

LABOUR ECONOMICS AND SOCIAL POLICY



Professor Kostas Mavromaras

2008 was another highly successful year for the Labour Economics and Social Policy (LESP) research program.

The Social Policy Research Services (SPRS) contract entered its eighth year. The emphasis of the research continued to be on the dynamics of the labour market, where the LESP team is arguably a leading force in the development of Australian research and resulting evidence-based policy. The highly successful third annual SPRS conference in Canberra highlighted the quality, continuity and cohesiveness of the research resulting from the SPRS contract.

The LESP team continued to build on its considerable contributions to ARC-funded research, and to further expand the diversity of its research and the breadth of its national and international collaborations with the success of two Discovery Grant applications for funding beginning in 2009 and two new Linkage Project Applications with funding started during 2008. The ongoing ARC projects made good progress producing a number of working papers and published articles.

Once again, the LESP team has maintained a high level and quality of academic output. Members of LESP presented two papers at national conferences and 16 papers at international conferences in 2008. In 2008, 12 working papers were produced, and 19 journal articles were published. The development work related to the Melbourne Institute Tax and Transfer Simulator (MITTS) model continued throughout 2008.

In terms of finances and staff numbers, LESP continued to grow throughout 2008. Further developing our internal

management structure, Associate Professor Guyonne Kalb is now the Deputy Director of LESP and a member of the Melbourne Institute's Senior Management Group.

LESP further developed its research output and future research possibilities on skills issues within the broader human capital agenda. The emphasis remains on skills shortages, skills mismatches and related labour market issues. A partnership between LESP and the National Centre for Vocational Education Research (NCVER) was started, with a number of research projects completed during 2008.

Our international network has extended beyond the established relationship with Swansea University, to include the Economic and Social Research Institute, Dublin, and new funding from the European Union CEDEFOP on skill mismatches research. The second Education and Skill Mismatches Workshop took place in 2008 and involved Australian and overseas academics, State and Commonwealth government officials and NGO representatives.

Social Policy Research Services Contract

2008 was the eighth year of the research partnership with the Commonwealth Government. Seven new projects were started in 2008, and nine projects were completed.

The third SPRS Annual Conference, held in Canberra in October 2008, provided an overview of the findings since the last conference on projects funded under the SPRS contract. In view of the increased responsibilities assigned to the Department of Education, Employment and Workplace Relations (DEEWR) after the election, the customary panel discussion at the end of the conference addressed what broader range of research issues is now consistent with the wider remit of DEEWR, which presently encompasses both employment and education.

Regular meetings of the Research Management Committee were held throughout the year in Canberra and Melbourne. As 2009 is the final year of the current SPRS contract, the Committee agreed that four projects would be undertaken as part of the 2009 research agenda.

Listed next is the status of SPRS projects that were started or in progress during 2008.

SPRS Projects Completed in 2008

5/06	Location Economics of Income Support Recipients
7/06	Working Credits — A Low Cost Alternative to Universal Income Tax Credits?
1/07	Incidence of Work-Related Injury and Illness and Outcomes for Specific Groups of Workers
2/07	Intergenerational Correlation of Labour Market Outcomes
3/07	The Factors that Influence Wage Progression
6/07	Full-Time Work and Sole Parents
7/07	Teenage Mothers' Income Support, Education and Paid Work: The Dynamics of Welfare Participation (the final report was completed in 2007 and was formally approved in February 2008)
8/07	Skills Acquisition, Employability and Employment Choices of Income Support Recipients
9/07	Pathways to Higher Pay

SPRS Projects Started in 2008

1/08	The Employment Outcomes of Youth Entering the Labour Market
2/08	Wage Transitions of Apprentices
3/08	Location Economics of Income Support Recipients (extension of project 5/06)
4/08	Combining Income Support and Earnings
5/08	Mental Wellbeing of the Australian Working Population
6/08	Experiences of Income Support Recipients with a Mental Illness
7/08	Dynamics of Household Joblessness in Australia 2001–2006

NCVER

2008 was the first year of the National Vocational Education and Training Research Evaluation program (NVETRE), undertaken in collaboration with the National Centre for Vocational Education Research (NCVER). Four projects commenced in 2008 as planned. Three projects are planned for 2009.

The second Education and Skill Mismatches Workshop was organised jointly with the

NCVER and largely covered issues that are related to skills utilisation and vocational and other education and training. A number of overseas researchers visited the Melbourne Institute between October and December 2008, dealing with issues related to VET in Australia and Europe.

A Melbourne Institute Economics Forum and a Melbourne Institute Public Economics Forum on skills utilisation and related issues are planned for the first quarter of 2009 — and these events will be supported by the NCVER.

