

IWF Policy Brief

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FMLA Benefits for Part-Time Workers Would Hurt Those They Are Supposed to Help

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Executive Summary

Part-time workers typically receive fewer benefits than full-time workers, and are not covered by some labor laws that apply to full-time workers. Some suggest that this is unfair to part-time workers, and urge the federal government to extend federal laws, such as the Family and Medical Leave Act, so that part-time workers receive the same benefits as others.

Yet extending employment regulations to part-time workers would backfire on many. Mandated benefits raise the cost of employment. As a result of these new costs, businesses may reduce take home pay, combine jobs to eliminate part-time positions, or seek to outsource work.

One of the most troubling potential outcomes is that expanding employment regulations could reduce job opportunities. Many young Americans get their first job experience through a part-time position. These part-time jobs help them build necessary job skills and experience. Women with children also often seek out part-time positions, and if employers have more incentive to eliminate part-time jobs in favor of full-time slots, more women will face that difficult choice of whether to work full-time or stay home with kids, without a compromise option.

Talking Points:

- Part-time workers typically receive fewer benefits than full-time workers, and are not covered by some labor laws that apply to full-time workers.
- Proposals to extend employment regulations to part-time workers and mandate that employers provide more benefits to part-time workers could backfire on part-time workers.
- These regulations would raise the cost of employing part-time workers. As a result of these new costs, businesses may reduce take home pay, combine jobs to eliminate part-time positions, or outsource work.
- Policymakers need to focus on lowering, not raising, the cost of creating jobs.

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Lower skilled workers are also likely to suffer as a result of rising employment costs and the increased administrative burden associated with such regulations.

Part-time work is the preferred option of millions of Americans. Even those part-time workers who would prefer full-time jobs are better off when at least part-time work is available. Particularly in this economic down-turn, policymakers need to focus on lowering, not raising, the cost of creating jobs.

Introduction

With the current, high unemployment rate, many policymakers express a desire to advance policies that would create jobs. Many note that our current employment situation is plagued not only by high unemployment (9.8 percent in September 2009), but by “underemployment.” The underemployment rate, which includes those who have become so discouraged that they are no longer looking for work and those who work part-time but would prefer full-time positions, accounts for 17 percent of the workforce according to the Department of Labor.ⁱ

In addition to concerns about job creation, some policymakers seek to enhance the compensation of those with jobs, particularly those with part time jobs. For example, there are several proposals before Congress to create new mandated benefits for part-time workers. Legislation known as the “Healthy Families Act” would require covered employers to offer seven days of paid sick leave to full-time employees with part-time employees being eligible for benefits on a pro-rated basis. Another bill dubbed the “Family Fairness Act” would eliminate the hours of service requirement for FMLA benefits so that part-time workers (many of whom do not accrue enough hours to qualify for FMLA leave under current law) would become eligible.

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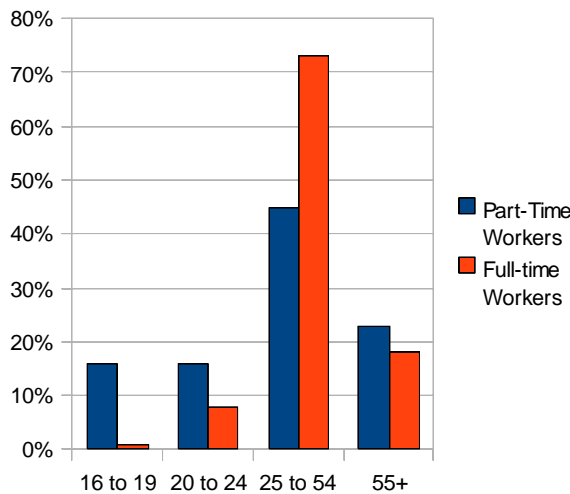
At first glance, such proposals appear as though they would benefit part-time workers. Given that part-time workers are less likely to already have paid sick leave, a bill like the Healthy Families Act is presumed a boon to part-time workers because they would be receiving benefits that they have not had in the past. However, as explained in this policy brief, part-time workers are also more likely to suffer adverse consequences as a result of these regulations, including the elimination of many part-time positions. This policy brief also provides an overview of who works part-time, and the differences between the compensation arrangements of part-time and full-time workers. It highlights how these individuals, many of whom prefer part-time arrangements, would be worse off as regulations raise the cost of part-time work.

