

DO 90-DAY TRIAL PERIODS INCREASE HIRING OR IMPROVE THE LABOUR MARKET OUTCOMES OF DISADVANTAGED

ISABELLE SIN

Nathan Chappell

On 1 March 2009, an amendment to legislation enabled NZ employers with fewer than 20 employees to hire new employees with a 90-day trial period. The scheme was extended to employers of all sizes two years later. These policies were intended to encourage firms to take on more employees by reducing the risk associated with hiring a worker of unknown quality, and to improve the labour market opportunities of disadvantaged jobseekers. This paper first evaluates whether firm hiring behaviour and employee retention beyond 90 days were affected by trial period policy, using the staggered introduction of the policy for firms of different sizes. It then uses a similar methodology to study whether the employees hired by firms subject to trial period policy are more likely to be disadvantaged jobseekers such as recent graduates, ex-beneficiaries, or Māori or Pasifika individuals. Finally, it estimates the effect of the policy on the length of time it takes a jobseeker to find employment, or employment that lasts for longer than 90 days. This is identified off differential variation in exposure to the policy over time in different regions of the country.