Listed next is the status of projects started during 2008 and projects that are planned to start in 2009.

NVETRE Projects in 2008

2008-1	Analysis of Private Returns to VET (Completed)
2008-2	The Incidence and Wage Effects of Overskilling among Employed VET Graduates (Completed)
2008-3	Labour Market Dynamics: The Role of VET (In progress)
2008-4	The Role of Education in Labour Market Outcomes of People with Disabilities (In progress)

NVETRE Projects in 2009

2009-1	VET as an Antidote to Persistent Overskilling (Planned)
2009-2	The Role of VET in Preventing the Scarring Effect of Youth Joblessness (Planned)
2009-3	An Investigation of the Student Outcome Survey of VET Graduates (Planned)

ARC/NHMRC Projects

- The LESP team was again successful in securing ARC funding for several new Discovery and Linkage projects. The team's substantial involvement in ARC projects is outlined below.

ARC Discovery Grants

Ongoing:

- 'Understanding the Saving Behaviour of Australian Households: Private Retirement Provision and the Policy of Forced Saving'.

- 'The Effects of the Tax and Social Security System on Labour Supply and Social Welfare'.

New:

- 'Effects on Labour Supply, Savings and Welfare of the July 2007 Policy Changes to Superannuation and the Age Pension'.
- 'International Comparisons of Retirement Decisions and Well-Being of Mature Age Populations: Applied Micro Economic Analyses'.

ARC Linkage Grants

Ongoing:

- 'Economic Modelling of the Nurses' Labour Market in Australia'.
- 'Experimental Evaluation of YP4: Is "Joining Up" Services for Homeless and Jobless People a Net Benefit to Society?'.
- 'Job Retention and Advancement of Disadvantaged Job-Seekers'.
- 'Ageing Baby Boomers in Australia: Informing Actions for Better Retirement'.

New:

- 'Obesity Prevention among Low Income Families: Economic and Strategic Modelling'.
- 'Improving Employment Outcomes in Early Psychosis: Social and Economic Benefits of Early Intervention'.

NHMRC Grants

- 'Understanding the Dynamics of the Medical Workforce to Improve Population Health and Equity of Access: The Australian Longitudinal Survey of Doctors'.

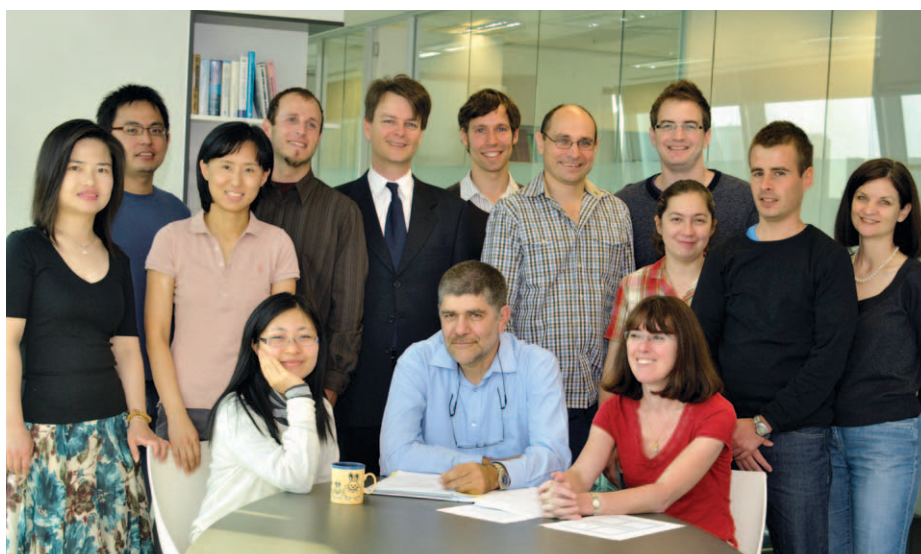
Smaller Projects and Consultancies

Labour Supply Effects of Minimum Wages

This scoping study was commissioned by the Australian Fair Pay Commission (AFPC). The project investigated how the Melbourne Institute Tax and Transfer Simulator (MITTS) could be used to analyse the effects of minimum wages on labour supply. The final report was delivered in June 2008, and a related research paper was presented at the 2008 AFPC Research Workshop on 30–31 October, and was published as a chapter in their conference proceedings.

