

Economics Group RSSS

Annual Report 2002

* *Economics Program*

* *Social Policy
Evaluation, Analysis
and Research Centre*

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Economics Program
Tel: 02 6125 2387/Fax:02 6125 0182
e-mail: econrsss@coombs.anu.edu.au

Social Policy Evaluation, Analysis and Research Centre
Tel: 02 6125 0195/Fax: 02 6125 0182
e-mail: SPEAR@coombs.anu.edu.au

Economics Group website: – <http://econrsss.anu.edu.au>

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Economics Program

The Program

The Economics Program is committed to four major goals -enhancing our international reputation as an outstanding research group, strengthening our research into economic problems of national importance, continuing our engagement in economic policy advice and contributing to the development of the Australian economics profession through the training of graduate students, joint research with members of other universities and fostering professional conferences.

The Program's research is primarily organised around economic theory, applied micro economics and econometrics, and quantitative macroeconomics.

Within this grouping current topics include immigration, the labour market of China, labour supply, health economics, discrimination in the market place, law and economics, description and analysis of business cycle behavior and welfare economics. Much of this work has an Australian focus and provides research underpinnings for policy development. Three special features of the current program are the econometric analysis of large data bases to increase understanding of important policy issues, empirical labour economics, and an exceptional visitors program of eminent scholars from overseas and Australian universities.

The Program is linked to and shares staff and resources with the Centre for Economic Policy Research (CEPR), the Social Policy Evaluation, Analysis and Research (SPEAR) Centre and the Centre for Income and Labour Dynamics in Asia (CILDA). As indicated in the Overview, the Program is seeking to establish more growth centres. The Program also includes appointments that are funded from endowments: the Coghlan Professor of Economic History, and F H Gruen Distinguished Fellows.

Members of the program contribute to teaching in the National Centre for Development Studies, Faculty of Economics and Commerce and to the Graduate Program in Public Policy.

Economics Program 2002 Overview

This year, for the first time, we gained access to ARC funding. This process will provide some external assessment of our performance. Four tenured members applied successfully and this will bring \$660,000 to the program over the next three years.

There were six grants to all ANU economics programs this year and all were awarded to members or ex-members of our small group, an outstanding success. Furthermore, just over one third of all ARC grants to economists nationwide were allocated to teams involving individuals who hold or have held appointments, or have been our students. This reflects both our eminence as a research training group, and our close integration into the Australian network of research economists.

The successful bids reflect the program focus on labour markets, welfare policy and macro economic issues. Professor Pagan's macro policy grant is to examine the contribution of inventories to business cycles, in Australia and the US. Professor Chapman's research group, primarily involving Dr Chris Ryan, will investigate the role of literacy and numeracy in the schooling and labour market outcomes of young Australians. Dr Cobb Clark's research with Dr S Khoo, Demography, RSSS, will assess the relative importance of labour market conditions, income-support policy, and immigrant selection criteria in facilitating the settlement of recent

immigrants in Australia. Professor Gregory, along with Dr Thapa and Dr Gong, will use FaCS administrative records and supplementary surveys, to analyse changes in family structure, income and welfare reliance among low income families with dependent children.

Members of our group are well known for their research influence world-wide, with Professor Adrian Pagan, for example, being one of Australia's most cited economists. In the June 2003 *Economic Record*, evidence from Professor Ken Clements and Dr Patricia Wang from the University of Western Australia testified to the influence of several members of the Economics Program on the research of a different group, young Australian economists. They analyzed citations from the annual Australian PhD conference in Economics and Business, involving over 300 Graduate research students in the period 1993-2000. Professors Bruce Chapman and Bob Gregory both ranked in the top four of 161 Australian economists cited, an important affirmation of the continuing research leadership of our group.

The program made a number of appointments this year, including two Professorships. The first, Alison Booth, joins us from the University of Essex. She is internationally known for her work on trade unions, gender issues and human capital formation and her book *The Economics of the Trade Union*, Cambridge University Press (reprinted 2002) was one of Princeton University Economics Books of the Year in 1996. Professor Booth's early work was among the first to analyse formally endogenous membership of an organisation, using techniques from public choice theory. The subsequent focus of her theoretical work investigates the degree to which first-best outcomes can be achieved in labour markets characterised by elements of imperfect competition. Applications include the economics of training, the design and evaluation of incentive mechanisms to increase productivity, employment protection, and the role of trade unions in modern economies.

Professor Booth has been actively involved in a range of European journals as editor, including the highly ranked, *Labour Economics* and served as Panel Member for the UK Research Assessment Exercise 2001, Economics and Econometrics, 1999-2001. She was appointed as Fellow of the Royal Society of Arts in 1999.

The second new Professor is Dr Chapman, whose research extends into areas as diverse as wage determination, strike activity, long term unemployment, labour market programs, crime and higher education financing. His direct involvement in the formulation of economic policy has been outstanding. He laid the groundwork for the radical changes to Australian long term unemployment policy, the essence of which was adopted in the UK in the late 1990s. He also designed the Higher Education Contribution Scheme, the first ever income related loan for university students. This approach has since been adopted in New Zealand, South Africa, Chile, the US, the UK and Ghana, and is actively promoted by the World Bank, reforms which have often directly involved Professor Chapman. In 2001 he was awarded an Order of Australia (General Division) for "contributions to economic, social and labour market policy".

The program made two new junior appointments: Dr Xiaodong Gong, who researches the microeconomic modelling of individual labour market behaviour including (female) labour supply, labour market transitions between employment, unemployment and outside the labour force, and income and earnings inequalities; and Dr Prem Thapa, who works on labour economics, income inequality, poverty analysis, and applied general equilibrium modeling.

