

## 2.5 Businesses that hired and retained One-Stop Career Center Network job seeker customers <sup>1</sup>

*Why is this important?* WIA is a “demand-driven” system that recognizes employers create jobs. In order to match seekers with hiring employers effectively, it is helpful to know what types of employers use the local public workforce system, and what the earnings and retention experience of job seekers is with the different types.

The questions addressed in this section are:

1. Are former One-Stop Career Center Network customers concentrated in small or large businesses in the first job held after leaving the Network?
2. How many businesses with different average employment levels hired the former One-Stop Career Center Network customers?
3. How many of the new hires were still working for the same business a year later, by average employment level?
4. What are the average earnings of those retained or not retained a year after hire by businesses with different average employment levels?
5. What is the retention rate a year after hire in each of the top three industry concentrations of hiring?
6. What are the average earnings of the new hires still working a year later for the same business in each of the top three industry concentrations of hiring?

### Terms used in this section:

“Retention” in a job indicates at least short-term alignment of new hire and business interests. Earnings information is used to determine whether retained new hires earn more than those who move on to other jobs. Earnings amount is often accepted as an indicator of productivity.

Industry designation and average number of employees in a business are the two characteristics used here to present evidence of potentially favorable customer referral destinations. A high retention rate and high average earnings amount by industry and employment size class can be used as a guide to preferred workforce development system referral opportunities—preferred by businesses because recruitment costs are lowered and productivity is raised, and preferred by new hires because repeated job search costs are avoided and more money is received.

Career Center Network customer attributes and work histories prior to service are not included in this preliminary analysis. The cautionary phrase “potentially favorable customer referral destinations” is needed because job retention and earnings profiles by industry and average number of employees are expected to be associated with unobserved combinations of customer attributes and work histories. The business characteristics described here require further consideration of the workforce development system customers who would be expected to match the success of those covered in this preliminary report of findings.

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<sup>1</sup> This section was prepared by Dr. David Stevens, of the University of Baltimore's Jacob France Institute.

### Summary of findings on employer patterns:

This section covers 2,628 former Career Center Network customers and the 1,382 business affiliations of first jobs held by customers after they leave the Career Center Network (or “exit”), between July 2000 and June 2002. Career Center Network exit means the recorded date of exit from Workforce Investment Act Title I-B Adult or Dislocated Worker status.<sup>2</sup>

- ***Are former Career Center Network customers concentrated in small or large businesses in the first job held after leaving the Network?*** Figure 2.5.1 shows how the first job held is distributed among four business average employment size classes—1-19, 20-49, 50-249, and 250 or more employees. Only 29% of the first jobs held were in businesses averaging fewer than 50 employees, while 37% of the first jobs held were in businesses defined as having more than 250 employees.
- ***How many businesses with different average employment levels hired the former Career Center Network customers?*** Figure 2.5.1 shows that 56% of the hiring businesses averaged 50 or more employees. The average number of Career Center Network customer hires per business ranges from 1.2 for the businesses averaging fewer than 20 employees to 3.7 for the businesses averaging 250 or more employees.
- ***How many of the new hires were still working for the same business a year later, by average employment level of the business?*** Figure 2.5.2 shows no strong association between percent of first jobs retained and average number of employees in the hiring businesses. For instance, businesses with the smallest average number of employees had a 37% retention rate that is comparable to the 35% retention rate of businesses averaging between 50 and 249 employees.
- ***What are the average earnings of those retained or not retained a year after hire by businesses with different average employment levels?*** Retention alone is less interesting when continuity of employment is unaccompanied by higher productivity and earnings. Figure 2.5.2 shows a large difference in average earnings within each of the four business size categories between those retained and those who moved to other jobs. In the smallest and largest business size classes average earnings of those defined as “retained” were more than twice as high as the average earnings level for those who had moved to other jobs. In addition, Figure 2.5.2 shows higher average earnings for those retained in businesses with larger average employment—a 25% difference in average quarterly earnings a year after first hire between the smallest and largest business employment size categories.
- ***What is the retention rate a year after hire in each of the top three industry concentrations of hiring?*** The impact of workforce development system spending depends upon improvement of productivity and the number of customers helped to achieve higher earnings in this way. Figure 2.5.3 shows the retention rates for the top three industry concentrations of first job held in each of the four business employment size categories. The largest number of first jobs held in each of the four business size classes was in Administrative and Support Services. This industry includes temporary

