Improving Employment Retention and Advancement of Low-Paid Workers¹

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Abstract

Little is known in Australia as to whether the types of jobs that disadvantaged jobseekers are encouraged to enter do actually provide the basis for a ‘successful’ transition into the labour market. At the very least, this ‘successful’ transition would consist of being able to retain employment. Ideally, it would then lead to career advancement and wage progression. This study outlines the support provided by existing employment assistance programs to enable disadvantaged job seekers to make such a transition, then uses the Household Income and Labour Dynamics in Australia (HILDA) survey to examine the extent to which low-skilled jobseekers both retain employment and then advance. Aggregate figures highlight problems with jobseekers retaining employment with at least circumstantial evidence of a ‘low-pay no-pay’ cycle in the Australian labour market. We conclude that to improve employment retention and advancement of the low-skilled, current employment assistance programs should be expanded to include a range of retention and advancement strategies that have been developed in the US and the UK.

1. Introduction

Long-term joblessness is a leading determinant of poverty and social exclusion. To combat long term joblessness and increase overall workforce participation the former Howard government adopted a ‘work first’ approach to welfare reform over the years.

¹This paper was prepared for the ‘Low Paid Work in Australia: Realities and Responses’ symposium, 17 October 2007, Melbourne. It uses confidentialised unit record file from the Household, Income and Labour Dynamics in Australia (HILDA) survey. The HILDA Project was initiated and is funded by the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (MIAESR). The findings and views reported in this paper, however, are those of the author and should not be attributed to either FaHCSIA or the MIAESR. The data used in this paper were extracted using the Add-On package PanelWhiz v1.0 (Oct 2006) for Stata. PanelWhiz was written by Dr. John P. Haisken-DeNew (john@panelwhiz.eu). The PanelWhiz generated DO file to retrieve the HILDA data used here and any Panelwhiz Plugins are available upon request. Any data or computational errors in this paper are my own. Haisken-DeNew and Hahn (2006) describe PanelWhiz in detail.

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This approach focuses on getting people off government income support and into employment as quickly as possible based on the assumption that even if a job is temporary, the job holder will learn valuable on-the-job skills and their initial job will act as a stepping stone to further employment opportunities.

However, little is known in Australia as to whether the types of jobs that disadvantaged jobseekers are encouraged to enter do actually provide the basis for a ‘successful’ transition into the labour market. At the very least, this ‘successful’ transition would consist of being able to retain employment. Ideally, it would then lead to career advancement and wage progression. However, there is evidence suggesting that particularly vulnerable groups of jobseekers find it difficult to retain employment and cycle between joblessness and precarious employment (Dunlop, 2002); (Productivity Commission, 2006); (Richardson and Miller-Lewis, 2002). Evidence from the United Kingdom also suggests that low-paid low-skilled employment, like unemployment, can lead to similar ‘scarring’ effects on future employment opportunities, as these jobs allow skills to deteriorate and act as signals to prospective employers of low future productivity (Stewart, 2007).

In response to such problems, ‘Employment Retention and Advancement’ (ERA) programs have been implemented in countries such as the UK and the US that provide in-work support and training for disadvantaged jobseekers re-entering the workforce after a prolonged jobless period. These programs are designed to improve longer term prospects of the unemployed and low-paid by providing personal support that continues into the period following entry to work, encouraging training and skills development to improve opportunities for career advancement and wage progression. These programs therefore have the potential to improve the human capital of workers at the lower end of the labour market consequently reducing the risk of poverty and social exclusion caused by lack of employment over the longer term.

This paper seeks to fill part of the gap in research in this area by firstly examining whether employment retention and advancement is a problem for Australian jobseekers and secondly examining policy gaps and areas for development in the delivery of employment assistance to improve retention and advancement of jobseekers entering low-paid low-skilled employment. To satisfy our first aim we first examine the support for employment retention and advancement available through the Job Network in section 2. Section 3 then follows with an analysis of the Household Income and Labour Dynamics in Australia (HILDA) survey to explore whether entering low-paid employment improves particular groups of jobseekers future employment prospects. Aggregate figures highlight problems with jobseekers retaining employment with at least circumstantial evidence of a ‘low-pay no-pay’ cycle in the Australian labour market. In section 4 evidence of the effectiveness of Employment Retention and Advancement (ERA) programs in the US and UK is presented. Section 5 concludes that in order to improve employment retention and advancement of groups of disadvantaged workers, strategies developed in the US and the UK need to be incorporated into mainstream employment assistance in Australia.

2. Current Support for Retention and Advancement

The Job Network is the primary assistance system for most unemployed people in the
Australian labour market. Assistance provided is based on a work-first or Labour Force Attachment model, where the emphasis is on rapid movement into work, rather than raising skill or education levels as under the Human Capital Development approach. The work-first approach typically utilises ‘active’ measures such as assisted job search, short-term work preparation courses, mandatory workfare programs and the threat of benefit withdrawal (Peck and Theodore, 2000b), all of which are visible as core components of the Job Network model. Some assistance with training and education may be provided under this model, but is usually limited and focused on short-term interventions.