The contribution of other staff has remained very strong in 2002. Dr Robert Breunig continued research into consumption and intra-household models, working on a large-scale project examining implications of current policy directions for household saving, fertility, economic growth and inequality. His work includes the joint problems of bias correction and inference/variance estimation in income inequality indices, particularly using small samples drawn under various complex sampling frameworks.



Professor Bob Gregory delivering his address “ Can this be the Promised Land? Work and Welfare for the Modern Woman” at Parliament House, Canberra, 5 June 2002

Professor Pagan continued his joint appointment with Oxford University. His major presentations this year continue to confirm his status as a world leading econometric authority, and included: “Learning about the Fit of Models to Data”, at the University of Oxford in June; and keynote addresses: “Specification Testing for Markov Switching Models” to the European Econometrics Conference, University of Bologna, and “What is a Good Macroeconometric Model for Monetary Analysis?”, to the Annual Conference of the San Francisco Federal Reserve. Professor Graeme Snooks continues to employ historical method to develop a general dynamic theory that can help explain economic growth in the developed world and economic development in the Third World.

Dr Cobb-Clark, whose appointment is shared with SPEAR, has had a major impact on the program, adding to the development of our interest in welfare reform and the overlap between the welfare system and the labour market. Professor Gregory contributed extensively to research debate on policy for disability pensions and income support for mothers with dependent children.

The program pursues a vigorous visiting program built in part around the Gruen Fellowship Endowment. In 2002 there were 18 visitors, including Adjunct Professors Robert Haveman and Barbara Wolfe, who have an extensive research program with us on economic and social issues. In 2002 they worked on non-market impacts of schooling on an individual’s personal and family life, and on society more generally.

Other Gruen Fellows include Professor Tim Hatton (University of Essex) whose current research includes international migration (with a focus on the U.K) and long run trends in U.K. unemployment and Professor Michael Baker who is also interested in the economics of

immigration. Professor Alison Booth held a Gruen Fellowship before taking up her professorship. The Gruen Endowment gives the program considerable flexibility to attract the very best to our program.

In addition to the Fellowships, the Gruen endowment enables us to organize and publish the results of conferences. In December 2002 the Australian Journal of Labour Economics published a special issue of papers from the F H Gruen lecture series, Welfare and the Labour Market: the New Frontier for Reform. The volume was devoted edited and introduced by Professors Bob Gregory and Bruce Chapman. The Issue included contributions from experts from the US, the UK and Australia. It was launched in March 2003.

Rae Carson left RISS at the end of 2002, having made a major contribution as Program coordinator for two decades. She was in effect the organising centre of our activities, particularly with respect to visitors and the administration of many highly successful PhD workshops.

Staff and Visitors

Professor and Head of Program

R.G. Gregory, BCom(Melb), PhD(Lond), FASSA, AO

Professors of Economics

B.J. Chapman, BEc(Hons) (ANU), PhD (Yale), FASSA – Centre for Economic Policy Research

A.R. Pagan, BEc(Qld), PhD(ANU), FASSA

Coghlan Professor of Economic History

G.D. Snooks, BEc,MEc(UWA), PhD(ANU) FRHistS, FASSA

Fellow and Director , Social Policy Evaluation and Research Project

D. Cobb-Clark, BA MA (Mich State), PhD (Mich)

Research Fellows

R. Breunig, BIS SIT (Vermont), PhD (Calif, Riverside) (from January to June) - Centre for Economic Policy Research

Dr. Dharmapala, BEc,MEc(UWA), PhD(UC Berkeley) (on leave from Jan)

X. Gong, BSc (Fudan), MA (Renmin Uni of China), PhD (Tilburg) (from December)

P. Thapa, BA(Williams) , MA(Calif, Berkeley, PhD(ANU) - Centre for Economic Policy Research

Dr Rhema Vaithianathan, PhD(Auckland)

F.H. Gruen Distinguished Fellows

Dr M. Baker, University of Toronto

Prof A. Booth, University of Essex

Prof T. Hatton, University of Essex

Prof R. Haveman, University of Wisconsin

Prof B. Wolfe, University of Wisconsin

Visiting Fellows

Dr Richard Dickens

Dr M. Keating AC, FASSA, FIPAA, Canberra

Emeritus Prof J. Pitchford, ANU

Professor Craig Riddell, University of British Columbia

Professor Alistair Ulph, Department of Economics University of South

Professor Arthur van Soest, Tilburg University

Program Visitors

Dr Craig Applegate, University of Canberra, (from July to December).
Dr Garry Barrett, University of New South Wales (from July to 12 August).
Professor Colin Cameron, University of California, Davis (from June to December).
Dr Tom Crossley, McMaster University, Canada (December)
Professor Ciaran Driver, University of London (April)
Professor P. Gottschalk, Boston College (January)
Dr Gillian Hamilton, Department of Economics, University of Toronto (from August 01 to January 02)
Professor Brian Henry, Centre for International Macroeconomics, Oxford University (*March/April*)
Dr Amy Liu, National Centre for Development Studies, ANU
Dr Izabela Jelovac, Maastricht University (July- August)
Dr Mark Rogers, Harris Manchester College, Oxford University (from March to June)
Dr T. Smeeding, Syracuse University (February)
Dr Peter Stemp, University of Melbourne
Professor Niels Westergård-Nielsen (March)

Visiting Scholars

Mr Mark Bryan, University of Essex (January to July)
Ms Gudrun Meyer-Boehm, Griffith University (February to April)
Ms Serineh Najarian, 14 January – 30 March, Oxford University (January to March)
Mr Rishab Sethi, University of Auckland (CEPR)