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<sup>2</sup> No non-WIA or WIA youth customers served by Career Center Network are included. The source of job, business size, industry, and earnings information is Maryland Department of Labor, Licensing and Regulation administrative records. Employment out-of-state or by the federal government, independent contractor or self-employment, and numerically less important employment circumstances not covered by Maryland's unemployment compensation law are not included in this analysis of first jobs held after Career Center Network exit. The Office of Labor Market Analysis & Information, Maryland Department of Labor, Licensing and Regulation defines and codes average business employment level.

help services, office administrative services, call centers, copy services, landscaping, security guards and patrol services, and janitorial services. The retention rate in the Administrative and Support Services industry ranges only between 21% and 24% among the four business size classes. These rates stand in sharp contrast with retention in nursing and residential care services (48%), education services (60%) and hospitals (70%) in the two largest business size categories.

- ***What are the average earnings of the new hires still working a year later for the same business in each of the top three industry concentrations of hiring?*** Again, retention rate differences alone are less interesting when continuity of employment is unaccompanied by higher productivity and earnings. Figure 2.5.4 shows large industry and business size class differences in average quarterly earnings amounts for former Career Center Network customers who were still employed by the same business a year after first hire. Caution is required here because the number of former Career Center Network customers included in some of these average earnings calculations is quite small. However, Administrative and Support Services and Food Services have the lowest average earnings shown in Figure 2.5.4. Retention in these industries does not translate into higher productivity and earnings in the same way that retention is associated with higher average earnings in hospitals, education services, nursing and residential care services, wholesale merchandise services, and professional, scientific, and technical services.