Participants are channelled into jobs available, often low skill or low pay, with the assumption that these will form a ‘stepping stone’ to better quality work (DEWR, 2002; Peck and Theodore, 2000a; Theodore and Peck, 2001). However, there are a number of features of the work-first approach that are not conducive to achieving good long term employment outcomes, particularly for more disadvantaged job seekers. These include:

- A strong focus on short term outcomes (usually between 13 and 26 weeks) which directs case manager effort to achieving employment outcomes of the set duration rather than sustainable employment. This creates an incentive for providers to maximise outcome figures by repeatedly placing job seekers in short-term positions that just satisfy the specified outcome measure.
- Insensitivity to the skill development needs of individuals due to pressure to achieve rapid outcomes. Even for those with lowest skills levels the focus will be to push them into the low pay/quality jobs (often short-term and unstable) rather than investing in developing skills.
- Inability to overcome more substantial barriers (vocational and non-vocational) to work because of the emphasis on short-term low cost interventions and rapid movement into employment.
- No emphasis on job quality, resulting in pressure to attain any job regardless of the match with individual skills or preferences, or opportunities for career development. Advancement is then left to individual and employer initiatives.
- Limited ability to place disadvantaged job seekers into jobs in skills shortage areas somewhat above entry level, due to the lack of incentive to invest time or resources in training required.
- Minimal investment in employment retention and typically no investment in advancement, due to the privileging of the initial transition into employment (see variously: Jobs Australia, 2005; Murray, 2006; Peck and Theodore, 2000b; Theodore and Peck, 2001; Ward, 2007).

**Job Network in Practice**

The objective of the Job Network is described as ‘to help job seekers into sustainable employment, increase workforce participation and reduce dependency on income support...’ (DEWR, 2005, p.124). However, many of the retention and advancement issues listed above have been identified in studies of the Job Network.

Under the Job Network model agencies receive payments for employment outcomes at 13 and 26 weeks for job seekers that have been unemployed 12 months or
more. However, this is weighted significantly towards the 13 week payment. Moreover, for job seekers that have been unemployed between four and 12 months, only a 13 week outcome payment is payable. Evidence suggests that this incentive system results in pressure on staff to focus on 13 week outcomes and place people in to poor quality and shorter term employment, resulting in substantial numbers of job seekers cycling between short term jobs and unemployment benefits (Jobs Australia, 2005; Murray, 2006).

The pressure to achieve outcomes and absence of a job quality measure is also visible in clients reporting a strong emphasis on short term and casual work that is not in line with their preferences and being pushed into areas of work in which they are not interested (Ward, 2007). Statistics on outcomes confirm this situation, with over half of all placements being in the lowest occupational category- labourers and related workers (DEWR, 2006). A further issue impacting on retention and advancement is inefficient and costly outcome buying practices where Job Network agencies provide substantial subsidies to employers for poor quality, non-continuing or non-existent ‘jobs’ allowing them to claim large outcome payments (Murray, 2006).

The level of post-placement support provided is generally low and typically comprises basic strategies such as follow-up phone calls, job in jeopardy (assistance when a job seeker is at risk of losing a job) and re-placement when a job is lost (NESA, 2007). In some providers post placement support is seen as mostly an administration and tracking function rather than a service to clients. While these approaches are likely to be sufficient for job seekers with higher levels of employability, they are unlikely to meet the needs of disadvantaged job seekers or the employers they are placed with.

Particular groups identified as requiring higher levels of assistance include those that are long and very long term unemployed, people with disabilities, lone parents, culturally and linguistically diverse people, indigenous and young job seekers (NESA, 2007). Factors identified by such job seekers as resulting in the failure to sustain employment include interpersonal conflict in the workplace, health and personal issues, transport problems, difficulties performing the job, disliking the job and adjusting to the routine of work (Ward, 2007).

Employment advancement is not recognised as a goal of the Job Network at all and is not rewarded through the incentive system unless a job seeker can increase their pay or hours sufficiently to move off benefits completely and achieve a full rather than intermediate outcome payment. No research has specifically examined case manager practices in promoting advancement once people are placed in employment but it would be safe to assume that the focus on this is minimal.

**New Employment Services System**

From July 2009 a new employment services system will replace the Job Network, and a number of smaller programs, providing four streams of assistance based on the job seekers level of need. Job seekers currently assisted by the Job Network will receive assistance through streams one to three. A number of changes proposed are likely to improve retention and advancement outcomes. These include an increase in the weighting of 26 outcome week payments (and corresponding reduction in 13 week outcome payments); an increased focus on human capital development; and a
moderating of the harsh compliance regime. However, the system retains a work first approach, albeit softer, and there is no addition of longer term case management or other retention and advancement strategies that have been developed overseas (DEEWR, 2008).

3. Current Australian Evidence
To examine recent patterns of job retention and advancement in Australia, and whether low-paid work generally provides a sustainable transition into employment, data from the first five waves of the Household Income and Labour Dynamics in Australia (HILDA) survey has been examined.

