retail, insurance) generally? Other employers also?

(7) Does the company usually create PT job by  
-Creating new PT job  
-Changing from FT to FT by attrition  
-Agreeing to hours reduction requested by employee  
-Requiring an hours reduction

Who decides whether to make a job PT or not?

(8) Has increase in PT (if any) led to lower staffing levels?

(9) Are changes in level of part-time employment tied to automation? Job redefinitions?

(10) Is it common to move from PT to FT? What are the usual reasons for doing so? What about FT to PT? Again, what are the usual reasons?

Does the company generally promote from within? Is it expected that you'll move up, or only true of the top employees? Has this philosophy changed at all over time?

(11) Do you think PT people are less productive? More productive? Less committed? More likely to leave the job?

Do you think the company worries about turnover? How long does it take to learn the job?

(12) What is the usual attitude of FT people toward PT people? Usual attitude of PT people toward FT people?

(13) Do you feel that managers look differently at PT people? How?

(14) Does being PT make it harder to get a promotion? Why?

(15) Do PT workers get different benefits than FT? Different hourly pay? Are these differences pretty fair, or would you say they're a little slanted one way or the other?

(16) Are there some jobs that PT people can't or shouldn't do?

(17) What are the pluses and minuses of working part-time, for an employee?

(18) What are the pluses and minuses for the company of employing people PT?

**APPENDIX D**  
**Catalog of interviews and company-specific publications**

**I. Boston area retail**

- I.A) Personnel director, supermarket chain
- I.B) Two union officials, union local representing retail workers
- I.C) Store-level personnel director, department store
- I.D) Personnel director, convenience store chain
- I.E) Personnel officer, supermarket chain
- I.F) Personnel director, department store chain
- I.G) Personnel director, fast food chain

**II. Boston area (and New York City area) insurance**

- II.A) Personnel director, Boston life insurance company
- II.B) Personnel officer, New York life insurance company
- II.C) Former official, labor organization advocating for Boston area insurance workers
- II.D) Personnel director, Boston property and casualty company
- II.E) Personnel director, Boston life insurance company
- II.F) Personnel director and assistants, New York health insurance company (Wellcorp)
- II.G) Article referring to company II.F

**III. Pittsburgh area retail**

- III.A.1) Store manager, supermarket chain
  - III.A.2) Store manager, same supermarket chain
  - III.B) Two union officials, union local representing retail workers
  - III.C) Personnel director, convenience store chain
  - III.D) Regional personnel director, convenience store chain
  - III.E) Personnel director, convenience store chain
  - III.F) Store manager, independent supermarket
  - III.G) Store manager, independent supermarket
  - III.H) Store manager, independent supermarket
  - III.I) Personnel director, convenience store chain
  - III.J) Personnel director, convenience store chain
  - III.K) Union official, union international representing retail workers
  - III.L) Union official, union local representing retail workers
  - III.M) Union official, union international representing retail workers
  - III.N) Contract proposal survey conducted by union local
- III.B

**IV. Pittsburgh area insurance**

- IV.A) Branch personnel director, life insurance company
- IV.B) Union official, union local representing insurance workers
- IV.C) Personnel director, property and casualty company
- IV.D) Branch director, property and casualty company
- IV.E) Personnel director, property and casualty company
- IV.F.1) Personnel officer, health insurance company

IV.F.2) Union organizer responsible for union drive at same health insurance company

IV.G) Number not used

IV.H) Union official, union international representing insurance workers

IV.I) Union official, union local representing non-insurance clerical workers (but commenting on insurance)

**V. Industries other than retail and insurance**

V.A.1) Department administrator, university

V.A.2) Department administrator, same university

V.A.3) Personnel officer, same university

V.A.4) Personnel officer, same university

V.B.1) Union official, union local representing employees at a daily newspaper

V.B.2) Members, same union local

V.C) Union official, union local representing health care workers

V.D) Official, labor organization advocating for clerical workers

V.E) Union official, union local representing primarily clerical local government employees

V.F) Union official, union international representing health care workers, building service workers, and others

V.G) Personnel director, grocery wholesaler

**VI. EZ Mart (Boston area convenience store chain)**

VI.A.1) Personnel director and associate (7/13/87)

VI.A.2) Personnel director and others (11/2/87)

VI.A.3) Personnel director (4/27/88)

VI.B) Store manager 1

VI.C) Store manager 2

VI.D) Store manager 3

VI.E.1) Employee 1, part-time

VI.E.2) Employee 2, full-time

VI.E.3) Employee 3, full-time

VI.E.4) Employee 4, part-time

VI.F) Chief operating officer

**VII. SuperValu (Boston area supermarket chain)**

VII.A.1) Personnel director and associate (8/12/87)

VII.A.2) Personnel director (11/19/87)

VII.A.3) Personnel director (4/24/88)

VII.B) Store manager 1

VII.C) Store manager 2

VII.D) Store manager 3

**VIII. Healthco (Boston area health insurance company)**

VIII.A.1) Personnel director (7/13/87)