IT Support

M. Wood, BEc(Hons)(Flin), GradDip Computing Studies (CCAIE) (part-time)
D.Treasure (part-time)

Research Assistants

R. Coles, BA (W'gong), GradDipSc (ANU) - Centre for Economic Policy Research
B. Howarth, BA(Hons) (Syd) MA (Monash), BAAS(Hons)
E. Klug, BAppSci(CCAIE) (part-time)

Program Administrator

R. Carson

Postgraduate Students and Topic of Research

Cai, Lixin

M.EcDev (ANU), Mlaw (Renmin Univ of China), BEd (Henan Univ, China)
Topic: The dynamics of the disability support pension (DSP) recipients in Australia (submitted)

Chen, Yu Yu

B.Ec, (Beijing University, China), MecDev (ANU)
Topic: Intra-household resource allocation and inter-household risk sharing in China (submitted)

S. Dandie

B.Ec.(Hons) (From March, 2002)
Topic: The Fourth Pillar of Retirement Income in Australia: Older Australians and Part-Time Work

Haugh, David

LLB, MA (Hons) University of Auckland
Topic: Asset prices and consumer confidence over the business cycle

Nakagawa, Haruo.

MA International Affairs (Columbia University, NY)

Topic: Exchange rate pass-through in Japan

Pavlov, Vladimir

M.Ec (New Economics School, Moscow)

Topic: Studies in financial econometrics (submitted)

Richardson, Linda

B.Ec(Hons) (Macquarie University), M.Ec (ANU)

Topic: The mutual obligation initiative and income support dynamics of young unemployment benefit recipients

Smith, Julie

B.Ec(Hons), BA(Asian Studies) (ANU)

Topic: The changing redistributive role of the tax system in Australia since federation (submitted)

Students Awarded the PhD

Kennedy, Steven

The production of health: An examination of the economic determinants of health

Sikora, Joanna.

Attitudes towards government ownership in the economy: Australia, Bulgaria, Finland and Poland in the 1990s (International Survey Project).

Wait, Andrew

Essays on bargaining and organisations

Staff and Students Who Left the Program and Current Affiliation

Cai, L

Analytical Services

Australian Bureau of Statistics

Chandler Street

Belconnen, ACT

Chen, Y-Y.

Applied Economics Department

Guang Hua School of Management

Beijing University

Beijing, PR China 1000871

Dharmapala, D.

Department of Economics

University of Connecticut

341 Mansfield Road

Storrs, CT 06269-1063 USA

Smith, J.

Visiting Fellow
Economics Program/Graduate Program in Public Policy
Research School of Social Sciences
ANU, Canberra 0200

Vaithianathan, R

Department of Economics
University of Auckland
Private Bag 92019
Auckland, New Zealand

Conference and Workshop Reports

Labour Econometrics Workshop

9-10 August, 2002: ANU

The SPEAR Centre and the Economics Program hosted the Fifth Annual Labour Econometrics Workshop. The Workshop attracted 40 participants from the Australian National University, from the Department of Family and Community Services, from other Australian Universities, as well as from overseas. The ten sessions included presentations by Jeff Smith of the University of Maryland, Paul Frijters of the University of the Free University of Amsterdam, Arthur van Soest of Tilburg University, Hielke Buddelmeyer of IZA, and Colin Cameron of the University of California at Davis.

NISS Conference, ‘The Financial Future of Australia’s Universities’

11-12 September, ANU, Canberra

This conference was sponsored by both the National Institute for Social Sciences and the Department of Education, Science and Training, and convened by the Centre for Economic Policy Research. It was timed to debate and critically analyse “Crossroads” the Federal Government’s series of discussion papers leading to the higher education reforms proposed in the 2003/04 Budget. It was attended by around 150 people, and included contributions from Professor Bruce Chapman and student loan and research experts from New Zealand, the UK and the US and talks from the Minister, the Hon. Brendan Nelson and Opposition spokesperson for higher education. Ms Jenny Macklin.

PhD Conference in Economics and Business

7-8 November: Economics Program, RSSS.

The Centre for Economic Policy Research hosted the 2002 annual PhD Conference for Business and Economics, designed to facilitate the research development of Australian PhD economics students. Around 30 students presented their work, which was critically discussed by an equivalent number of senior academics. An excellent keynote address, on Budgetary Process and Economic Policy (check), was presented by Dr Ian Watt, Secretary of the Department of Finance and Administration.

Outside Grants

Leverhulme Trust Award - F/00213/H

Booth, A. with W. Arulampalam and M.L. Bryan

£57,436 over 2002-2003 for Training in Europe: Its Causes and Consequences.

Leverhulme Trust Award - F/00213C

Booth, A., Economics Program

£67,031 for 2002 for Work-related Training and Wages of Union and Non-union Workers in Britain.

Award No. MCFH-1999-00386, University of Essex.

Booth, A., Economics Program

2000-2003 PI for European Commission, Marie Curie Training Site for 48 Research Fellow Months for Economics Doctoral Students,

Australian Research Council Discovery Grant

R. Breunig, Economics Program, with P. Apps, University of Sydney and R. Rees, University of Munich.

\$260,000 (over 2001-2003) for work on 'Taxation and the Welfare State: implications of current policy directions for saving, fertility, economic growth and inequality'.

Australian Research Council Discovery Grant

B. Chapman, R. Breunig, R Gregory, C. Ryan, Economics Program, with P. Kenyon, Curtin University, and T. Crossley, McMaster University, Canada.

\$260,000 over 2003-2005 for work on Literacy and Numeracy, Schooling, Neighbourhoods and Labour Market Success.

Australian Research Council Discovery Grant

A. Pagan, Economics Program

\$60,000 to assess the role of inventories in the business cycle.

