

Do Temporary Help Jobs Improve Labor Market Outcomes for Low-Skilled Workers?

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High Incidence of Temporary Agency Employment among Low-Skilled Job Entrants

- **Account for 2-3% daily employment, but disproportionate share of temporary agency jobs:**
 - In low-skilled, entry-level occupations.
 - Held by minorities.
 - Held by those with no post-high-school education.
- **Strikingly high incidence among welfare population:**
 - 20% of jobs obtained by Work First participants in our Michigan study sample in Temporary Help sector.
 - According to studies in Wisconsin, Missouri, Washington State, Georgia: 15% - 40% of employed welfare recipients are in temp help sector.
- **Policy issue: Do temporary help jobs facilitate work transitions among welfare and other low-income populations?**

Two Views of Temporary Help Jobs:

- **Augmenting job search: ‘Stepping stone’**
 - Temporary help jobs connect low-skilled workers with potential employers, build skills, and gain work experience.
- **Prolonging instability: ‘Stumbling blocks’**
 - Temp agency jobs offer few chances for advancement or skills development.
 - May crowd out productive job search, hamper long-term advancement.
- **Relevant policy question is...**
 - Which effect predominates in low-wage/low-skilled labor markets?

The Difficulty of Answering the Question

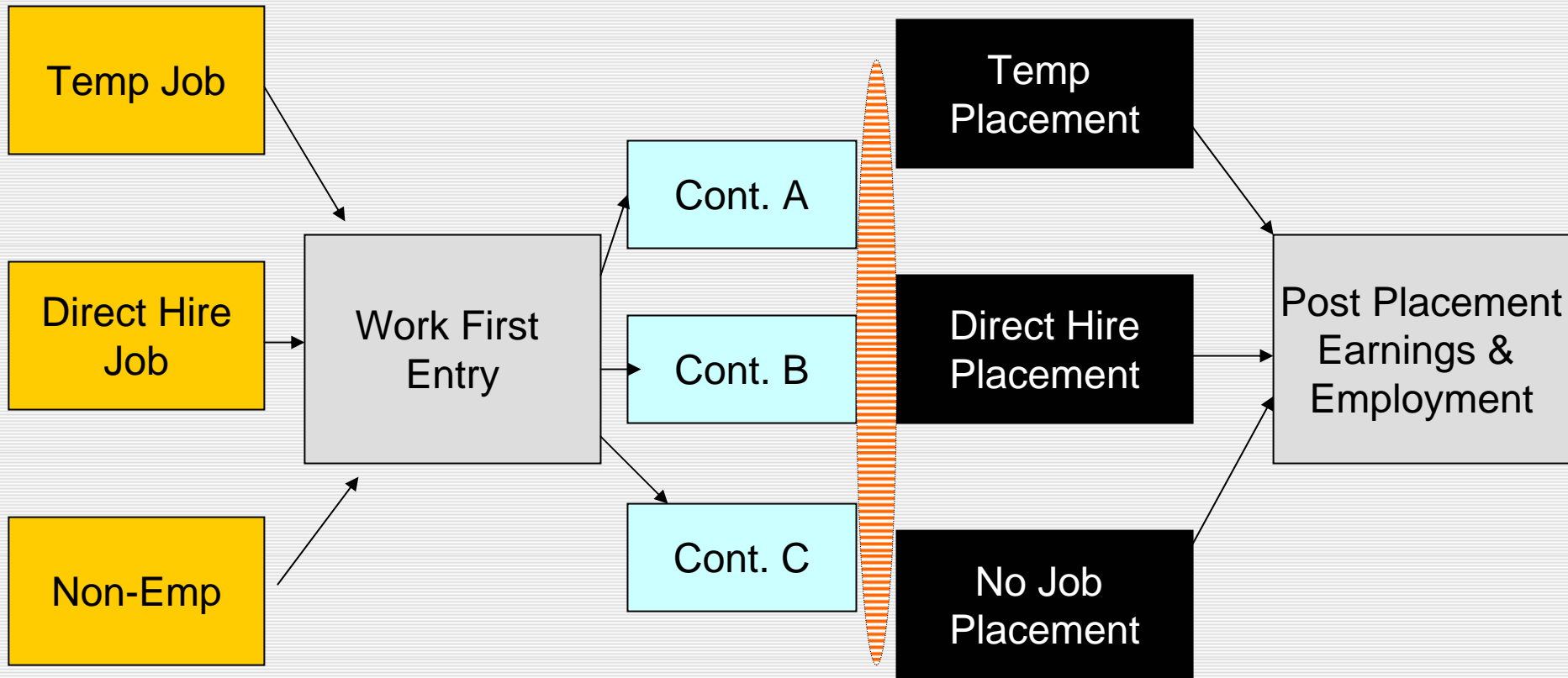
- Hard to distinguish consequences of taking a given job type from the factors that cause person to take that job initially, e.g., skills, motivation, life circumstances.
- **Recent Studies:**
 - Use various non-experimental methods to control for selection problem
 - Almost all find positive role for temporary help agencies in facilitating return-to-work transitions—2 studies recommend expanded use of temp agencies
- **Our Study**
 - Uses unique quasi-experiment with random assignment in Detroit's welfare-to-work program
 - Findings do not support expanded use of temporary help agencies in welfare-to-work transitions