VIII.A.2) Personnel director (10/27/87)

VIII.B.1) Two union officials, union local attempting to organize Healthco

VIII.B.2) Union organizer chiefly responsible for Healthco organizing drive

VIII.C) Department head, part-time facility

VIII.D) Department head, formerly in part-time department,  
now in full-time department

VIII.E.1) Two full-time employees

VIII.E.2) Two part-time employees

VIII.F) Department head, formerly in part-time department,  
now in mixed department

VIII.G) Division head, with responsibility including some  
part-time facilities

VIII.H) Publication discussing Healthco

VIII.I) Publication discussing Healthco

**IX. Eternal Life (Boston area life insurance company)**

IX.A.1) Employee services director (2/10/87)

IX.A.2) Employee services director (11/24/87)

IX.A.3) Employee services director (1/19/88)

IX.A.4) Employee services director (4/12 and 4/25/88)

IX.B) Personnel director

IX.C) Department head 1

IX.D) Department head 2

IX.E) Department head 3

IX.F) Publication referring to Eternal Life

**APPENDIX E**  
**Glossary of coding categories used in text-base analysis**

ADMIN--Administrative difficulties of part-time employment  
CAP--efficient utilization of capital, capital/labor ratio  
CHAL--biggest challenge faced by a company or manager  
CHAR--characteristics of those working PT, pluses and minuses  
of part-time employment for workers  
CHG--change in proportion part-time, reasons for change  
CLAIM--descriptions of claims processing procedures  
COMP--state of the product market, competition, etc.  
CULT--attitudes, culture  
FRAC--proportion part-time  
INVOL--involuntary part-time or insufficient hours; involuntary  
full-time or excessive hours  
JOBS--which jobs are part-time vs. full-time  
LABOR--state of the labor market  
LAW--effects of laws  
LIMIT--limits on use of part-time employment, or view of the  
ideal level of part-time employment  
MOVE--promotion paths and rules, mobility from part-time to  
full-time or vice versa  
ORG--Miscellaneous characteristics of the organization that the  
interviewee represents, and any stated limits on the  
interviewee's knowledge  
OTHER--perception of other companies, other managers  
PLUS--pluses and minuses of part-time employment for the  
company  
PROD--productivity, commitment, absenteeism, etc.  
SCHED--schedule of part-timers, scheduling flexibility  
STAFF--how staffing decisions (including those about the mix of  
part-time and full-time workers) are made  
TECH--technological change or description of specific  
technology  
TEMP--temporary employees and other flexible employment forms  
other than part-time  
TO--turnover  
TRG--training  
UNION--union or other labor organization  
WAGE--wages, salaries, benefits  
WORK--work organization (complexity of tasks, how tasks are  
bundled, etc.)

## APPENDIX F

### Proof that the turnover difference schedule has at most two critical points

We seek to show that the turnover difference schedule, which is the product of the fraction of part-time workers who want a full-time job and the probability of finding a full-time job (expressed as a function of the rate of full-time employment), has at most two critical points within the relevant range.

Start with definitions:

$$(F.1) \quad \text{Turnover difference schedule } D(n_F) = p_F f_F$$

$$(F.2) \quad p_F = 1 - k/(1-n_F)$$

$$(F.3) \quad f_F = mn_F / [mn_F + (1-n_F-k) + (u/(1-u))] \\ = n_F / (b-cn_F)$$

where

$n_F$  is the rate of full-time employment  
 $p_F$  is the fraction of part-time workers who are involuntary  
 $f_F$  is the probability of finding a full-time job  
 $k$  is the rate of voluntary part-time employment  
 $m$  is the quit rate of full-time workers  
 $u$  is the unemployment rate  
 $b = (1/m)(1-k) + (1/m)(u/[1-u]) > 0$   
 $c = (1/m) - 1 > 0$

The relevant range of  $n_F$  is given by:

$$(F.4) \quad 0 < n_F < (1-k)$$

since for rate of full-time employment above  $(1-k)$  there is no involuntary part-time employment (indeed, there is involuntary full-time employment).

Then solve for critical points, where the first derivative of  $D$  is equal to 0:

$$(F.5) \quad 0 = dD/dn_F = [-k/(1-n_F)^2][n_F/(b-cn_F)] \\ + [1-(k/(1-n_F))][b/(b-cn_F)^2]$$

Multiplying through by the relevant denominators and gathering terms, we have

$$(F.6) \quad 0 = (kc+b)n_F^2 + (-2b)n_F + (b-kb)$$

This is a quadratic expression, and has at most two solutions, proving the proposition. Applying the quadratic formula gives two possible roots for  $n_F$ :



$$\begin{aligned} \text{(F.7)} \quad n_F &= [2b \pm (4b^2 - 4(kbc - k^2bc + b^2 - kb^2))^{1/2}] / 2(kc+b) \\ &= [b \pm (k^2bc + kb^2 - kbc)^{1/2}] / (kc+b) \end{aligned}$$