Australian Research Council Linkage Grant

R. Gregory, X. Gong and P. Thapa, Economics Program

\$230,000 (over three years) with MC Gray for research on the dynamics of low income, welfare reliance, and changes in family structure of parents with dependent children.

Joint Research Projects

Prof A. Booth

Training in Europe: Its Causes and Consequences. With W. Arulampalam, University of Warwick and M.L. Bryan, University of Essex.

Dr R. Breunig

Food and Housing Insufficiency among the poor in the United States (panel data from USDA and SIPP data). With C. Gunderson, U.S. Department of Agriculture.

Non-Parametric Panel Data Methods. With N. Roy, University of Victoria, Canada.
The Ethics of Taxation and Government Policy in the Family. With Prof P. Apps, University of Sydney and Prof R. Rees, University of Munich.
Intra Household Models and the U.S. Food Stamp Program. With I. Dasgupta, Nottingham University.

Prof B. Chapman

Income Related Loans and Drought Policy. With Dr Linda Botterill, Department of Social Sciences, The Faculties, ANU.

The Theory of Income Related Loans. With Prof J. Quiggin, University of Queensland.

Restoring Criminal Sanctions: Using the Tax System to Collect Fines. With Prof A. Freidberg, University of Melbourne, Prof J Quiggin, University of Queensland and Dr D. Tait, University of Canberra.

Income related loans for the provision of income support for training artists. With Professor David Throsby, Macquarie University.

The effects of divorce on the welfare of children. With Dr Matthew Gray, Australian Institute of Family Studies.

The impact of increased HECS charges on students. With Ms Gillian Beer and Professor Ann Harding, University of Canberra.

The use of the tax system to encourage loans to business. With Fred Argy (private consultant).

Implementation issues concerning the application of income related loans to higher education. With Ms Jane Nicholls (Office of Senator Kim Carr).

Income Related Loans for R&D Subsidies. With Amanda Dadd, Productivity Commission.

Dr D. Dharmapala

Coordination among Heterogeneous Voters with Dr E. Lehmann, University of Paris II.

Words that Kill? Economic Perspectives on Hate Speech and Hate Crime. With Prof R. McAdams, University of Illinois. Penalty Enhancement for Hate Crimes with Prof N. Garoupa, New University of Lisbon.

Corporate Tax Enforcement and Managerial Value Diversion with Prof M. Desai, Harvard University.

Dr X. Gong

Mobility in the Urban Labor Market: a panel data analysis for Mexico. With Prof A. van Soest, Tilburg University and Dr E Villagomez, Fundacion Tomillo, Centro de Estudios Economicos.

Prof A.R. Pagan

Inventories and the Business Cycle with Prof L. Maccini, Johns Hopkins University.

Dr P. Thapa

Determinants and Consequences of Child Labour in Nepal with Prof Ranjan Ray, University of Tasmania

Dr R. Vaithainathan

Entrepreneurial Innovation with Luca Rigotti, Fuqua School of Business, Duke University and Matthew Ryan, ANU.

Private Parallel Health Insurance In Australia: A Cautionary Tale and Lessons for Canada with Jerry Hurley, McMaster University, Canada, Tom Crossley, McMaster University, Canada, and Deborah Cobb-Clark (RSSS, ANU) published as Centre for Health Economics and Policy Analysis Working paper # 01-12

Selection and Stunting Effects of Famine: A Case Study of the Great Chinese Famine with Tue Gørgens (RSSS) and Xin Meng (RSPAS).

Conference and Seminar Presentations

Prof A. Booth

Keynote lecture at ALMR, Brisbane 9 December.

Invited paper at the European Summer Symposium in Labour Economics, Joint organisers: CEPR/IZA at Ammersee Germany. 11-15 September

Conference presentation at the European Association of Labour Economists (EALE), Sorbonne, Paris 19-22 September.

Dr R. Breunig

Labour Econometrics Workshop, Australian National University, August 2002 (co-organizer)

Econometric Society Asian Meetings, Lahore, Pakistan, December 2002 (member of organizing committee)

Prof B. Chapman

Committee member, Economics Society 2003 Annual Conference.

Invited speaker to the World Bank Conference, 'Higher Education Reform' in Nepal, Kathmandu, May, 2002.

Convenor, NISS Conference, 'The Future of Australian Universities', ANU, Canberra, September.

Invited speaker, UNE Higher Education Conference, ANU, May.

Invited speaker, Australian Institute for Criminology Annual Conference, "Property Crime, Schooling and Long-term Unemployment", Melbourne, November.

Policy? The Australian/Melbourne Institute Conference, Australian Economic Policy, University of Melbourne, April.

Convenor, NISS Conference, "The Future of Australian Universities", ANU, Canberra, September

Prof R. Gregory

Discussant on 'The markets for medical specialists in Australia', Health Policy Roundtable, Productivity Commission and Melbourne Institute of Applied Economic and Social Research 7-8 March. (Pp.298-302 in Proceedings).

Dr M. Keating

Towards Opportunity and Prosperity Conference, University of Melbourne. 5 April. 'Full Employment: The Five Economists' Plan Revisited (with Peter Dawkins).

Curriculum Corporation Annual Conference 'Educating for the Future' 28 May.

CEDA Melbourne, The Ageing Debate and Beyond: The Treasurer's Intergenerational Report. 20 August.

Dr P. Thapa

Australian Labour Market Research Workshop, University of Queensland. 9-10 December. "On the Risk of Unemployment: A Comparative Assessment of the Labour market success of Migrants in Australia".

Discussant on paper, PhD Conference in Economics and Business, 7-8 November. Economics Program, RISS.