Data and definitions
Sample
The data used in this analysis come from the first five waves of the HILDA Survey, conducted annually since 2001 (release 5.1). Described in more detail in Goode and Watson (2006), the HILDA Survey began with a large national probability sample of Australian households occupying private dwellings. All members of those responding households in wave 1 form the basis of the panel to be pursued in each subsequent wave. After adjusting for out-of-scope dwellings and households and for multiple households within dwellings, the total number of households identified as in-scope in wave 1 was 11,693. Interviews were completed with all eligible members at 6872 of these households and with at least one eligible member at a further 810 households. Within the 7682 households at which interviews were conducted, there were 19,917 people, 4790 of whom were under 15 years of age on the preceding 30 June and hence ineligible for interview. This left 15,127 persons of whom 13,969 were successfully interviewed. Of this group, 11,993, 11,190, 10,565 and 10,392 were re-interviewed in waves 2, 3, 4 and 5, respectively.

Non-response rates, while not dissimilar to the rates achieved in other household panel surveys, such as the BHPS and the German Socio-Economic Panel (GSOEP), are quite high, raising concerns about the ongoing representativeness of the sample. Rates of sample attrition are, for example, highest among persons who are young, living alone or in de facto relationships, born overseas and from a non-English speaking background and who, at wave 1, were living in Sydney. Nevertheless, analysis by Watson and Wooden (2004) suggests that the impact of any resultant bias is, at least for the first few waves, likely to be relatively small.

The principal mode of data collection is personal interview, though telephone is used as a last resort where necessary. However, some of the more sensitive subjective information is collected via a self-completion questionnaire. This inevitably leads to additional non-response. Over the first five waves, an average of 91 per cent of all persons successfully interviewed each year also returned the self-completion questionnaire.

Measuring Joblessness
The key explanatory variable for this analysis is labour force status. The HILDA Survey employs the standard labour force framework to categorise respondents into the three mutually exclusive categories at the time of the survey: employed; unemployed; and
not in the labour force. Indeed, the relevant question sequence is largely borrowed from the Labour Force Survey used by the ABS to measure aggregate employment and unemployment. We can thus be extremely confident that the definitions of employment and unemployment employed in this study accord with universally accepted standards and definitions. Certainly the HILDA Survey generates cross-sectional estimates of the major aggregate labour market statistics (e.g., the unemployment and labour force participation rates) that are very similar to those reported by the ABS in its official statistics.

Unlike most previous research, we use this framework to move beyond a focus on the more narrowly defined unemployed (i.e., persons in active job search) to examine the employment transitions of all jobless individuals, including persons not in the labour force. We do this because we want to include groups that previously may not have been expected to be involved in active job search, such as sole parents with children aged eight years plus and people with a disability that, we expand the focus to include both unemployed and those not in labour force.

We restrict the analysis to adults of working age (15 to 64 years of age) who are not a full-time student.

**Defining Low-paid Work**

To avoid complications arising because of the changing nature of working hours over time and a rise in the incidence of part-time employment our analysis focus’s on a definition of low pay based on hourly wages. The OECD definition of low pay is used: people are categorised as low paid if their hourly wage is less than two-thirds of the median hourly rate for that year. This ranged from $10.57 per hour (2001) to $12.58 (2005) for the analysis below.

**Dynamics of joblessness and low-paid work and the low-pay, no-pay cycle**

Table 1 reports the probabilities of joblessness at a particular point in time for a range of population groups. Both unconditional probabilities and probabilities conditional on their labour market circumstances observed in the previous year (t-1) are presented.

The unconditional likelihood of being jobless is much higher for females than for males (0.35 vs 0.18), reflecting lower employment participation rates for women. Jobless rates are also higher for lone parents, people with lower education levels, a long term health condition or disability, or born in non-English speaking countries. People residing in major cities are also slightly more likely to be jobless than people residing outside of major cities.

Examining the probability of joblessness conditional on non-employment in the previous year (column 4 in the table) it is clear that joblessness is quite a persistent state across the population. All major population groups are significantly more likely to be jobless if they were not in work the previous year. For instance males are 15 times more likely to be jobless if they were not working a year prior, and females 9 times more likely.

The information in table 1 also indicates a positive relationship between joblessness and low-paid employment. For instance males in low-paid employment twelve months earlier are twice (0.091/0.043) as likely to be jobless than males who
were in higher paid work. This is the pattern observed across the population groups presented in the table. However, low paid work does appear more likely to lead to joblessness than higher paid work for males, those not completing secondary school, lone parents, those born overseas in English speaking countries, and those born outside of major cities.