Distributional Modelling Based on the Garnaut Climate Change Review Results

This project used the CGE Modelling from the Garnaut Climate Change Review as inputs into MITTS, to disaggregate economy-wide macro level results into results at the household and individual level. This allowed some analysis of the distributional effects from climate change mitigation. The research appeared as Report No. 9 in the Melbourne Institute Report series in December 2008.



Members of the Labour Economics and Social Policy team

An Analysis of Churn within the Australian Tax and Transfer System from 2003–04 to 2008–09

A project was commissioned by *The Australian* to investigate the 'churn' of tax and transfers at a micro level, where churn is defined as individuals paying income tax while at the same time also receiving income support payments. This project resulted in a final report (published on the Web) in September and a series of newspaper articles in *The Australian* in September and October 2008.

MITTS Model: Training and Technical Assistance

As part of an ongoing consultancy with the Commonwealth Treasury, the Melbourne Institute provided continuing assistance with the Melbourne Institute's microsimulation model in 2008.

Comparative Well-Being of DVA and Centrelink Pensioners

This project, completed in December 2008, was commissioned by the Department of Veteran's Affairs (DVA) to compare — using HILDA data — the well-being of DVA Pensioners (their financial, health and life satisfaction) to the well-being of Centrelink Pensioners. Findings from the Final Report will be presented at the DVA Applied Research Seminar Series in March 2009.

Poverty Lines: Regional Updates

Quarterly, regional-level *Poverty Lines* were issued in 2008 according to the agreement with Westpac.

International Reform Monitor

Since 1999, the Melbourne Institute has been a partner organisation of the International Reform Monitor project, which is a network of representative organisations from 15 OECD countries. Initiated and coordinated by the Bertelsmann Foundation (Germany), the network monitors and produces publications on developments in labour market policy, industrial relations, and social policy in member countries.

External and Internal Collaborations

Internal Collaborations

Several internal collaborative projects were either initiated or built upon in 2008, including the continuation of the joint work with the Applied Macroeconomics team on the

ambitious undertaking to link MITTS to the Melbourne Institute Dynamic Stochastic General Equilibrium (MIDGE) model. Another collaboration with the recently established Health Economics team saw further development of the MABEL Survey and related research on the labour market for nurses.

Collaboration with the Brotherhood of St Laurence

Collaborative work with the Brotherhood of St Laurence continued under the leadership of Dr Rosanna Scutella, the Ronald Henderson Research Fellow. An ARC Linkage project on 'Disadvantaged Job Seekers' involves Melbourne Institute researchers, Dr Rosanna Scutella, Dr Roger Wilkins and Professor Kostas Mavromaras together with distinguished researchers from overseas, Professor Paul Gregg (University of Bristol) and Dr Jonathan Wadsworth (London School of Economics). The major focus of this project in 2008 was to design and implement the first wave of the planned longitudinal survey of disadvantaged jobseekers placed in employment. To date over 1200 responses to the mail-out survey have been received. Analysis of these responses is underway with a number of publications planned in 2009 to discuss survey findings. A further area of collaboration with the Brotherhood of St Laurence is a project developing Australian measures of poverty and social exclusion. This work is to continue in 2009 with the launch of these measures planned for November.

International Collaborations

Collaborative work with researchers outside Australia included the continuing work on 'Evaluation of Obesity Prevention' with researchers at the University of Aberdeen,

and work with Dr Justin van de Ven (National Institute of Economics and Social Research, UK) to develop a life-cycle model of individual and household behaviour with regard to savings and labour supply — which has now resulted in a successful ARC Discovery Grant application.

Professor Peter Sloane and Dr Nigel O'Leary (both from the Department of Economics and WELMERC, Swansea University) visited Melbourne in 2008 to continue joint research into the incidence and effects of skill mismatches in the Australian and UK labour markets, which is jointly funded by the UK Economic and Social Research Council and the Melbourne Institute.

Professor Paul Gregg visited the Melbourne Institute early in 2008 to work on the ARC Linkage project on disadvantaged job seekers (previously described), giving seminars at both the Melbourne Institute and the Brotherhood of St Laurence. The LESP team is also involved in a project with James Thurlow for the World Bank on agricultural distortions, poverty and inequality in South Africa.

In other ongoing collaboration, staff are working with Associate Professor Sholeh Maani (University of Auckland) analysing national exam grades at high school while accounting for early school leaving. Staff are also working with Mr Thor Thoresen (Statistics Norway) on a project that compares Australia and Norway with regard to family-related payments. The project applies the countries' respective microsimulation models to analyse the effects on expenditure, labour supply and income distribution of changing parts of Australian policy towards the Norwegian system.



From left: Associate Professor Guyonne Kalb, Ha Vu and Dr Hielke Buddelmeyer