Our Study of Detroit Work First Program

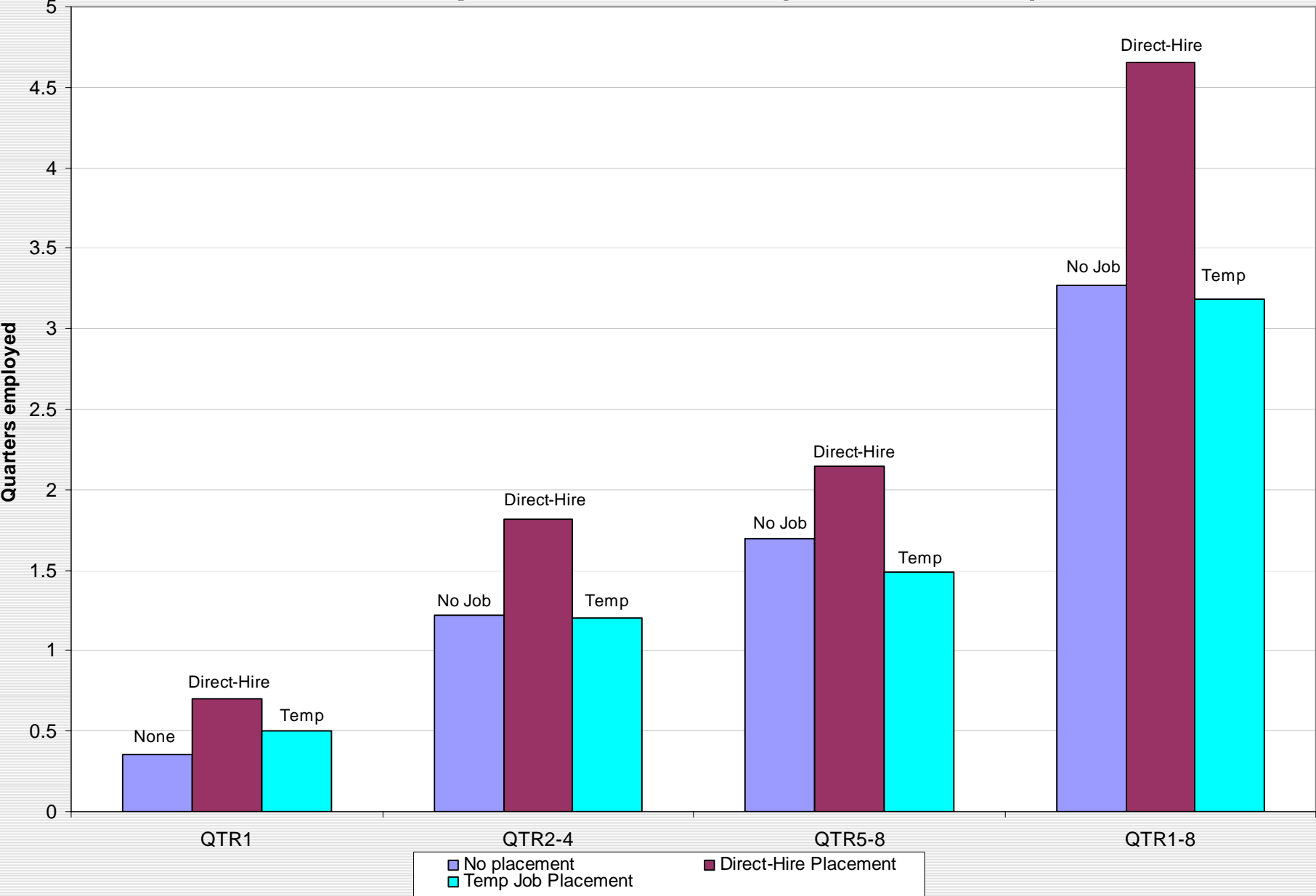
- **Michigan “Work First” approach**
 - Emphasis on rapid placement into jobs
 - Few resources provided for training or counseling
 - After orientation, full-time job search – service providers help place participants into jobs
- **Detroit randomly assigns Work First participants to service providers (“Contractors”)**
 - City divided into 12 geographic districts with 2-4 contractors operating in each
 - Contractors differ in propensity to place participants into temp, direct-hire, or no job – otherwise provide similar (minimal) services
 - Like having 12 small quasi-experiments – which we exploit to identify the effects of job type on labor market outcomes over 2-3 years