Table 1 - Probabilities of Being in Low Paid Employment, 2002-2005

<table>
<thead>
<tr>
<th>Low paid t-1</th>
<th>Higher paid t-1</th>
<th>Jobless t-1</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>0.183</td>
<td>0.091</td>
<td>0.043</td>
</tr>
<tr>
<td>Females</td>
<td>0.347</td>
<td>0.148</td>
<td>0.081</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; Year 10</td>
<td>0.529</td>
<td>0.174</td>
<td>0.103</td>
</tr>
<tr>
<td>Year 10/11</td>
<td>0.297</td>
<td>0.128</td>
<td>0.065</td>
</tr>
<tr>
<td>Year 12</td>
<td>0.172</td>
<td>0.092</td>
<td>0.053</td>
</tr>
<tr>
<td>Household type</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lone parent</td>
<td>0.368</td>
<td>0.150</td>
<td>0.072</td>
</tr>
<tr>
<td>Other household type</td>
<td>0.260</td>
<td>0.115</td>
<td>0.060</td>
</tr>
<tr>
<td>Long term health condition or disability</td>
<td>0.514</td>
<td>0.199</td>
<td>0.122</td>
</tr>
<tr>
<td>No health condition</td>
<td>0.201</td>
<td>0.101</td>
<td>0.050</td>
</tr>
<tr>
<td>Australian born</td>
<td>0.258</td>
<td>0.119</td>
<td>0.060</td>
</tr>
<tr>
<td>Born in English speaking country</td>
<td>0.259</td>
<td>0.138</td>
<td>0.063</td>
</tr>
<tr>
<td>Born in non-English speaking country</td>
<td>0.361</td>
<td>0.108</td>
<td>0.068</td>
</tr>
<tr>
<td>Reside in a major city</td>
<td>0.299</td>
<td>0.116</td>
<td>0.067</td>
</tr>
<tr>
<td>Outside of major city</td>
<td>0.262</td>
<td>0.121</td>
<td>0.059</td>
</tr>
</tbody>
</table>

Note: t = current year, t-1 = previous year.
Source: Author’s calculations from HILDA data.

Table 2 - Probabilities of Being in Low Paid Employment, 2002-2005

<table>
<thead>
<tr>
<th>Not working in t-1</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>0.120</td>
</tr>
<tr>
<td>Females</td>
<td>0.124</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>&lt; Year 10</td>
<td>0.191</td>
</tr>
<tr>
<td>Year 10/11</td>
<td>0.146</td>
</tr>
<tr>
<td>Year 12</td>
<td>0.093</td>
</tr>
<tr>
<td>Household type</td>
<td></td>
</tr>
<tr>
<td>Lone parent</td>
<td>0.174</td>
</tr>
<tr>
<td>Other household type</td>
<td>0.117</td>
</tr>
<tr>
<td>Long term health condition or disability</td>
<td>0.151</td>
</tr>
<tr>
<td>No health condition</td>
<td>0.117</td>
</tr>
<tr>
<td>Australian born</td>
<td>0.129</td>
</tr>
<tr>
<td>Born in English speaking country</td>
<td>0.092</td>
</tr>
<tr>
<td>Born in non-English speaking country</td>
<td>0.101</td>
</tr>
<tr>
<td>Reside in a major city</td>
<td>0.150</td>
</tr>
<tr>
<td>Outside of major city</td>
<td>0.114</td>
</tr>
</tbody>
</table>
Table 2 presents similar unconditional and conditional probabilities for people in low-paid employment. The ‘unconditional probabilities’ are ‘unconditional’ in the sense that they do not condition on previous employment state. However, they are conditional on employment at a particular point in time. Probabilities conditional on being employed in low paid employment, higher paid employment and not-working in the previous year are then also presented in respective columns.

The unconditional probabilities show that for those that are in employment, males and females have a similar unconditional likelihood of being in low-paid employment with around 12 per cent of males and females in low-paid employment. Also in line with expectations and other literature, those with lower education levels, lone parents and people with a long-term health condition or disability are more likely to be in low paid employment, as are the Australian born, and people residing in major cities.

Low-paid employment is also persistent (a probability of 0.519 for males and 0.436 for women), particularly for males in low-paid employment in the previous year who are over 11 times more likely to be in low-paid employment a year later than those who were in higher paid employment.

As with the previous table, table 2 also indicates a relationship between joblessness and low-paid work. Males that were jobless the previous year are 2.6 times as likely to be in low-paid employment one year later than males that were employed. Jobless females were 2.2 times more likely to be low-paid. This of course is not a major problem if these people are able to sustain employment and ultimately move into better paying jobs. In the following analysis we examine whether this is the case by examining the second order effects of lagged employment.

Second Order Effects
The previous section examined the likelihood of being in particular employment states conditional on employment state in the previous year. Now we examine in more detail the second order effects of lagged employment status, i.e. we examine whether employment state two years prior has any effect on current employment state. The resulting (raw) probabilities of joblessness, P(Jobless), and low-paid employment, P(Low paid), for males and females are presented in table 3.

These raw figures indicate that there is strong persistence in states, both for men and women. Those jobless in either t-1 or t-2 have the highest chance (more than 80 per cent) of being out of work in the current period. Similarly those that were low paid in both prior years have the highest chance (more than 60 per cent) of being low paid in the current period. Likewise, those that were employed in higher paid employment in both years have the smallest chance of being either jobless or in low-paid employment.