Service to Outside Organisations

Prof A. Booth

1996-2002 Executive Committee, European Association of Labour Economists (Election).

1997-2002 Council of the Royal Economic Society (RES) (Election)

Dr R. Breunig

Consulting for Department of Family and Community Services
Consulting for Productivity Commission.

Prof B. Chapman

Member, Australian Bureau of Statistics Labour market Advisory Committee
Chair, HILDA Reference Group, University of Melbourne
Adjunct Professorial Fellow, Melbourne Institute
Invited Witness to the Senate Inquiry on the Application of PELS to private colleges, September 2002.
Commissioned paper on the effects on students of changes to HECS, Sydney University Senate, August, 2002.
Invited participant to a workshop on Paid Maternity Leave, Equal Opportunity Commission, Sydney, September, 2002.
Invited address to the Treasury, Victorian Government, on higher education financing, Melbourne, November, 2002.
Invited address to the Council of State government education officials, Melbourne, July.
Invited committee member for the Queensland Government review of labour market programs, Brisbane, various meetings.
Invited speaker to an informal workshop on drought policy, Commonwealth Treasury, December.
Invited speaker to the Annual Congress of the NSW Liberal Party, on drought policy, Sydney, November.
Invited address to the ALP forum on distribution policy reform, Parliament House, Canberra, April.
Invited address to the University of Sydney Senate, on the effects on students of changes to HECS, Sydney, August.
Invited address to the Nelson Review of Higher Education Policy Reform Workshop, Parliament House, Canberra, November.
Invited lecture Series for AUSAID, Chinese Bureaucrats, on “Higher Education Financing Policy for China”, Canberra (January) and Beijing (May).
Invited presentation to the Nelson Review of higher Education, Parliament House, Canberra, November.
Invited presentation at the Book launch of ‘The Price of Prosperity’, UNSW Press, Sydney, September.
Invited participant, Business Council of Australia Higher Education Roundtable, Melbourne, May.

Prof R.G. Gregory

Consultant, NSW Board of Vocational Education and Training
Consultant, AusAid, Labour market issues assistance Phase 2 for the China Capacity Building Program
Member, Economic Statistics User Group, Australian Bureau of Statistics.
Member, SPIRT Project Steering Committee, Victoria University of Technology

Dr M. Keating

Chaired Review by the Western Australian Government of the Approvals Process for Major Projects in that state.
Presented seminars at Macquarie University, Deakin University and to the Canadian Deputy Ministers’ Advanced Seminar on Democracy.

Prof A. Pagan

Member of the University of Adelaide Economics Department Review Committee

Report to the Court of Directors of the Bank of England on the Modelling and Forecasting Systems used at the Bank of England.

Keynote Speaker EC2 (European Econometrics) Conference, Bologna, December
Member of Panel Group on “What Model should be used for Monetary Policy Analysis”, *San Francisco Federal Reserve Annual Conference*, March 2002.

Invited Participant at CEPR (London) Conference on *New Methods for Business Cycle Analysis*, Hydra, May 2002.

J. Smith

Member, National Board of Directors, Australian Breastfeeding Association

Policy Advisor, Australian Council of Social Services

Invited Speaker, ACOSS Congress 2002

Project Manager, HealthPACT/Australian Breastfeeding Association

Academic Supervisor Australian National Internships Program

Academic Supervisor, School of Political and Social Inquiry, Monash University

Academic Commentator, ABC Online, ABC TV Sunday Spectrum

Dr R. Vaithainathan

Conference presentation at Australian Econometric Society Meeting

Member, Recognition of Medical Specialities Advisory Committee, Australian Medical Council, 2001

Joint Organiser, 20th Australasian Economic Theory Workshop, February 2002

Organiser, Workshop on Regulating Private Health Insurance: Priorities for Australia and Lessons from Abroad, July 2002

Referee for NHMRC grants

Service to Journals and Book Series

Prof A. Booth

Editor-in-chief, *Labour Economics*

Referee for *Labour Economics*, *World Bank Economic Review*

Prof B. Chapman

Associate Editor, *Education Economics*.

Editorial Board, *Economics of Education Review*.

Editorial Board, *Australian Journal of Labour Economics*.

Dr D. Dharmapala

Referee for *American Economic Review*, *Economics and Philosophy*, *Economics Bulletin*, *Journal of Public Economics*, *Review of Economic Studies*, *Southern Economic Journal*

Dr X. Gong

Referee, *Labour Economics*

Prof R.G. Gregory

Member Editorial Board, *Australian Journal of Labour Economics*

Associate Editor, *Labour Economics*

Member, Editorial Committee, *Economic and Labour Relations Review*

Dr M. Keating

Editorial Board, *Australian Journal of Public Administration*

Prof A. Pagan

Associate Editor, *Econometrica*,
Editorial Board, *Journal of Applied Econometrics*,
Associate Editor, *Econometric Reviews*
Editorial Board, *Macroeconomic Dynamics* 1998–
Co-editor Oxford University Press, *Advanced Texts in Econometrics* 2002–
Editorial Board, *Economic Record*
Editorial Board, *Australian Economic Review*
Editorial Board, *Journal of Financial Econometrics* 2001
Associate Editor, *Economics Bulletin*, 2002

J. Smith

Referee, *Australian Journal of Public Administration*
Referee, *Australian Economic Review*

Prof G.D. Snooks.

Editorial Board, *Social Evolution and History*
General editor, *Macmillan Economic History of Southeast Asia*
Book Reviewer for *Journal of World History*, and *EH.Net*.

Dr P. Thapa

Referee, *ASEAN Economic Bulletin* (Institute of Southeast Asian Studies, Singapore)

-Social Policy Evaluation, Analysis and Research Centre

The Centre

The Social Policy Evaluation, Analysis, and Research Centre is devoted to the analysis and evaluation of Australian social policy.