Nuts and Bolts: How the Quasi-Experiment Works

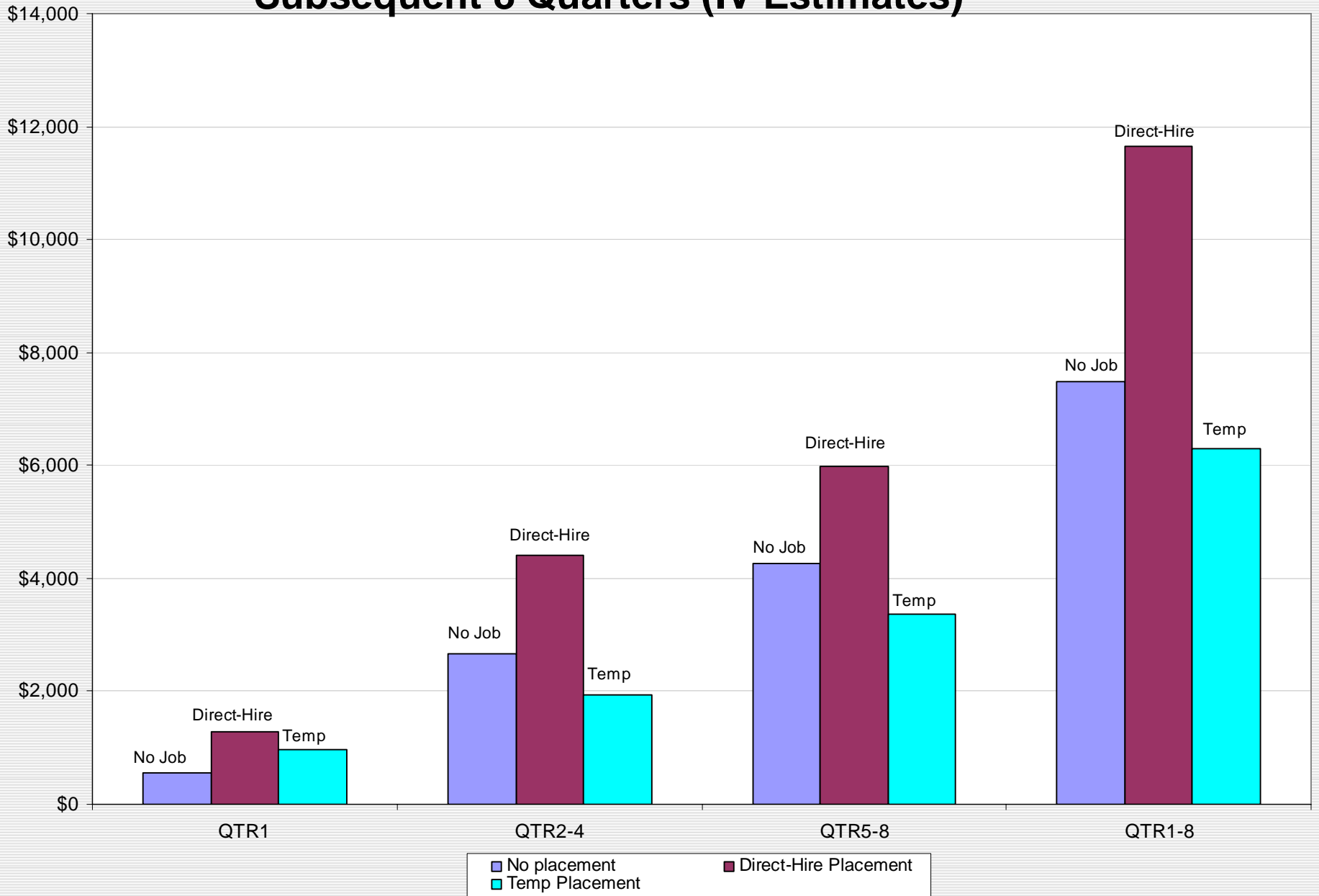
Prior Earnings → Work First Entry → Random Assignment → Job Placement → Employment Outcomes



The Impact of Job Placement Type on Employment over Subsequent 8 Quarters (IV Estimates)