Employment status in previous year tends to have the strongest effect on current employment circumstances. For instance the chance of being jobless is always higher for those that were not working the previous year, regardless of what they were doing the year before that. This is also generally the case for low-paid employment; the likelihood of being low-paid is generally higher for those that were low-paid in the previous period, regardless of what their circumstances were in t-2. The exception is for those that were higher paid in t-2 whom are less likely to be low paid in the current period than those jobless in t-1 and low-paid in t-2 and, in the case of women, also unemployed in both t-1 and t-2.
Table 3 - Conditional Probabilities of Labour Force Status, given Status in Previous 2 Years, 2003-2005

<table>
<thead>
<tr>
<th>Employment state in previous years</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(P(\text{Jobless}))</td>
<td>(P(\text{Low paid}))</td>
</tr>
<tr>
<td>Jobless in t-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&amp; jobless in t-2</td>
<td>0.834</td>
<td>0.309</td>
</tr>
<tr>
<td>&amp; low paid in t-2</td>
<td>0.469</td>
<td>0.354</td>
</tr>
<tr>
<td>&amp; higher paid in t-2</td>
<td>0.471</td>
<td>0.103</td>
</tr>
<tr>
<td>Low paid in t-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&amp; jobless in t-2</td>
<td>0.250</td>
<td>0.629</td>
</tr>
<tr>
<td>&amp; low paid in t-2</td>
<td>0.056</td>
<td>0.640</td>
</tr>
<tr>
<td>&amp; higher paid in t-2</td>
<td>0.056</td>
<td>0.319</td>
</tr>
<tr>
<td>Higher paid in t-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&amp; jobless in t-2</td>
<td>0.187</td>
<td>0.133</td>
</tr>
<tr>
<td>&amp; low paid in t-2</td>
<td>0.035</td>
<td>0.176</td>
</tr>
<tr>
<td>&amp; higher paid in t-2</td>
<td>0.033</td>
<td>0.032</td>
</tr>
</tbody>
</table>

Note: \(t\) = current year, \(t-1\) = previous year, \(t-2\) = previous 2 years.
Source: Author’s calculations from HILDA data.

Table 4 - Conditional Probabilities of Joblessness for Jobless in t-2, 2003-2005

<table>
<thead>
<tr>
<th>Females</th>
<th>Low paid t-1</th>
<th>Higher paid t-1</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>0.250</td>
<td>0.187</td>
<td>1.337</td>
</tr>
<tr>
<td>Females</td>
<td>0.283</td>
<td>0.217</td>
<td>1.304</td>
</tr>
<tr>
<td>&lt; Year 10</td>
<td>0.378</td>
<td>0.301</td>
<td>1.255</td>
</tr>
<tr>
<td>Lone parent</td>
<td>0.270</td>
<td>0.210</td>
<td>1.285</td>
</tr>
<tr>
<td>Long term health condition or disability</td>
<td>0.526</td>
<td>0.342</td>
<td>1.536</td>
</tr>
<tr>
<td>Born in non-English speaking country</td>
<td>0.231</td>
<td>0.183</td>
<td>1.260</td>
</tr>
</tbody>
</table>

Note: \(t\) = current year, \(t-1\) = previous year, \(t-2\) = previous 2 years.
Source: Author’s calculations from HILDA data.

However, second order effects are apparent. Males that were jobless in t-1 but had a job the year before that, are about half as likely to be jobless in the current period than if they had been jobless that year. For men, this probability does not appear to differ regardless of whether this employment was in a low-paid job or a higher paid job. However, it does for women; for women who were jobless in the previous year, those that were low-paid the year prior were more likely to be jobless in the current period than those that were higher paid in t-2.

The probability of being jobless for those that were employed, but low-paid the previous year is at least 2.5 times more than for those that were also jobless in t-2 than for those that were working then. This ratio is higher for men. For those that were employed in t-2 it makes no difference whether they were in low-paid work or higher paid work in t-2. Joblessness in t-2 also has an affect on current joblessness for those that were employed in higher paid employment in the previous year, with those in higher paid employment in t-1 but experiencing a jobless spell in t-2 at least two times more likely than those employed at that time to experience a current spell of joblessness.
Whether this employment was low or higher paid does not make a difference for men, but women in low paid employment in t-2 are more likely to be currently not working than for those in higher paid employment.

For males, unemployment and low paid work in t-2 seems to have a similar effect on current low paid status, making men twice as likely to currently be in low-paid employment than those that were employed in higher paid employment in that year. For women, low-paid employment in t-2 has a stronger positive relationship than a jobless spell. Also, for those in low-paid employment at t-2, the probability of currently being in low-paid employment for those that became jobless is quite high at just under half that of those that remained in low paid employment. This is twice that of those that moved into higher paid employment.