An outstanding feature of the SPEAR Centre is its focus on and expertise in econometric and statistical methods of program evaluation. Centre staff and affiliates are introducing modern program evaluation techniques into the broader Australian research community. SPEAR Centre researchers have a detailed knowledge of a range of large-scale, nationally representative data sources as a result of having established a close working relationship with the Department of Family and Community Services and the considerable amount of research utilising these data that Centre staff are currently undertaking. Additionally, members of the research team have considerable experience in the use of randomised social experiments as a method for evaluating social policy.

One of the Centre's primary goals is to contribute to the development and expansion of Australia's capacity to undertake program evaluation generally. An important part of achieving this goal is the Centre's active training program which promotes a firm understanding of current methods of program evaluation among interested policy makers and academics. Centre members maintain strong links with government departments, as well as with other organisations and academics engaged in social policy evaluation .

In March 2002 Dr Chris Ryan joined the SPEAR Centre. Dr Ryan has experience as a member of the Australian Government SES and has also held research and administrative positions in Australian universities and worked as a consultant. He has extensive experience in designing, undertaking and managing research projects, developing policy and providing advice to Ministers and senior government.

Dr Ryan's current research includes the Analysis of the Workless Families Pilot. This project involves analysis of a randomised experiment targeted at individuals in households with children where no adult worked. The pilot was designed to assess whether an intensive interview with successive follow-ups would result in increased economic and social participation outcomes for adults in such households. His experience in education policy includes a study on the effect of education level on young Australians' early-career employment outcomes and research into the impact of HECS on participation in Australian higher education.

In 2003 the Centre's goal will be to evaluate social policy in two main streams: The first stream will focus on *Welfare Reform* and will include a project on:

- From Social to Economic Participation: What factors assist income support recipients make this transition?

The second stream will focus on Children and Youth and will include studies on:

- Understanding the Factors Associated with Financial Stress in Australian Households
- Persistence in Youth Labour Market Histories II
- Youth Job Histories: Where do part-time jobs lead?

Training Courses

During 2002, the Centre conducted two training courses, aimed at persons with a professional or academic interest in social policy making and social policy evaluation. The first course was conducted by Dr Paul Frijters of the Free University of Amsterdam and Tinbergen Institute. Dr Frijters has various publications on the identification of duration models and their relation to discrimination and unemployment issues. His current research using duration models includes collaborative work on Australian individual and administrative event history data.

Dr Frijters conducted a course in February on Duration Analysis Workshop. The course was presented in three parts, the first day being an overview and the further optional two days covering the main technical issues and the frontier of duration analysis. There were forty-two participants for the overview on day one, and twenty-five for days two and three. Attendees came mainly from the Department of Family and Community Services, other government Australian and New Zealand departments and agencies, and universities.

In August, Professor Jeffrey Smith of the University of Maryland conducted a course on Econometric Methods of Program Evaluation. Professor Smith is an international expert in program evaluation, whose research centres on methods for the evaluation of social programs such as job training for the disadvantaged. He has written widely on labour market issues, including "The Economics and Econometrics of Active Labor Market Programmes" (with James Heckman and Robert LaLonde) in the Handbook of Labor Economics, Volume 3A 1999.

This course was aimed at evaluation researchers, policymakers and agency staff who commission, monitor, or consume evaluation research and was particularly timely in light of the increased focus on evidence-based policy and recent international developments in the methodology of program evaluation. It aimed to provide participants with an opportunity to develop a deeper understanding of econometric methods of program evaluation and was designed to complement and build upon the evaluation course taught by Professor Christoph Schmid (University of Heidelberg) in August 2001. There were fifty-four participants in the course, mainly from government departments and agencies, non-government organizations and universities.

Welfare Reform – Dr Deborah Cobb-Clark

In the face of historically high levels of unemployment in many countries, there is mounting international evidence that unemployment is increasingly concentrated among a subset of individuals who spend substantial periods of time without work. Much of the dramatic increase in unemployment over the 1970s and 1980s, for example, can be attributed to increases in the average time spent unemployed rather than an increased propensity to be unemployed. Internationally, policy makers have responded by dramatically increasing the use of active labour market policies – for example, training or job search assistance – to stimulate the employment of unemployed workers.

In Australia, an ongoing process of welfare reform has made economic and social participation the focal point of income-support policy. Australian policy makers increasingly embrace the notion of "mutual obligations" and are demanding more of income-support recipients. Economic and social participation is seen more generally as the primary mechanism for avoiding the persistent disadvantage accompanying long-term receipt of income support. The Australians Working Together (AWT) package – which was announced in the 2001 Budget and took effect on 1 July 2002 – is a manifestation of this idea. The AWT dramatically increases the amount of time

that income support recipients must spend fulfilling their "obligations" through work (either paid or voluntary), job search, or education.

These policy changes have resulted in a need for rigorous research that evaluates the impact of these interventions on participants.

In 2001 – 2002, staff in the Social Policy Evaluation Analysis and Research Centre (SPEAR) – in partnership with the Department of Family and Community Services (FaCS) – evaluated several new initiatives targeted towards increasing the economic and social participation of the long-term unemployed in Australia. As a basis for the evaluation, three randomized trials involving 10,504 income-support recipients were conducted between September 2000 and April 2001. Individuals participating were randomly selected from the population of FaCS customers who 1) have been receiving income support for more than five years, 2) are in families in which no adult is in paid employment, or 3) are of mature age. These individuals generally face multiple employment barriers and are often in some sense outside the mainstream of service delivery.

