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Improving Employment Retention and Advancement of Low Paid Workers

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Questions

1. To what extent are people churning between unemployment and low-paid employment: Retention
2. To what extent do people get stuck in low-paid jobs (state dependence of low paid work): Advancement
3. Do current employment programs support R&A
4. What additional measures can we introduce to help people stay in employment and 'advance'?

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Prior evidence on retention and advancement

- International evidence: 'state dependence' in low-paid employment, significant churning in a 'low-pay no-pay cycle'
- Less Australian evidence:
 - Dunlop (2002): identified particular groups more prone to persistence in low pay and 'low-pay no-pay cycle'
 - ABS (2003): study of churning
- Short-term, low-paid jobs don't necessarily provide pathway to more secure permanent employment
- Anecdotal evidence of churning through Job Network system

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Current evidence

- ARC project to determine extent of churning and state dependence in low paid work
 1. Determine extent of the problem by examining nationally representative data, i.e. HILDA
 2. Examine in further detail the employment dynamics of a select group of highly disadvantaged jobseekers over 3 years

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Preliminary analysis of HILDA

- 5 waves (2001-2005)
- Working age, excluding full-time students
- Low-pay < 2/3 median hourly wage
- Want $P(U_t|U_{t-1}, LP_{t-1})$ & $P(LP_t|U_{t-1}, LP_{t-1})$
- Probit to control for observed heterogeneity
- Also examine second-order effects

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Current employment state conditional on lagged state

State in previous year	Males		Females	
	P(U _t)	P(LP _t)	P(U _t)	P(LP _t)
Unconditional	0.094	0.066	0.288	0.081
Not employed in t-1	0.573	0.206	0.757	0.194
Employed in t-1	0.047	0.061	0.101	0.072
Low paid in t-1	0.054	0.400	0.107	0.307
Higher paid in t-1	0.030	0.042	0.069	0.056
Ratio not emp/employed in t-1	12.3	3.4	7.5	2.7
Ratio low paid/higher paid in t-1	1.8	9.5	1.5	5.5
n	14,930	11,909	17,547	11,135

*Controlling for observed characteristics using Probit model


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Current evidence

- Second order effects confirm that persistence in states & of low-pay no-pay cycle
- Estimating 'true' relationship subject of further work


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Current employment programs

- Work first approach focuses on 'active' measures: assisted job search, short-term work preparation mandatory workfare programs and the threat of benefit withdrawal (Peck 2000)
 - Focus on jobs available (often low skill/pay) seen as stepping stone
 - Commitment to R&A questionable
 - Training usually limited and short-term
 - Relatively successful with easier to place, but poor R&A outcomes with more disadvantaged


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Issues with R&A under work first

- Strong outcome focus directs case manager effort to specified time frames. Outcomes maximised by repeat placements
- Insensitivity to skill development needs due to pressure for rapid outcomes, even with lowest skilled
- Inability to overcome more substantial barriers due to emphasis on short-term low cost interventions
- No emphasis on job quality, pressure to take jobs regardless of skill/preference match, R&A opportunities
- Inability to match disadvantaged job seekers with jobs in skills shortage areas, due to lack of incentive to invest
- Limited focus on retention and usually no focus on advancement


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Job Network in practice

- Objective: "to help job seekers into sustainable employment, increase workforce participation and reduce dependency on income support..." DEWR
- Outcome payments at 13 & 26 weeks (UE 12+ months) weighted to 13 week, or just 13 weeks (UE 4-12 months)
 - Pressure on staff to focus on 13 week outcomes leads to significant churning
 - Poor quality short-term/casual work not in-line with client preferences (over 50% in lowest occ category)
 - Outcome buying in poor quality/non-continuing jobs
- Low level post placement support (phone calls, re-placement) sometimes more admin and tracking
- Advancement not recognised/rewarded, little research but focus appears minimal
- Those identified as requiring additional support: LTU/VTU, lone parents, CALD, young people & indigenous


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ERA programs

- Originated in late 90s in US from recognition of problems with churning and people not progressing in work
- Modify existing employment services or add new additional services to provide improved R&A support
- Provide combination of interventions including:
 - Case management
 - Financial incentives
 - Skill development
 - Employer initiatives
- Mixed evidence of effectiveness

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Case management

Components

- Pre-employment support
- Retention support: coaching and mentoring, counseling for job and personal issues, referrals, assessments, advice on benefits, emergency assistance for clients
- Advancement support: training or job promotion
- Connecting with other support services (D&A, childcare, housing, health)

Issues

- Requires low case loads to enable intensive support not just tracking
- Advancement focus requires change in organisational culture and new skill sets
- More effective when targeted to needs of specific groups
- More effective when combines pre and post-placement support, builds long-term relationships & focuses on good jobs
- Need to make services available outside normal office hours and provide support with transport and childcare
- R&A focus likely to be difficult in typical work first programs with high caseloads and job entry targets
- Strong links with employers important

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Training

- Jobs Initiative (US) found participation in training single most important factor in supporting retention
- Financial incentives may encourage employees and employers to invest in training
- Skills-training should closely match the needs of employers and employees and fit in with work and home schedules
- Should have pre and post employment focus and utilise range of training options

Financial supports

- Earnings supplements show positive effect on retention (may have negative impact when supplement ends) but little impact on advancement. May be more effective when combined with non-financial support
- Emergency financial assistance may improve retention

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UK ERA demonstration

- Large-scale randomised control trial
- Involves 3 groups: ND25+ LTU, NDLP, Lone parents receiving the WTC
- Support provided:
 - Advancement Support Advisor up to 33 months (9 pre-empt)
 - Retention bonus of £400 3 times a year (if working 30+ hrs)
 - Training tuition assistance up to £1,000
 - Training bonus £8/hr up to £1000 (for training while employed)
 - Emergency payments up to £300
- ASA model: coach at pre-employment stage to consider R&A opportunities, identify work fitting skills/interests, provide in work counselling, develop Advancement Action Plan

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Results so far

- Challenge to reorient JC+ culture, CM continued focus on placement, mgt support often absent, R&A skills/strategies take time to develop
- Contact not always intensive, client awareness variable
- Not all eligible have an interest in advancement
- Most common in-work support: help finding education and training, assistance with career goals, help finding a better job. Least common: securing a promotion or a pay rise, or negotiating better job terms
- Results after year 1
 - Earnings 20% above control group: NDLP 29%, ND25+ 12%, WTC 0.7%
 - All groups more likely to be working full-time
 - NDLP and ND25+ small reductions in benefit receipt
 - NDLP increase in enthusiasm for advancement
 - All groups more likely to combine education and training

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Conclusion

- Evidence that many jobless have problems with employment retention on workforce re-entry
- Advancement for those retaining employment is also a problem
- Work first approaches such as Job Network fail to support (or work against) R&A of disadvantaged job seekers
- Evidence that ERA programs combining long-term case management, financial supports and training can improve R&A outcomes of disadvantaged

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