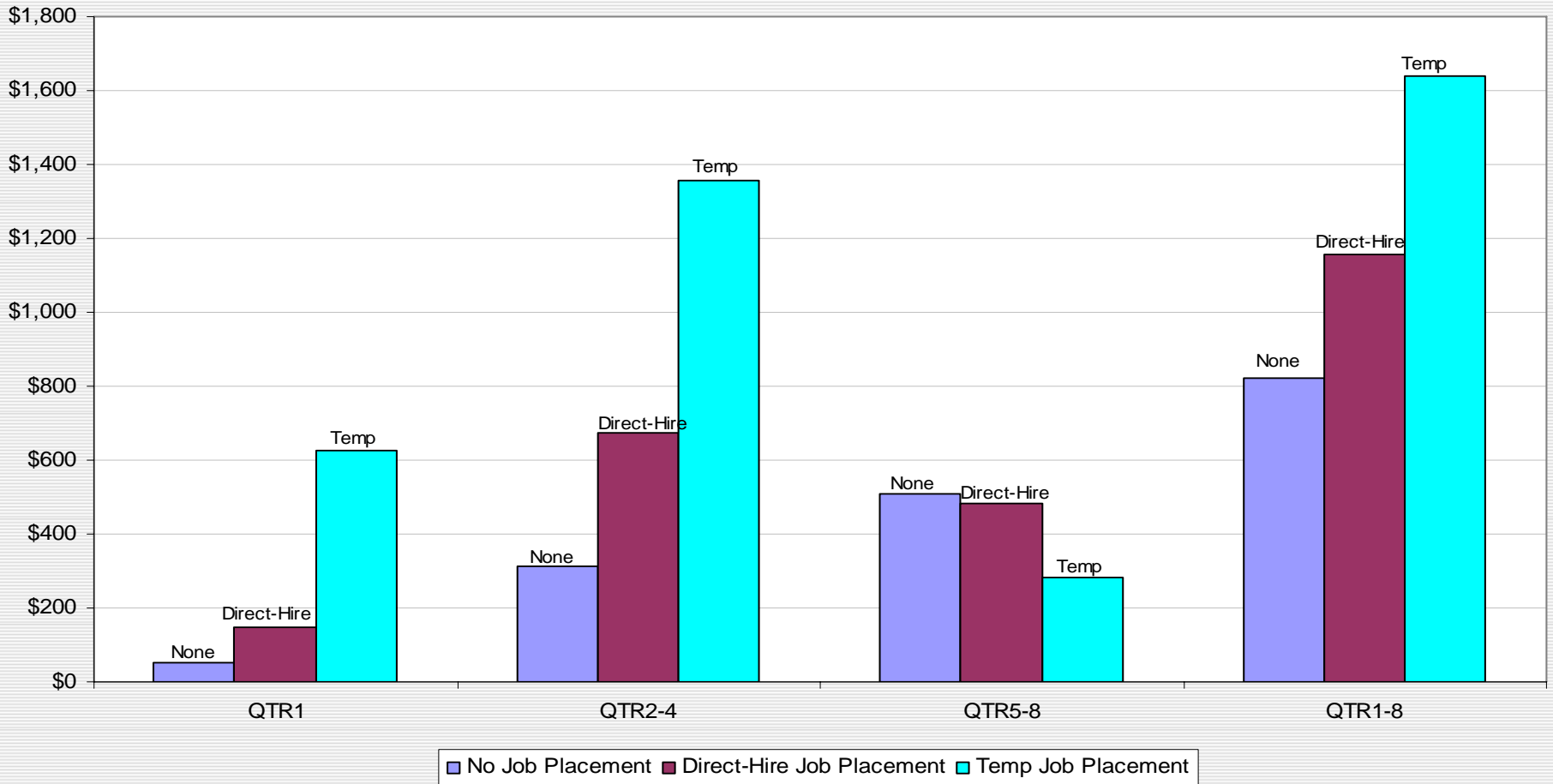
The Impact of Job Placement Type on Earnings over Subsequent 8 Quarters (IV Estimates)



