

“Do Temporary Help Jobs Improve Labor
Market Outcomes for Low-Skilled Workers?
Evidence from Random Assignments”
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Outline

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2. Data
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1. Summary

- Very important question: Are temporary help (TH) jobs good? Rapid entry into employment vs. Crowding out productive job search
- Most empirical research in US and EU seems to support the positive view – but based on observational data, although *self-selection* is likely to be important
- This paper: analysis of “Work First” programme in Michigan: welfare recipients randomized to different contractors that place those individuals, *with different probabilities*, in TH and direct hire (DH) jobs

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- 9-13 districts, each with 2 to 4 different contractors; 24k workers (almost all black women without college education); 36k spells
- Evidence of randomization of workers to contractors and of differences in job placements within district-years (possibly because contractors uncertain about what is best and/or incentives focused on short-run)
- 3 different dependent variables: earnings, employment, and welfare recidivism; within district-year estimation
- OLS: small differences between TH and DH (but both much better than non-employment)

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- **IV: TH does worse than DH in all variables**, especially over longer periods
- Robustness:
 - including FE (same result but only with IV)
 - “bad contractors” (workers assigned to DH by contractors with high TH rates don’t do worse)
 - separate estimation by district
 - comparison of marginal and average workers and jobs (mg TH worse than av TH, unlike in DH)

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2. Data

- Sample is extremely homogeneous along observables (young black females, no college):
 - how *representative* of low-skilled workers (in general and in the specific Michigan region)?
 - homogeneity favours non-rejection of null that worker covariates are balanced across contractors
- Many Work First participants are not placed (50%). Of those placed, only 20% are assigned to temporary help. How similar to other related programmes in the US?

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- *What share of temporary help jobs in total is originated from contractor assignments (or ALMPs in general) rather than by workers approaching TH agencies directly? (To what extent can one extrapolate from these results and assess TH jobs in general?)*
- How “full” is the TH industry in Michigan? (Can that explain worse marginal TH workers?)
- Workers placed by contractors in a given sector (DH or TH) had higher past experience in that sector and lower past experience in the other sector (Table 1/B). *Can such experience generate specialisation and then affect subsequent assignment? Selectivity, common support.*

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3. Identification

- Based on random assignment of applicants to contractors that exhibit different TH placement rates
- Assignment to different contractors depends on time in which worker applies but also on “whether the placement quota for specific contractors has already been filled” (page 8): *heterogeneity across contractors in terms of capacity? Are “late” applicants systematically assigned to “large” contractors?*
- Nulls of worker covariates balanced across contractors within a district rarely rejected: probably at least partially driven by homogeneity of sample. *Would results also stand for some measure of time of placement? And for past quarters employed in TH?*

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- Instrument is somewhat *tautological*: current pattern of assignment of a contractor (e.g. DH vs. TH) used to instrument each specific worker assignment by that contractor. Maybe lagged assignments better?
- Nulls of no contractor effects on job outcomes *within districts in different years* are almost always easily rejected. But so is null for *within-contractors, across-years (lack of) differences* (p. 16). Evidence that assignment patterns of each contractor vary a lot over time?
- Even if assignment of workers to contractors is random, *can't contractors then engage in non-random assignment of these workers?*

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4. Others

- Assuming stability in assignments, wouldn't this generate *specialisation of contractors in job types* (and violation of exclusion restriction)?
- Surprised that FE results (no IV) same as OLS: maybe interesting to do *both worker and contractor FE* – same worker, same firm, TH and DH treatments

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