Instead of raising the costs of employment, policymakers should focus on ways to encourage job creation, including the creation of more part-time positions and other more flexible work arrangements.

Who Works Part-time?

In 2008, the Bureau of Labor Statistics estimated that there were more than 25 million part-time workers in America, which is about 17 percent of the total number of workers. Young workers and older workers are disproportionately found in part-time positions: more than 30 percent of part-time workers are between the ages 16-24 and 23 percent of part-time workers are older than age 55.ⁱⁱ

Chart One: Workers by Age as Percentage of Total



Source: Bureau of Labor Statistics, 2008.

Part-time workers are also more likely to be women. There are 16.7 million women working part-time, compared to 8.6 million men working part time, which means that women constitute nearly two-thirds of the part-time workforce.

A significant (and growing) segment of part-time workers wish they had full-time jobs. The Department of Labor reports: “In November 2008, 7.3 million persons were employed part time for economic reasons, up by 3.4 million from a recent low of 3.9 million in April 2006.”ⁱⁱⁱ

Part-time Workers Have Different Compensation Packages than Full-time Workers

In general, full-time workers receive a greater share of their compensation in the form of benefits than do part-time workers. According to the Bureau of Labor Statistics, 86 percent of full-time workers had paid vacation and 46 percent had paid personal leave. In contrast, just 37 percent of part-time workers had paid vacation and 22 percent had paid personal leave.^{iv}

As a result, benefits consumed a larger share of employment costs of full-time workers than part-time workers. All benefits accounted for 30.4 percent of the compensation of full-time private sector workers, with 7.2 percent going to paid leave. Benefits accounted for just 21.6 percent of part-time workers compensation, with just 3.2 percent going to provide paid leave.^v

The Effect on Part-time Workers for Driving Up the Costs of Employment

Given that part-time workers tend to have different compensation packages than full-time workers, regulations that attempt to change or dictate compensation packages will also affect part-time workers differently.

Mandates that require employers to provide benefits, such as paid leave time, are more likely to result in new benefits for part-time workers than to full-time workers, since part-time workers are less likely to have been receiving the benefits before the mandate. However, this also means that such mandates have a greater impact on the employment costs associated with part-time workers.

“Part-time workers, who currently receive a larger share of their compensation as take home pay, will be more affected by regulations mandating new benefits...”

When evaluating the effects of mandates, the public needs to recognize that how much money a worker receives in pay from an employer and how much it costs to employ that worker are two very different things. When a business considers whether to hire a new employee, it must consider all costs associated with that employee. That includes the taxes the business must pay related to that employee, the costs of space and overhead that comes with an additional staff member, and the total costs of the employee's benefits.

In 2008, the Department of Labor estimated that less than 70 percent of the total costs of employing a civilian worker went to cover wages and salaries. More than 30 percent was used to pay for benefits, including taxes to pay for government programs, such as Social Security, Medicare and unemployment insurance.^{vi} Specifically, insurance costs accounted for 8.4% of total compensation costs, “legally required” compensation (such as taxes), accounted for 7.9%, and paid leave accounted for 7.0 percent.^{vii}

Part-time workers, who currently receive a larger share of their compensation as take home pay, will be more affected by regulations mandating new benefits since the costs associated with their employment will go up relative to their full-time counterparts. Companies employing part-time workers will have to find a way to compensate for those costs: they may reduce part-time workers' take home pay or they may seek ways to reduce the number of workers they employ, either by outsourcing jobs or hiring fewer full-time workers.