**Does Low-paid Work Lead to a Repeat Jobless Spell?**

In this analysis we are particularly interested in examining whether low-paid work is a conduit for a repeat jobless spell, i.e. whether there is evidence of a ‘low-pay no-pay’ cycle. From table 3, this can be determined by comparing the probability of joblessness (in period t) conditional on low paid employment in t-1 versus that of higher paid employment in t-1 for the group of individuals that started out jobless in t-2. For men who had a jobless spell at t-2, the probability of current joblessness is substantially higher for those that moved into low-paid employment than for those that moved into higher paid employment (0.250 vs 0.187). So entering low-wage jobs does seem to make a repeat jobless spell more likely. This difference is smaller for women.

These conditional probabilities were calculated for a range of population groups generally considered more disadvantaged than other population groups, and are presented in table 4. From these figures it does appear that entering low-wage jobs makes a repeat jobless spell more likely for all of the population groups presented. This is particularly the case for those with a long term health condition or disability.

In summary these raw figures show that both joblessness and low-paid employment are persistent states. It is also clear that there are inter-related dynamics between jobless and low-paid employment, supporting the notion of churning between low-paid employment and joblessness. Watson (2007) also shows that churning appears much more apparent when examining employment transitions between the annual interview periods conducted in HILDA (via the job calendar information).

**'True' relationship between joblessness and low-paid work**

The characteristics of the jobless tend to be very different to the remainder of the population; they are typically females, often sole parents, tend to be either quite young or old, and have low levels of education. The combination of these characteristics may help explain differences in the likelihood of being jobless or low paid and thus need to be controlled for.

Also, despite the richness of the HILDA data, there are many unobserved factors potentially determining people’s likelihood to be in a particular labour force state, such as ability or motivation. If this heterogeneity exhibits persistence over time, not accounting for it will lead to an over estimation of state dependence. In future research we will attempt to control for unobserved heterogeneity using dynamic panel data estimation techniques following the approaches of Woodridge (2005) and Heckman.
(1981). The approach accounts for the initial conditions problem that stems from the inclusion of a lagged dependent variable as a regressor.

Recognising that further research is needed estimating the relationship between joblessness and low-paid work, we believe that our initial quantitative and qualitative analysis suggests that there is strong evidence of a low-pay no pay cycle and persistence in low-paid work. The evidence therefore suggests that low-paid work is in itself not necessarily a good stepping stone into sustained workforce re-entry. In the following section we examine programs implemented internationally that are targeted specifically to improving employment retention and advancement for vulnerable and low-skilled workers in section 4.

4. Employment Retention and Advancement Programs

The evidence presented in sections 2 and 3 suggests that many Australian jobseekers have problems securing sustainable employment and that the ‘stepping stone’ assumption implicit in the work-first approach be questioned. It would appear that an explicit focus on employment retention and advancement in employment assistance delivered in Australia is warranted. This section reviews evidence from programs overseas that aim to improve longer term employment outcomes of disadvantaged jobseekers and the low-paid.

Problems identified with disadvantaged job seekers retaining and advancing in employment overseas have led to development of employment retention and advancement (ERA) programs in the US, the UK and to a smaller extent Canada and the rest of Europe. The first programs began in the US in the mid 1990s (Abt Associates, 2005; Strawn and Martinson, 2000) and up until the early 2000s most of the estimated 170 post-employment support programs in operation were in the US (Kellard et al., 2002). The OECD now recognise the need for ‘welfare in work’ policies to assist the low paid in making work pay, increasing retention and improving career prospects (OECD, 2005).

ERA programs operate by modifying existing employment assistance to have a greater focus on retention and advancement or adding additional services that operate alongside current employment programs. They are based on case management strategies and use a combination of other interventions including financial incentives, skill development and employer incentives (Yeo, 2007). A range of other policies, such as the broader tax and transfer system, labour market regulation and institutions and the education and training system will also impact on retention and advancement, but are beyond the scope of the current paper.

Evidence so far has been mixed regarding the effectiveness of ERA programs. However, not many have been evaluated and most evaluations that have been carried out have not been randomised control trials (Kellard et al., 2002). In the US two of the larger programs that have been evaluated, the Jobs Initiative and the Employment Retention and Advancement Project, have both recorded mixed results. The Jobs Initiative was a nine year project launched in 1995 that established community based initiatives in five US cities to provide support to young low income people in work to find and keep jobs with career ladders and family supporting pay (Fischer, 2005). The
Employment Retention and Advancement Project began in 1999 and will run till 2009, trialling and evaluating 15 ERA models across 8 US states. Three strands can be identified among these projects: those mainly focusing on assisting low-wage workers move to higher pay jobs; those assisting individuals with severe barriers to employment to find and retain jobs; and those dealing with both retention and advancement and targeting a wide range of groups (Bloom et al., 2005).

Despite the mixed results, evidence from the evaluations of these ERA programs is beginning to identify the features of such programs that are important for achieving success. These are now described.

