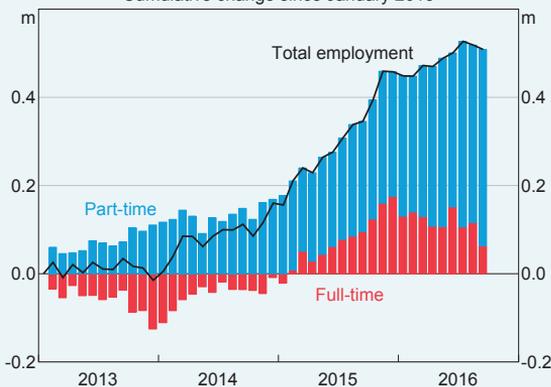


Box B

Trends in Part-time and Full-time Employment

Part-time work has accounted for all of the increase in employment since the beginning of the year and more than two-thirds of the increase since 2013 (Graph B1).¹ Over the longer run, the share of part-time employment has increased steadily to be around one-third of total employment, compared with 10 per cent in the mid 1960s (Graph B2).

Graph B1
Composition of Employment
Cumulative change since January 2013



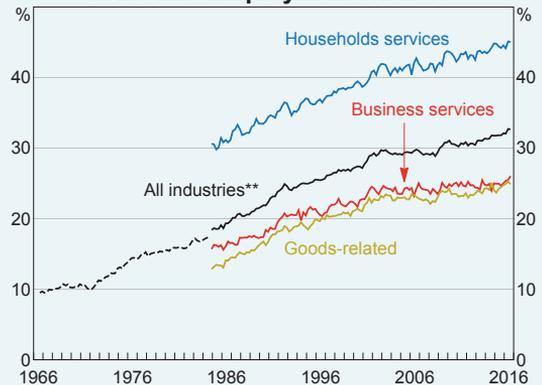
Source: ABS

The secular rise in the share of part-time employment reflects developments in both labour supply and demand.² On the supply side, more flexible employment arrangements have made it easier for people to combine employment with other activities such as education and caring for family members (although factors such as greater access to childcare have also contributed). On the labour demand side,

1 The Labour Force Survey classifies people as full-time if they worked more than 35 hours across all jobs in the survey reference week or if they worked less than 35 hours but usually work more than 35 hours. Part-time employment consists of those who usually, and in the survey reference week, work less than 35 hours.

2 For further information on longer-run trends in part-time employment see Abhayaratna J, L Andrews, H Nuch and T Podbury (2008) 'Part Time Employment: the Australian Experience', Productivity Commission Staff Working Paper, June.

Graph B2
Part-time Employment Shares*



* Seasonally adjusted by RBA

** Series break in 1984 due to change in Labour Force Survey; post-1984 series excludes agriculture, forestry & fishing, and public administration & safety

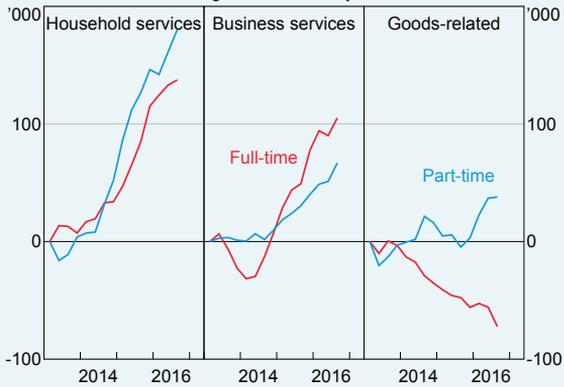
Sources: ABS; RBA

firms have used part-time employment to respond to fluctuations in demand for their output and to increase organisational flexibility.

Over recent years, the relative strength in part-time employment has also reflected changes in the sectoral composition of employment growth. Since 2013, employment growth has been strongest in the household services sector, where the share of part-time employment is relatively high at about 45 per cent (Graph B3).³ The strength in household services employment is consistent with the pick-up in the growth of non-mining activity as the economy rebalances away from mining investment. Over this period, the share of

3 The household services sector includes the accommodation & food, arts & recreation, education and health & social assistance industries. The business services sector includes the administration & support, financial & insurance, media & telecommunications, professional, scientific & technical, and rental, hiring & real-estate industries. The goods-related sector includes the construction, manufacturing, mining, retail trade, transport, postal & warehousing, utilities, and wholesale trade industries.

Graph B3
Employment by Sector*
 Change since February 2013



* Seasonally adjusted by RBA; does not remove the effects of changes in the timing of ABS supplementary surveys; four-quarter moving average

Sources: ABS; RBA

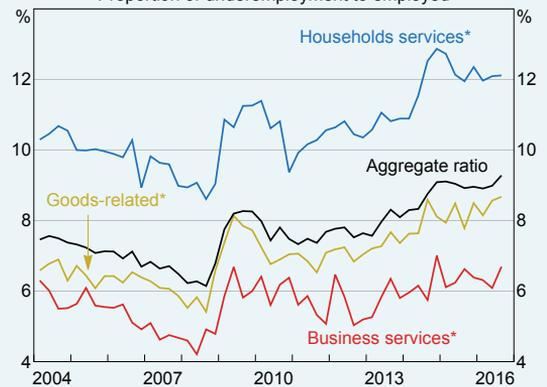
part-time employment in the business services and goods-related sectors has also increased, but remains much lower than for household services at around 25 per cent. Employment growth has been weakest in the goods-related sector, in part reflecting the fall in employment related to mining activity since 2013 and the ongoing decline in manufacturing employment.

Since 2013, the shift towards part-time employment *within* each sector has also become more pronounced. This is most obvious in the household services and goods-related sectors, where part-time employment has risen by more than full-time. The shift towards part-time employment within sectors is consistent with liaison reports that firms have been hesitant to employ full-time workers until they see evidence that increased demand for their output is likely to be sustained. Firms can more easily adjust the hours of part-time workers than those of full-time workers. As such, part-time employees provide firms with greater flexibility than full-time employees to adjust hours of work in response to fluctuations in demand for their

output.⁴ Adjusting hours for full-time employees (including via changes to overtime) typically provides a more limited margin of adjustment. Casual employees provide firms with greater flexibility than permanent part-time employees (although they are typically compensated for this flexibility with a higher wage). However, there has been relatively little change to the share of part-time employees who are casual over the past few years.

While the unemployment rate has declined over the past year, the underemployment rate – which captures the share of employed people who want and are available to work additional hours – has remained elevated (Graph B4).⁵ This suggests that the recent strength in part-time employment is more likely to have been driven by weakness in labour demand than changes in employee preferences. The underemployment rate has risen noticeably for males, in part because of the relatively

Graph B4
Underemployment Ratio by Sector
 Proportion of underemployment to employed



* Seasonally adjusted by RBA

Sources: ABS; RBA

4 More generally, there is evidence that a larger share of cyclical labour market adjustment since the late 1990s has come about via changes in average hours worked per employee, as opposed to changes in employment. See Bishop J, L Gustafsson and M Plumb (2016), 'Jobs or Hours? Cyclical Labour Market Adjustment in Australia', RBA Research Discussion Paper, No 2016-06.

5 It is not uncommon for the underemployment rate to remain elevated for a period of time following a peak in the unemployment rate.

high proportion of male employment in goods-related industries where full-time employment has declined. In contrast, employment growth has been strong in the household services sector and the underemployment ratio in this sector has stabilised. The elevated level of underemployment implies that there is more spare capacity in the labour market than indicated by the unemployment rate alone. ✎