Individuals who were randomly selected into the intervention group met twice with a specially trained Centrelink staff member who assisted them in preparing an individual plan for increasing their economic and social participation. Throughout the trials, intervention and control group members were also interviewed up to three times about their current levels of economic and social activity as well as their goals and aspirations for the future.

SPEAR staff used these detailed survey data – along with confidential fortnightly administrative data on benefit receipt – to conduct the evaluation. We were particularly interested in the following questions:

- What are the barriers that prevent individuals from more fully participating in work and community life?
- Does the intervention inherent in each pilot promote increased economic and social participation?

The evaluation results indicate that mature age individuals not surprisingly report a combination of health or age factors as the major barriers they face in finding employment, while very-long term unemployed individuals and those in workless families report a range of barriers that prevent them from finding employment. Many of these barriers seem to be idiosyncratic and it is not easy to find systematic differences in the characteristics of those who do and do not report a particular barrier. The exception – not surprisingly – is that location is one of the strongest predictors of reporting that it is the lack of jobs that prevents an individual from finding employment.

Although the intervention itself – the development of a participation plan – was rather modest, it did result in a modest increase in economic and social participation for some groups. Specifically, those individuals on income support for more than five years who worked with Centrelink staff to develop an individual participation plan significantly increased the average hours they spent studying and training each week. Similarly, mature aged individuals receiving unemployment benefits and those individuals in workless families increased the hours they spent each week in job search and there was a corresponding increase in study or training for work related reasons. At the same time, the intervention had no effect on other forms of social and economic participation – including for example, volunteer work and social relations – and appears to have resulted in a decrease in the number of hours some groups spent in paid employment.

Taken together these results suggest that modest programs to assist income-support recipients can lead to small increases in economic and social participation. At the same time, policy initiatives targeted towards assisting these individuals will need to be flexible enough to allow individual circumstances to be taken into account.

Staff and Visitors

Fellow and Director

D. Cobb-Clark, BA MA (Mich. State) PhD (Mich)

Research Fellows

R. Breunig, BIS SIT(Vermont), PhD(Calif. Riverside)

T. Gørgens, Cand. Oecon (Aarhus) PhD (Iowa)

C. Ryan, MEc(ANU), BCom, PhD(Melb.)

Visitors:

T. Bauer, Dipl.-Volkswirt (Munich), Dr.oec.publ (Munich) (March 13-18)

H. Buddelmeyer, MSc(Amsterdam), MA, PhD (New York) (August 1-30)

P. Frijters, MA (Groningen), PhD (Amsterdam) (February 19-24)

J. Gibbings, BA(Macq), Grad Dip Stats (UC) (January-December incl.)

J. Smith, BA(Hons) BS (Washington) MA PhD (Chicago) (August 5-25)

Research Assistant/Administrator

S. Lindsay, BA (ANU) (part-time)

Postgraduate Students and Research Topics

S. Dandie, B.Ec.(Hons) (From March, 2002)

Topic: The Fourth Pillar of Retirement Income in Australia: Older Australians and Part-Time Work

Conferences and Workshops

Labour Econometrics Workshop

9-10 August

The SPEAR Centre and the Economics Program hosted the Fifth Annual Labour Econometrics Workshop on 9-10 August. The Workshop attracted 40 participants from the Australian National University, from the Department of Family and Community Services, from other Australian Universities, as well as from overseas. The ten sessions included presentations by Jeff Smith of the University of Maryland, Paul Frijters of the University of the Free University of Amsterdam, Arthur van Soest of Tilburg University, Hielke Buddelmeyer of IZA, and Colin Cameron of the University of California at Davis.

Outside Grants

Australian Research Council

\$108,000 (over two years) for Public Policy Immigrant Settlement research. (Dr D. Cobb-Clark, SPEAR Centre, with Dr S.E. Khoo of The Australian Centre for Population Research.

Department of Education, Science and Training

\$11,880 to Dr Chris Ryan, Longitudinal Surveys of Australian Youth Analysis Grant.

Joint Research Projects

Cobb-Clark, D.

The Econometrics of Evaluation. With Dr T. Crossley , McMaster University, Canada

Assessing the Immigrant/Native-Born Wealth Gap in the United States. With Dr V. Hildebrand, McMaster University, Canada.

Sexual Harrassment in the US military. With Dr H.Antecol, Claremont-McKenna College.

Gørgens, T.

Persistence in Youth Labor Market Histories. With Dr D. Doiron, University of New South Wales

Unemployment duration and Search Methods: The case of young Australians 1989-1994. With Dr. D. Doiron, University of New South Wales.

Service to Outside Organisations

Cobb-Clark, D.

Consultant to Department of Family and Community Services on the parenting payment intervention pilot, long-term unemployed pilot, mature-age pilot, and workless couples pilot.

Member, ministerial advisory council on government schooling; reference committee, Household Income and Labour Dynamics in Australia (HILDA) panel survey, University of Melbourne.

Research fellow of IZA (Institute for the Study of Labor, Bonn).

Executive Committee, Canberra Economic Society

Ryan, C.

Consulting to Department of Health and Ageing, in conjunction with Professor Bruce Chapman.

Service to Journals and Book Series

Cobb-Clark, D

Editor, *Journal of Population Economics*

Editorial Board, *Australian Journal of Labour Economics*, *Journal of Population Economics*

Referee: *International Migration Review*, *The Economic Record*, *The Journal of Labor Economics*, *Journal of Policy Modeling*, *Social Science Quarterly*

Gørgens, T.

Referee, *Econometric Theory*, *Econometrica*, *Journal of Econometrics*.