**Components of an effective ERA program**

**Case Management**
Overall there have been mixed findings about the effect of case management on retention and advancement (Kellard et al., 2002). More effective case management approaches are those that provide a continuum of pre and post employment support with a focus on retention and advancement rather than commencing support after people have been placed in employment. This avoids difficulties experienced in identifying and recruiting participants after they have moved into work and allows a long-term trusting relationship to be developed with the case manager (Dorsett et al., 2007).

Common case management elements include:

- Retention support, including coaching and mentoring, counselling for job and personal issues, assessments, advice on benefits etc.
- Advancement support either through training to expand employment options or support to achieve promotion in the existing job
- Connecting participants with other required support services such as drug and alcohol, physical and mental health problems, transport and housing (Fischer, 2005) (Miller et al., 2004)

To be effective programs should be targeted to the needs of specific groups such as women returning to work, disaffected young people, disabled people, ex-offenders and substance abusers (Kellard et al., 2002). For particularly disadvantaged clients case loads need to be low to enable intensive work to be undertaken with clients rather than just tracking (Fischer, 2005) (Kellard et al., 2002) with services available outside office hours when workers can access them (Miller et al., 2004). Employment placements that focus on good jobs initially are more likely to lead to better longer term outcomes than pressuring individuals to take the first low paid job available (Dorsett et al., 2007). Support in helping clients move on to better jobs once in work is also an important element of supporting advancement, as are strong linkages with employers and training and support organisations (Fischer, 2005; Kellard et al., 2002).

The addition of a retention and advancement focus to typical work first programs has proved to be difficult due to the high caseloads and job placement targets (Dorsett et al., 2007) and new skill sets required to provide effective advancement support (Anderson and Martinson, 2003).

**Training**
Evidence suggests that appropriate training and skill development provided through ERA programs can have a positive effect on retention and advancement. In the US the ‘Jobs
Improving Employment Retention and Advancement of Low-Paid Workers

‘Initiative’ found that although work readiness activities increased participant placements, training and the provision of hard skills was the most important factor in supporting longer term retention (Abt Associates, 2003). Training has been found to be most successful when it: makes use of a range of education options from on the job to fully accredited training; is closely linked with the skill requirements of employers in the local labour market; and fits with both home and work schedules. This should involve continual development of hard and soft skills, addressing of skill deficits as they arise in the workplace and the targeted development of skills in jobs at one level that will support advancement to jobs at a higher level of employment (Kellard et al., 2002; NESA, 2007).

Financial Incentives

Financial incentives in the form of earnings supplements to employees have been found to have a positive effect on retention in some studies, although there is some indication of a negative impact once the supplement ends. The positive effects appear greater where supplements are used in combination with other forms of non-financial support (Kellard et al., 2002) (Miller et al., 2004). While supplements appear to support retention they do not seem to have an effect on skill development or advancement (Michalopoulos, 2005), highlighting the need for these to be used as part of a broader retention and advancement program.

Evidence also indicates that emergency financial assistance such as grants and low cost loans can support employee retention (Dorsett et al., 2007; Mansour, 2005). Financial incentives to employers and employees have also been found to encourage participation in education and training (Kellard et al., 2002).

UK employment retention and advancement demonstration project

The UK Employment Retention and Advancement Demonstration project commenced in 2003 and is the first large scale randomised control trial of such a program in the United Kingdom. It is funded by the Department of Work and Pensions and is being evaluated by a consortium lead by the US organisation MDRC.

The program provides ERA services to three target groups that have been randomly assigned to the program: individuals participating in the New Deal 25+ (ND25+) that have been unemployed for 12 months or more; lone parents entering the New Deal for Lone Parents (NDLP); and low paid lone parents working 16-29 hours per week and receiving the Working Tax Credit (WTC) (Dorsett et al., 2007).

While many of the large US evaluations have tested different program models at different sites, the UK program has taken the more effective aspects of the US programs outlined above, and is testing the same model for all individuals randomly assigned (13,600 as of November 2004). The model of support tested includes:

- An Advancement Support Advisor (ASA) providing up to nine months pre-employment and 24 months post-employment support.
- A retention bonus of £400 paid 3 times a year if participants are working at least 30 hours per week.
- Training tuition assistance of up to £1,000.
- A training bonus paid to the employee of £8 per hour up to £1000 (for training while employed).
- Emergency payments of up to £300 that can be used at the discretion of the ASA (Walker et al., 2006)
As well as providing post-employment support for up to two years pre-employment assistance provided by ASAs also differs considerably from that provided by under a typical work first program. Rather than focusing on rapid movement into the first job available regardless of quality or match with the individual’s skills and preferences, ASAs coach participants to consider the advancement opportunities of jobs on offer and identify work that fits their skills and interests. After placement ASAs provide: in-work counselling to address any new or continuing barriers, advancement assistance, support when individuals are facing stress, and also develop an Advancement Action Plan (Dorsett et al., 2007).

