



HILDA Survey Annual Statistical Report

Page 1

Economics of Innovation

Page 3

Non-Cognitive Skills and Human Capital Investments

Page 4

MABEL Longitudinal Survey of Australian Doctors

Page 5

2011 Research Agenda of the Social Policy Research Services Contract

Page 6

Comparing Economic Performance

Page 7

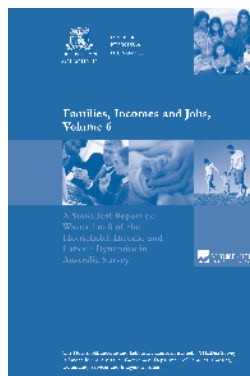
Australian Economic Review, June 2011 Issue

Page 8

HILDA Survey Annual Statistical Report

The latest annual Statistical Report of the Household, Income and Labour Dynamics in Australia (HILDA) Survey, *Families, Incomes and Jobs, Volume 6*, was released on 23 June 2011. The report examines data from the first eight waves of the HILDA Survey, which were conducted between 2001 and 2008.

Commissioned and funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, the HILDA Survey Statistical Report has been produced annually since 2006, presenting analysis with an emphasis on the longitudinal structure of the data. Volume 6 was prepared by Associate Professor Roger Wilkins, Diana Warren, Markus Hahn and Brendan Houg — all researchers in the Melbourne Institute.



Part A of the report comprises 21 articles providing an annual update on changes in key aspects of life in Australia that are measured by the HILDA Survey every year. Four broad and very much overlapping 'life domains' are covered: household and family life; incomes and economic wellbeing; labour market outcomes; and life satisfaction, health and wellbeing.

Part B of the report contains 11 feature articles on irregular topics, to a significant extent influenced by wave-specific questions included in the survey. In Wave 8, 'rotating' content in the interview component of the survey comprised questionnaire modules on fertility-related topics and non-co-residential family members, both of which were also administered in Wave 5, as well as a sequence of questions on job discrimination. Correspondingly, Part B contains articles on fertility intentions, use of birth control, non-co-resident partners, non-co-resident siblings and job discrimination.

HILDA Survey Annual Statistical Report

(continued)



*Associate Professor Roger Wilkins
HILDA Survey Deputy Director
(Research) and coauthor of
Families, Incomes and Jobs,
Volume 6*

A further article draws on responses to the questions contained in the Wave-8 self-completion questionnaire on attitudes to work and family. All of these questions were previously included in Wave 5, and most were also included in Wave 1. Part B additionally contains articles on perceptions of financial wellbeing, job dismissal, couples' coordination of retirement, employment and parental leave before and after the birth of children, and labour force participation and wellbeing of parents. Selected highlights from the Feature Articles are outlined below.

Job Discrimination

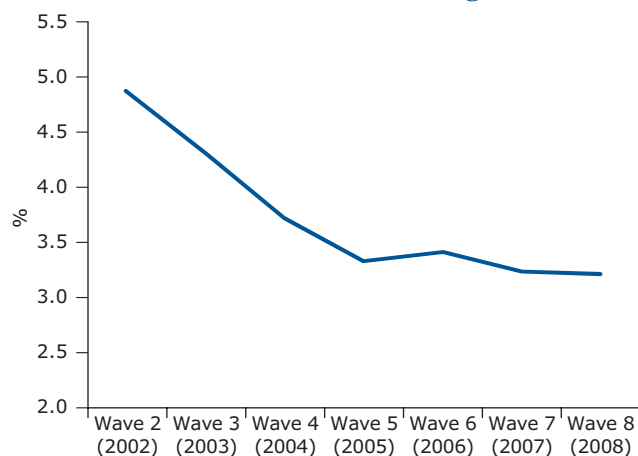
The HILDA data show that 8.3 per cent of people who had applied for a job in the two years prior to the Wave-8 interview believed they had been discriminated against on the basis of their gender, age, ethnicity, religion or parenting responsibilities. Among people who had been employed at any stage of the two-year period, 7.8 per cent believed they had been discriminated against in the course of their employment for one of these reasons. As might be expected, women, persons over the age of 55 years, Indigenous persons and immigrants from non-English-speaking countries were the most likely to report having experienced job-related discrimination.

Dismissal from Employment

Every year the HILDA Survey obtains information on involuntary job loss. As Figure 1 shows, the HILDA data indicate the proportion of employees dismissed each year tended to decline between 2001 and 2008, falling from approximately 4.9 per cent in Wave 2 to approximately 3.2 per cent in Wave 8. Analysis shows that, all else equal, male employees were approximately

30 per cent more likely to be dismissed than female employees. Dismissal rates were also relatively high for employees with disabilities, employees without post-school education qualifications and both young (15–24 years) and old (55 years and over) employees. It is also found that extroverted persons, and persons open to new experiences, were more likely to be dismissed.

Figure 1: Proportion of Employees Dismissed in the Preceding Year



Attitudes to Marriage and Children and to Gender Roles in Parenting and Employment

Data collected in 2001, 2005 and 2008 on attitudes to marriage and children and to gender roles in parenting and employment suggest the Australian community is on average becoming less traditional or conservative. For example, the proportion agreeing with the statement that 'it is better for everyone involved if the man earns the money and the woman takes care of the home and children' declined from approximately 40 per cent in 2001 to just over 30 per cent in 2008. Similarly, the proportion agreeing with the statement that 'homosexual couples should have the same rights as heterosexual couples do' increased from approximately 53 per cent in 2005 to approximately 62 per cent in 2008, a sizeable change in just three years.