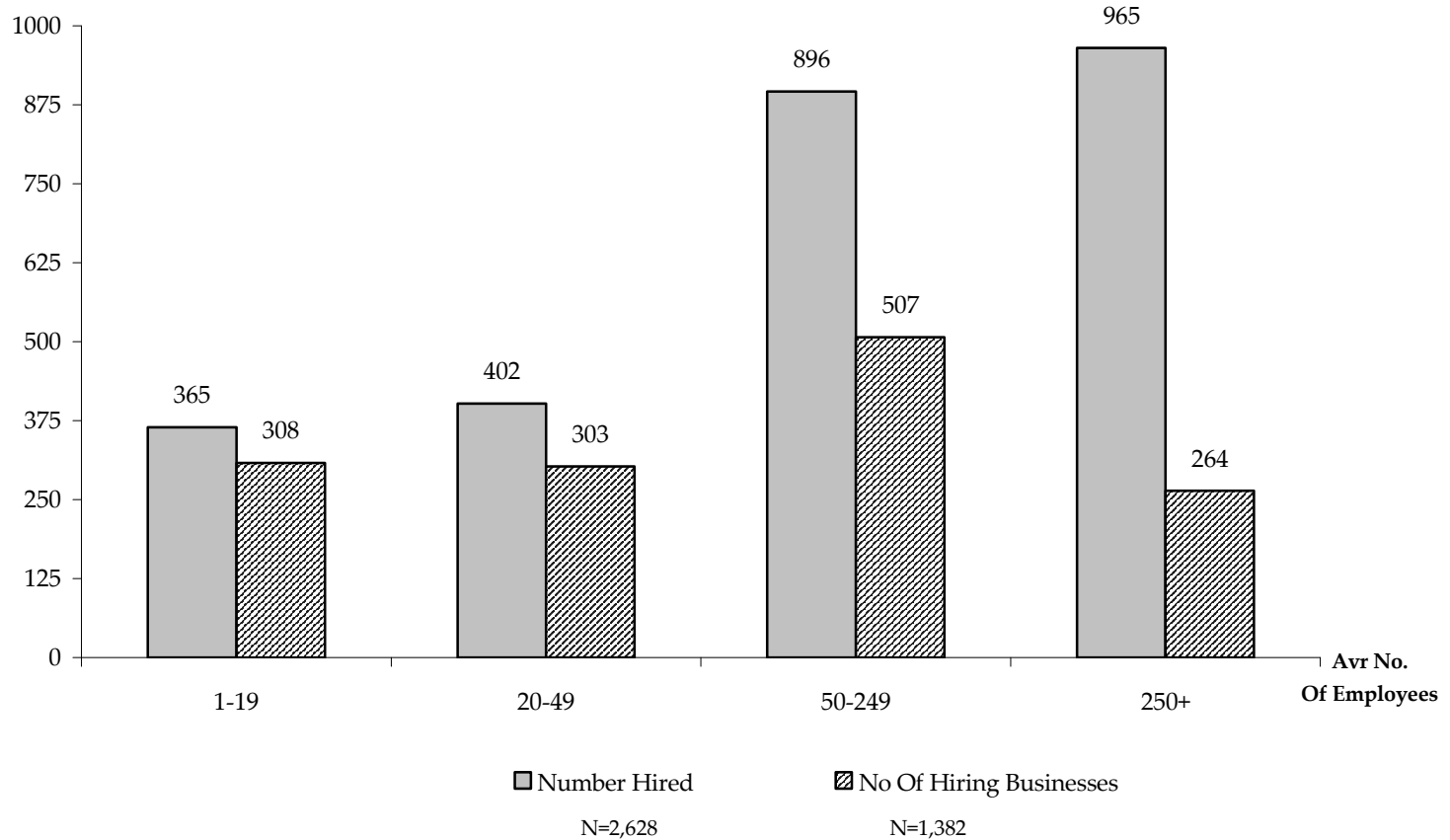
***What have we learned from this section, and what recommendations do its findings support?***

1. The findings reported in this section show how administrative records can be used to study employment and earnings profiles for workforce development system customers, to identify promising industries and business size designations for future investments in job development and customer referral. The findings reported in this section offer no insights about the impact of particular Career Center Network services on subsequent customer employment and earnings profiles. *Instead, attention has concentrated on the businesses that hired these former customers, answering the question “what business characteristics are associated with a combination of a higher job retention rate and higher average earnings level for new hires?”* We found:
  - 29% of the first jobs were in businesses with fewer than 50 employees, while 37% were in businesses with more than 250 employees.
  - There was no strong association between the percent of first jobs retained and employer size, but average earnings were higher for those former Network customers retained in larger businesses. There was a 25% percent difference in average quarterly earnings a year after first hire, between the smallest and largest business size categories.
  - The retention rate in the Administrative and Support Services industry ranges between 21% and 24% among the four business size classes, which stands in sharp contrast with retention in hospitals (70%), education services (60%), and nursing and residential care services (48%), in the two largest business size categories.
2. Management attention for job development and customer referral purposes should focus on combinations of industry, average business employment level, and new hire retention rate. *Average business employment level and new hire retention rate, addressed without respect to industry,*

