

MIT economist finds temporary jobs may actually reduce workers' income and employment prospects

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Graphic: Christine Daniloff

While the U.S. economy struggles, one form of employment is on the rise: Temporary jobs. In December, the country lost 85,000 jobs overall, but added 47,000 temp positions, according to the Bureau of Labor Statistics. Increasingly America relies on these contingent employees -- or “disposable workers,” as BusinessWeek put it in a recent cover story.

For many workers, these [jobs](#) are stop-gap measures, but social scientists have long floated another idea: That temp positions help low-skill workers to acquire experience and eventually join the permanent workforce in better long-term jobs. Now, a new working paper co-authored by MIT economist David Autor throws cold water on that

notion. Not only do many temp employees struggle to find long-term or “direct-hire” work, the study says, but holding a temp job generally lowers a worker’s employment and income prospects over time.

“Temp jobs have some initial positive impact,” says Autor. “But not only do they end quickly, they tend to displace what a person would have done instead, either taking a direct-hire job or engaging in the kind of search that could lead to a direct-hire job.”

Autor and his co-author, Susan Houseman of the W.E. Upjohn Institute for Employment Research in Kalamazoo, Mich., came to this conclusion after examining a welfare-to-work program in Detroit called Work First. The program offers some job-seeking training and attempts to put people in either temporary or long-term positions. Using Work First data for over 37,000 cases from 1999 to 2003, combined with state employment information, Autor and Houseman examined how workers fared in the two years before and after they participated in Work First.

Their findings showed that workers placed into direct-hire jobs increased their earnings by about \$2,000 per year, compared to their earnings before trying the Work First program. By contrast, workers initially placed into temp jobs saw their earnings lowered by about \$1,000 per year, compared to their previous average [income](#).

The study, “Do Temporary-Help Jobs Improve Labor Market Outcomes for Low-Skilled Workers? Evidence from ‘Work First,’” (PDF) which will be published in the American Economic Journal: Applied Economics, has clear policy implications. “Work First as a model is not a bad idea, but I think these programs should be more focused on getting people into direct-hire positions,” says Autor. “In terms of what state agencies should be spending their money on, it should not be temporary-help placements, at least for this part of the population.”

Workplace experiment

The study's surprising results have already gained notice among labor researchers, who have often assumed a solid correlation between temp employment and better job prospects. "I would have expected them to find a positive result, but they didn't," says Mary Corcoran, a professor of political science, public policy, social work, and women's studies at the University of Michigan, who is conducting her own study of temporary employment in Michigan. Corcoran thinks the Autor-Houseman paper is "one of the best pieces out there on the effects of using temp agencies, because it's more like an experiment than other studies."

Indeed, the study uses a key feature of Work First to create what economists call a "quasi-experiment" — research that uses a random element found in data to duplicate the structure of a laboratory trial. In general, it is hard to separate the employment status of people from their skills and motivation; temp workers might have temp jobs because they are less predisposed to have long-term jobs. But in Detroit, Work First arbitrarily rotated job-seekers through different job-placement contractors which themselves had varying tendencies in terms of placing workers in temp positions or long-term jobs. Because each group of job-hunters assigned to each job placement contractor was essentially identical, Autor and Houseman could rule out differences in workers as the primary explanation of differences in workers' [employment](#) trajectories; in this case, even some workers who were highly motivated to find full-time work started out in temp jobs.

To be sure, a valid question is how broadly these findings apply, given Michigan's acute economic struggles. However, as Autor notes, the study's data starts when the state economy was growing in the late 1990s, then continues through the slump of the early 2000s and the subsequent rebound; it ends before the current recession began.

Moreover, Autor and Houseman believe there is no regional bias in the study because the overall figures for people finding both temporary and long-term jobs through Work First in Detroit closely match the equivalent data for other regions, including North Carolina and Missouri. The researchers also say temp workers fared no differently in the production-line jobs associated with Michigan than in the kinds of clerical jobs found everywhere.

“I don’t think it’s anything specific about Detroit, or the type of work in which temps are placed,” says Autor. “In terms of the external validity of the conclusions, my main concern is how this relates to a more skilled population. There we don’t have a clear answer yet.” It is possible that temp jobs for people with college degrees do lead to greater opportunities and earnings — something the researchers would study if the right data set presents itself, Autor says. Given the way America’s temporary workforce keeps growing, there may be plenty of those numbers for Autor to scrutinize in the future.

Provided by Massachusetts Institute of Technology

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