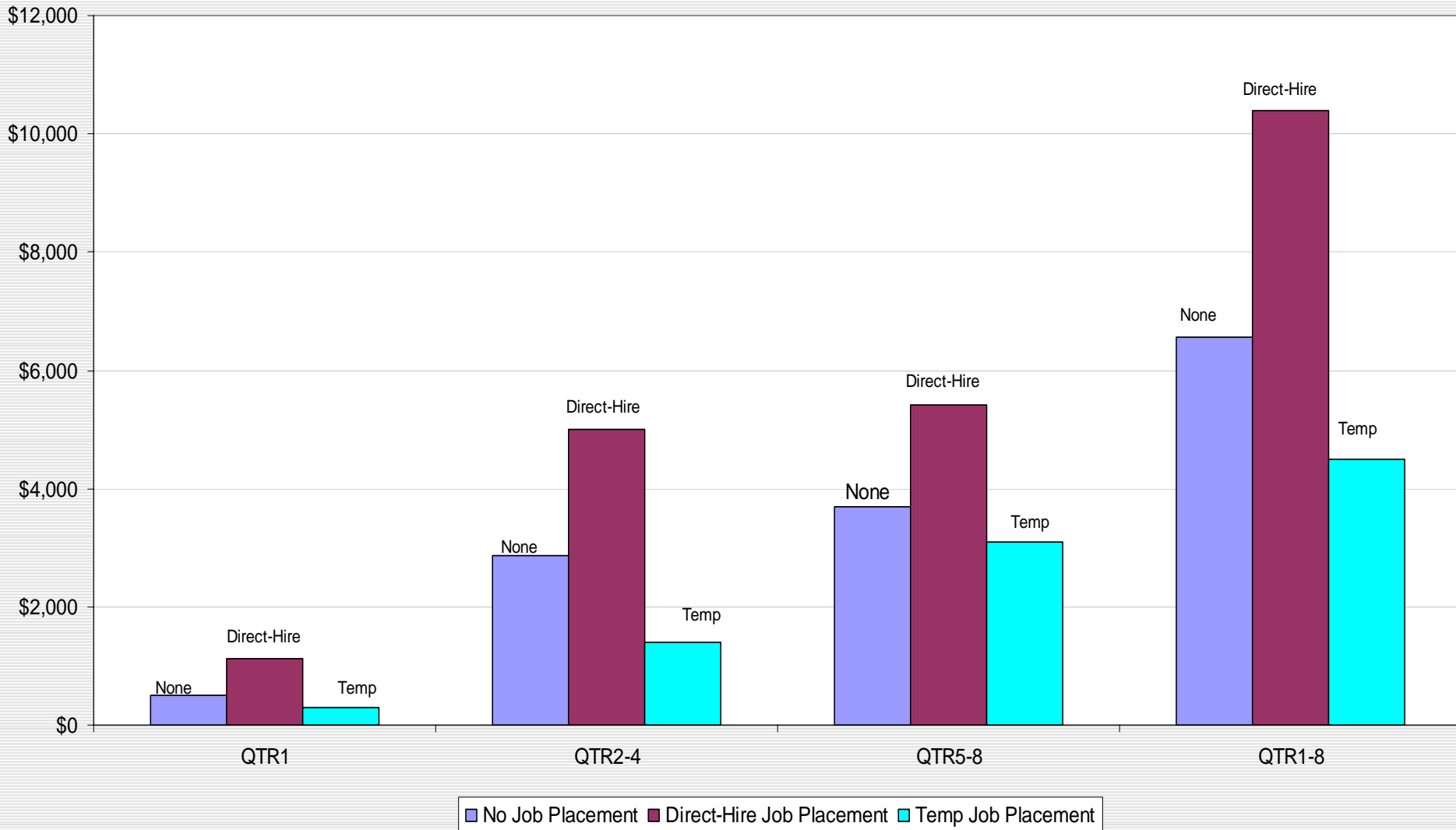
Why Temporary Job Placements Fail to Improve Long-term Labor Market Outcomes

- Placements into temp jobs, on average, do not help workers transition to direct-hire, regular jobs
- Temp placements do foster more temp jobs in first year
- Employment with temporary help firms crowds out employment and earnings with direct-hire employers.

The Impact of Job Placement Type on Temp Earnings (IV Estimates)



The Impact of Job Placement Type on Direct-Hire Earnings (IV Estimates)



Policy Implications: Temporary Help Placements

- Findings do not imply the temp placements never help low-skilled workers.
- No support for policy recommendation that encourages greater use of temporary agencies
- Increasing placements in direct-hire jobs more effective strategy
 - Some should pass up opportunity to work for temp agency, continue to search for direct-hire job
- Findings raise questions about Work First incentives:
 - Emphasis on rapid job placement may not allow continued search for better job
 - Performance evaluations based on 90-day retention too short

Policy Implications: Direct Hire Placements

- Find direct-hire job placements do improve employment and earnings outcomes up to two years
 - Increase earnings \$2400 first year, \$1700 second year
- Large and statistically significant effects of direct-hire placements on subsequent earnings still insufficient to have much effect on poverty levels.