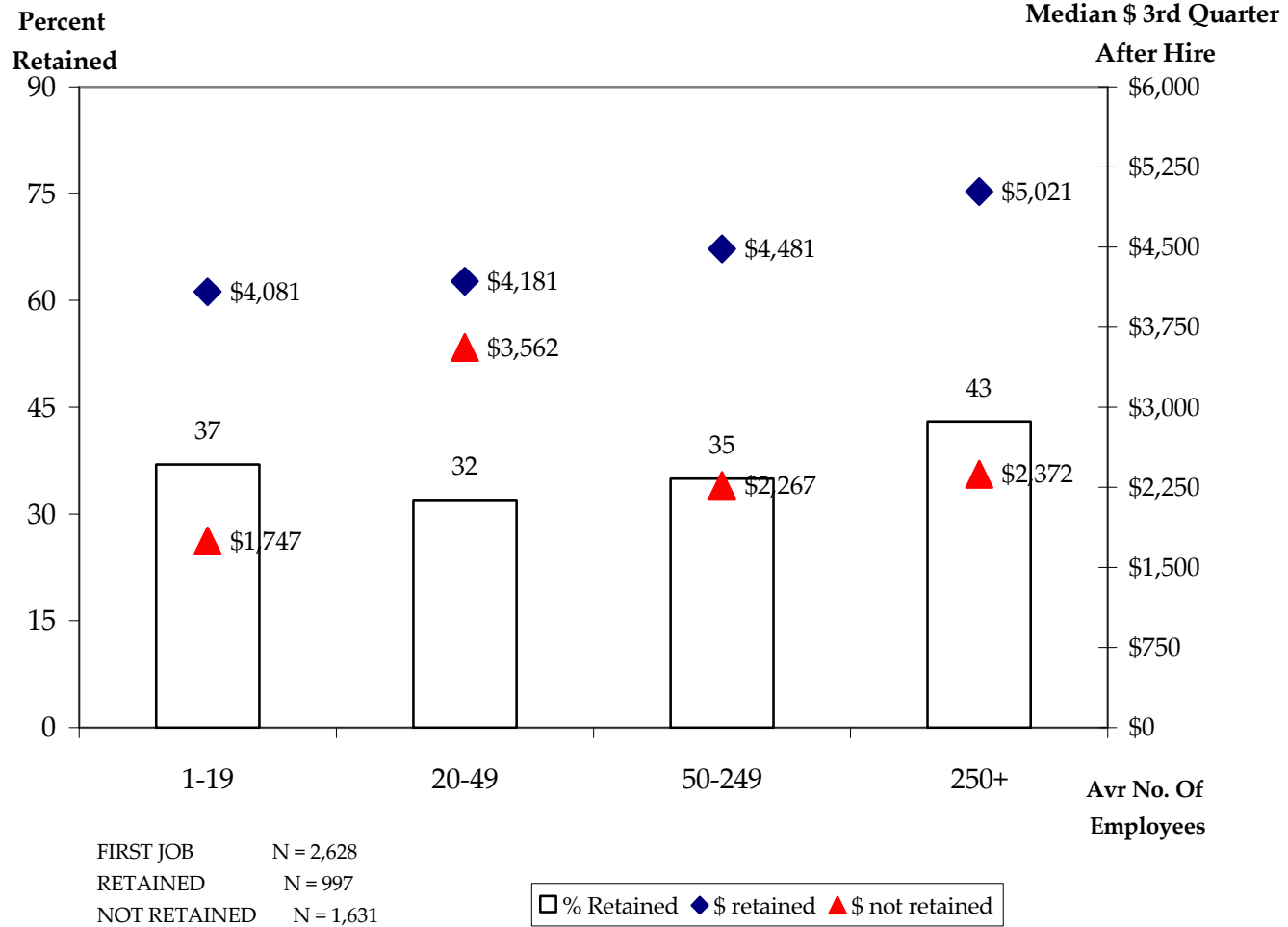
*will be less likely to produce desired results because new hire earnings level varies widely among industries.*