Program Delivery
A number of issues have arisen in the implementation of the ERA that are instructive for the development of such programs elsewhere. One of these has been the challenge of reorienting the organisational culture from one focusing on job entry to one also emphasising retention and advancement. In the first year of operation most ASAs were found to be continuing to focus primarily on job entry and reported being distracted by high case loads and job entry targets. There was also an apparent lack of management support for advancement goals with 45 per cent of ASAs reporting management to be giving this little or no priority (Dorsett et al., 2007).

This change in work orientation was also reflected in difficulties adjusting to the new role. In the first year many ASAs found it difficult to maintain contact with participants after placement, and up to 55 per cent of those that had worked said they had received no in-work support, highlighting the need for training to develop required new skills. Levels of contact had improved substantially by the end of the second year (Dorsett et al., 2007).

The most common forms of in-work support provided were help finding education and training, assistance determining career goals and help finding a better job, while the least common were assistance securing a promotion or a pay rise, or negotiating better job terms. This suggests that ASAs are more effective in supporting advancement outside rather than within the job. ASAs also appeared to develop broader understandings of advancement over time that included things such as job satisfaction, achieving a good work life balance, and moving to a different job. They also reported encouraging customers to think about a range of paths to achieve longer term goals (Dorsett et al., 2007).

Attitudes Towards Advancement
Although the goal of the program is to promote advancement for all, this was not shared universally by participants and varied between the three target groups in the program and individuals within groups. Staff perceived that ERA services appealed least to the long-term unemployed in the ND25+ who placed greater emphasis on job stability and sometimes wanted no links with employment services after moving into work. Lone parents in the NDLP had a greater but still mixed level of interest in advancement, with some seeing this as assisting in providing for their families while others placed more emphasis on the possible conflict with caring responsibilities. Sole parents already in work and receiving the WTC had the most positive attitudes and
were seen to be more receptive to training and making good use of services in general. However this group often needed less support, having already made and sustained this initial transition (Hoggart et al., 2006 & Dorsett et al., 2007).

Individuals’ views of advancement differed and had different time scales. Aspects of advancement reported to be of value included: improvements in pay and working conditions; promotion and increased responsibility; increased job satisfaction; achieving permanent, stable work; a better work-care balance; and moving into a different job or sometimes a different field of work. Interestingly some individuals had ambivalent views of advancement for reasons such as having a strong identity as a manual worker and disliking managers/supervisors, prioritising caring responsibilities, not being ‘ambitious’, or feeling they were too old to advance. Work orientation also was found to impact on participant feelings toward advancement. Those with an intrinsic work orientation often had favourable views of advancement, some of those with an instrumental orientation had favourable views but others prioritised stable employment, and those with social orientation were more likely to prioritise caring, and have mixed views about advancement (Hoggart et al., 2006).

**Results so Far**

The preliminary results for the program are promising but also identify that not all customer groups across all districts have benefited. The program has resulted in an increase in the receipt of services and training for those in work and an increase in participation in full-time work amongst all groups. Earnings increased 20 per cent above the level recorded by control group at the end of year one (NDLP 29 per cent, long-term unemployed in the ND25+ 12 per cent, sole parents receiving the WTC 0.7 per cent), largely because of the increase in full-time work. This increase is larger than the first year impacts recorded in any US ERA programs and is like to be larger in subsequent years as service delivery improves. There have been small reductions in benefit receipt amongst lone parents in the NDLP and long-term unemployed in the New Deal 25+. The proportion combining work and training has increased across all groups. Lone parents in the NDLP also reported a small increase in enthusiasm for advancement, but this was unchanged amongst the other two groups (Dorsett et al., 2007).

**5. Preliminary Conclusions**

This analysis has provided evidence which suggests that for many jobseekers entering employment job retention is a problem and that low-paid work is in itself not necessarily a good stepping stone into sustained workforce participation. We have also shown that Australia’s current main form of employment assistance, the Job Network, does not have the necessary focus on employment retention and advancement that is needed to achieve employment outcomes that promote longer term wage progression and prevent longer term poverty and social exclusion, particularly for the most disadvantaged jobseekers. The new employment services system due to commence operation in July 2009 makes improvements in some areas but still lacks any real commitment to supporting longer term employment retention and advancement.

International evidence indicates that well designed employment retention and advancement programs, including case management, training and skill development
and financial incentives can play an important role in supporting retention and advancement of disadvantaged and low skilled job seekers. Research suggests that to be most effective programs should use a case management model that provides pre and post employment support, low case loads, is targeted to the needs of particular groups, provides services outside of office hours, focuses on initial placements in good jobs, and has strong links with employers and other support services. Training should provide a wide range of options from on the job to accredited training and be closely linked with the needs of employers and the local labour market. These interventions can be complemented with financial incentives in the form of retention bonuses, training incentives and emergency financial assistance.

The weaknesses in the current Australian employment assistance system point to a need to embrace the findings of US and UK ERA policy trials in designing a more effective system that focuses on employment retention and advancement rather than simply job entry. This type of approach has the potential to improve labour market prospects and reduce the risk of poverty and exclusion amongst low-skilled and disadvantaged workers, as well as supporting workforce participation, skill development and productivity objectives.

References


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