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- 2 Former member of or former visitor to the Program
- 3 Member of or visitor at another RISSS Program
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Economics Group Seminar Program 2002

The weekly seminars in this series are generally held on Friday afternoons commencing at 3:30pm in one of the H.C. Coombs Building seminar rooms. Seminars may be held at other times and venues in order to accommodate particular speakers. Seminar information may be obtained from the Economics Program Administrator, Beth Lawton Tel: (02) 6125 2387 or e-mail econsrsss@coombs.anu.edu.au. Papers are usually available prior to the seminar and copies are available on request.

| Date | Speaker | Seminar Paper |
|-------------|---|--|
| 1 February | Tim Hatton University of Essex | <i>Why has UK net migration increased?</i> |
| 8 February | Robert Ackland RSSS, ANU | <i>Multilateral true marginal welfare indexes</i> |
| 14 February | Bobbi Wolfe University of Wisconsin | <i>Non-market and the social return to schooling</i> |
| 19 February | Tim Smeeding Syracuse University | <i>Comparing living standards across nations: real incomes at the top, bottom and the middle</i> |
| 22 February | Lisa Farrell University of Melbourne | <i>An investigation into the expenditure patterns of children</i> |
| 26 February | Gudrun Meyer-Boehm | <i>Productivity, growth and convergence among the state in the USA</i> |
| 1 March | Kevin Fox University of Melbourne | <i>Problems with disaggregating productivity , and another productivity paradox</i> |
| 5 March | Carol Propper University Bristol | <i>Does competition between hospitals improve the quality of care ? hospital death rates and the NHS internal market</i> |
| 8 March | Stephen Whelan University of British Columbia | <i>The Impact of income support programs on labour market behaviour in Canada</i> |
| 12 March | Niels Westergård-Nielsen Aarhus School of Business, Denmark | <i>Tenure and firm specific human capital</i> |
| 15 March | Thomas Bauer | <i>Technological change, organizational</i> |

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| = | IZA, Germany | <i>change and job turnover: a descriptive analysis of Germany</i> |
| 22 March | Mark Bryan University of Essex | <i>Who pays for general training? new evidence for British men and women</i> |
| 2 April | Tim Hatton University of Essex | <i>Can productivity growth explain the NAIRU? long run evidence from Britain, 1871-1999</i> |
| 5 April | Alison Booth University of Essex | <i>Outside offers and the gender pay gap: empirical evidence from the UK academic labour market</i> |
| 12 April | Alistair Ulph University of Southampton | <i>A simple dynamic model of international environmental agreements with a stock pollutant</i> |
| 16 April | Adrian Pagan Economics, RSSS | <i>Learning about the fit of models with data</i> |
| 19 April | Ciaran Driver University of London | <i>Testing the real options theory of capital investment</i> |
| 23 April | Mark Bryan University of Essex | <i>Free to choose? differences in the hours determination of constrained and unconstrained workers</i> |
| 3 May | Jonathan Kelley International Survey Project | <i>Geographic influences on quality of employment</i> |
| 14 May | Max Tani UNSW (ADFA) | <i>Do foreigners cushion native jobs? the case of European region sin the 1990s</i> |
| 17 May | Mark Rogers Oxford | <i>Does managerial prerogative deliver? evidence on manufacturing productivity growth from advanced countries</i> |
| 24 May | Dan Kovenock Purdue University | <i>A comparison of multiple-unit all-pay and winner-pay auctions under incomplete information</i> |
| 14 June | Stanley Engerman University of Rochester | <i>Economic growth in the Americas since 1500: climate, suffrage and education</i> |
| 21 June <i>urban</i> | Xioadong Gong Economics, RSSS | <i>Return to education and earnings inequality in China: a panel data perspective</i> |
| 2 July | M. Keating RSSS, ANU | <i>The significance of changing earning distribution</i> |

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| 5 July | D Bandyopadhyay University of Auckland | <i>Network capital and a competitive story of industry premium</i> |
| 19 July | Arthur van Soest Tilburg University | <i>Semi-parametric models for satisfaction with income</i> |
| 23 July | Nicholas Barr LSE | <i>The welfare state as snail shell</i> |
| 26 July | Kevin Lee Leicester University | <i>A long run structural macroeconometric model of the UK economy</i> |
| 22 August | Graciela Chichilnisky University of Columbia | <i>The Kyoto protocol: global equity and efficiency</i> |
| 3 September | Colin Cameron University of California Davis | <i>Regression using stratified and clustered data</i> |
| 6 September | Satya Paul University of Western Sydney | <i>The effects of public infrastructure on the cost structure and productivity in the private sector: a case study of Australia</i> |
| 13 September | John Beath University of St Andrews | <i>Optimal incentives for income generation within universities</i> |
| 20 Sept | Jeff Racine Syracuse University | <i>To smooth or not to smooth: recent developments in kernel smoothing of mixed discrete and continuous data with applications</i> |
| 11 October | Craig Applegate University of Canberra | <i>Can capital controls prevent speculative bubbles in real exchange rates in developing countries?</i> |
| 15 October | Alison Booth University of Essex | <i>Work-related training and the new national minimum wage in Britain</i> |
| 18 October | Deborah Cobb-Clark SPEAR, RSSS, ANU | <i>The wealth and asset holdings of U.S. and foreign-born households: evidence from SIPP data</i> |
| 22 October | Colin Cameron University of California- Davis | <i>GMM estimation: an introduction</i> |
| 29 October | Justine Gibbings SPEAR, RSSS, ANU | <i>FaCs longitudinal data sets – an update</i> |
| 1 Nov | Craig Riddell University of British Columbia | <i>Literacy and earnings: an investigation of the interaction of cognitive and non-cognitive attributes in earnings generation</i> |

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