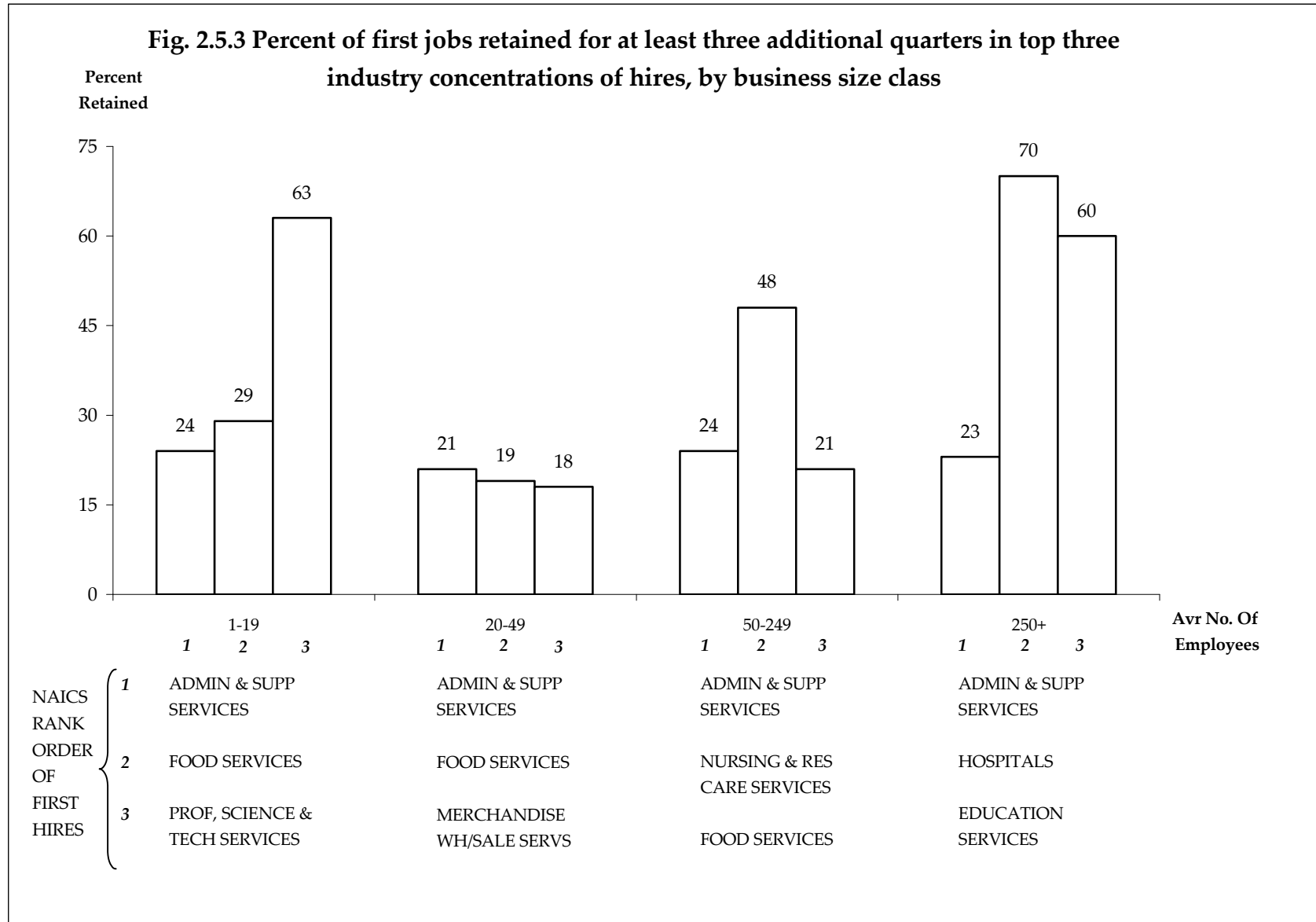
3. *Employee retention is associated with higher earnings in some cases, but not in others. Some businesses, such as public utilities can be characterized as being favorable to higher earnings without respect to employee qualifications, and some employee attributes, such as an Ivy League postgraduate degree can be described as being favorable to higher earnings without taking into consideration where these employees work. High productivity and high earnings come together in complex ways. The more we understand about this interplay the better able we will be to design appropriate investment strategies for our local workforce investment system.*

**Fig. 2.5.1 Number hired, and number of hiring businesses, by business size class (number of employees), for first jobs held after exit**



**Fig. 2.5.2 Percent of first jobs retained for at least three additional quarters and median quarterly earnings in third quarter after hire, by business size class and whether first job was retained**





**Fig. 2.5.4 Median quarterly earnings in third quarter after hire, for those who are retained in the top three industry concentrations of hires, by business size class**