This will be particularly devastating to those who are most likely to seek out part-time arrangements, such as young people seeking their first jobs and women, particularly mothers, who want to both work and spend time with their children. Right now, the teen unemployment rate is already more than 25 percent – the highest rate since the Department of Labor began collecting that data in 1948.^{viii} In addition to the problems associated with young adults being unable to earn their own income, this joblessness also means that this generation will have less work experience as they seek their next jobs and begin a lifetime of work. Mothers also will face similar problems as many who are unable to find

part time employment may opt out of the workforce entirely. This unwanted time off can erode job skills and earning potential, putting women in a more difficult situation when they seek to reenter the workforce.

Part-time Jobs Are Better Than No Jobs

The unemployment rate was 9.8 percent in September 2009. Equally worryingly, the underemployment rate (or the broadest definition of unemployment, which includes those who have stop seeking jobs and those who are working part-time or reduced schedules but wish they could work more hours) was 17 percent.^{ix}

Such statistics are a reason to lower the costs of job creation, both for part-time and full-time positions. Driving up the cost of hiring a part-time worker may lead companies to pursue outsourcing or seek ways to do without as many workers. Those who are concerned about the unequal rules that govern part-time and full-time workers, which may lead employers to utilize more part-time workers than they might otherwise, should encourage policymakers to focus on lowering the employment costs of full-time workers to stimulate job creation, not driving up the costs associated with part-time workers, which could result in fewer job opportunities for all Americans.

Conclusion

Many Americans purposefully seek out part-time work: those who are young and seeking job experience while still in school; mothers of small children who want to work while still having time for hands-on parenting; and those nearing retirement who want to earn extra income and stay engaged in the workplace. Other Americans may wish to have full-time jobs, but instead end up with part-time positions. While not ideal, the existence of these part-time jobs helps supply income and maintain job connections and skills while workers seek full-time work.

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Policymakers considering expanding workplace mandates, such as the Family and Medical Leave Act or the Healthy Families Act, to require employers to provide new benefits to part-time workers should look beyond the benefit that workers would receive to the very real costs of these mandates. Unfortunately, those costs can include lower take home pay and fewer job opportunities.

Instead, policymakers should seek ways to lower the costs associated with hiring workers for both full-time and part-time positions. A dynamic growing economy with a robust job market is the best way to ensure that American workers are well-compensated and can find positions that suit their unique needs.

Endnotes

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- ⁱ “Table A-12. Alternative measures of labor underutilization,” Economic News Release, Bureau of Labor Statistics, October 2, 2009. Available at: <http://www.bls.gov/news.release/empsit.t12.htm>
- ⁱⁱ “Employed and unemployed full-and part-time workers by age, sex, race and Hispanic or Latino ethnicity,” Current Population Survey, Bureau of Labor Statistics, Department of Labor, 2008, Table 8, p. 204.
- ⁱⁱⁱ “Involuntary part-time work on the rise,” Issues in Labor Statistics, U.S. Department of Labor, U.S. Bureau of Labor Statistics, December 2008, p. 1.
- ^{iv} U.S. Bureau of Labor Statistics, Table 6, Selected paid leave benefits: Access, National Compensation Survey, March 2008, <http://www.bls.gov/news.release/ebs2.t06.htm>
- ^v U.S. Bureau of Labor Statistics, “Employer Costs for Employee Compensation—September 2008,” Department of Labor, December 10, 2008, p. 20.
- ^{vi} “Employer Costs for Employee Compensation—September 2008,” Bureau of Labor Statistics, December 10, 2008, p. 1.
- ^{vii} “Employer Costs for Employee Compensation—September 2008,” Bureau of Labor Statistics, December 10, 2008, p. 3.
- ^{viii} Arth Pandya, “Teen unemployment rises to its highest ever,” technicianonline.com, September 14, 2009. Available at: <http://www.technicianonline.com/news/teen-unemployment-rises-to-its-highest-ever-1.1876294>.
- ^{ix} “Table A-12. Alternative measures of labor underutilization,” Economic News Release, Bureau of Labor Statistics, October 2, 2009. Available at: <http://www.bls.gov/news.release/empsit.t12.htm>