An online version of the latest HILDA Survey Statistical Report is available from the Melbourne Institute website at <www.melbourneinstitute.com/hilda/statreport.html>. For further enquiries contact Associate Professor Roger Wilkins: Telephone (03) 8344 2092; Email <r.wilkins@unimelb.edu.au>.

Economics of Innovation

The Industrial Economics research program is continuing to investigate issues central to the understanding of the causes and effects of innovation.

Measuring Innovation

Patent data have long been used by scholars and policy analysts to assess countries' innovative prowess. By counting the amount of patents generated per dollar invested in research and development (R&D), it is possible to evaluate a country's research productivity.

Yet the R&D–patent ratio is a very rough measure of innovation performance for two reasons. First, not all inventions are patentable, and not all patentable inventions are patented. Second, patents are unequal in value, with a majority of patents being worthless. Scholars have worked around these problems in a variety of ways such as by counting only a certain type of patent (for instance, the OECD counts triadic patents, which are patents filed in Europe, Japan and the United States) or by providing a value-adjusted patent count (much like a scientific article, the value of a patent can be assessed among other ways by the number of citations it receives). These practices, however, lack a scientific ground.

A recent working paper by Dr Gaétan de Rassenfosse proposes a novel and objective methodology to analyse research productivity with patent data. Under a realistic set of assumptions, the paper shows that a count of patents whose value exceeds a certain threshold can

inform about research productivity. In so doing, this paper proposes a solution to a long-standing debate in the history of economic measurement. Scholars are now better able to explain to policy makers how to interpret — and what it takes to interpret — patent statistics.

The Working Paper is available online at <ssrn.com/abstract=1691926>.

Australia Behind in the Globalisation of R&D

Recent research has revealed that companies' R&D is increasingly being undertaken either offshore or as an outsourced activity. In the typical OECD country, the share of inventive activity undertaken for foreign clients, including foreign affiliates, increased by 250 per cent between 1985 and 2005. Governments are keen to attract a share of globally mobile R&D investment, particularly due to associated benefits that are external to the firm and the industry. Dr Russell Thomson has undertaken a study which analyses the role of country-level factors in this process, using data on both flows of patent assignments and R&D expenditure. His results show that the quality of institutions and the proficiency of basic science in source and destination countries matter. The evidence also suggests that relative costs have a small impact on R&D trade flows. Interestingly, Australia has a particularly 'closed' innovation orientation relative to our OECD peers. Few of our inventions made here are assigned to foreign-domiciled firms, and a relatively low share of R&D is financed from abroad.

For more information contact Dr Russell Thomson: Telephone (03) 8344 2198; Email <russellt@unimelb.edu.au>.

HILDA Survey Research Conference 2011

The 2011 HILDA Survey 10th Anniversary Research Conference will be held on Thursday 14 to Friday 15 July 2011 at the University of Melbourne. The aim of the conference is to provide a forum for the discussion of research based on the Household, Income and Labour Dynamics in Australia (HILDA) Survey. Attendance at the conference is open to all, but should be of special interest to users of the HILDA Survey data and persons with an interest in the outcomes from longitudinal survey research in the broad field of economic and social policy.

Keynote Speakers include Professor Heather Laurie, the current Director of the Institute for Social and Economic Research, University of Essex, and one of the architects of 'Understanding Society', the successor to the British Household Panel Survey; and Professor Richard Blundell, the Ricardo Professor of Political Economy at University College London, and Research Director for the Centre for the Microeconomic Analysis of Public Policy at the Institute for Fiscal Studies. The conference program is available at <www.melbourneinstitute.com/miaesr/events/conferences/conferences_HILDA_2011_program.html>. Registrations are now open via the Melbourne Institute website <www.melbourneinstitute.com/miaesr/events/conferences/conferences_HILDA_2011.html>. Further details about the conference are available from the Melbourne Institute: <melb-conf@unimelb.edu.au> or (03) 8344 2100.



Non-Cognitive Skills and Human Capital Investments: Importance of Sense of Control

Human capital formation is the bedrock of modern social policy. Governments often rely on investments in health, education, or labour market skills as the primary way of assisting disadvantaged groups, raising productivity and improving wellbeing.

It is not surprising, then, that there is intense interest among policy makers and researchers alike in understanding how we can better support individuals in developing their skills and talents. One of the main tasks is to understand why some individuals work harder than others in ensuring good outcomes for themselves.

Professor Deborah Cobb-Clark has been awarded an ARC Discovery Grant for the project 'Non-Cognitive Skills and Human Capital Investments: The Importance of Individuals' Sense of Control' to investigate this issue. Specifically, the project will investigate whether people's locus (sense) of control over their lives influences their decision to get an education, do job training, migrate, or adopt a healthy lifestyle. Locus of control is a psychological concept which captures people's beliefs about whether there is a payoff (either positive or negative) to their own behaviour. Those believing that life's outcomes are due to their own efforts have an internal locus of control, while those believing that outcomes are due to external factors (for example, luck) have an external locus of control. The study will be among the first to incorporate individuals' sense

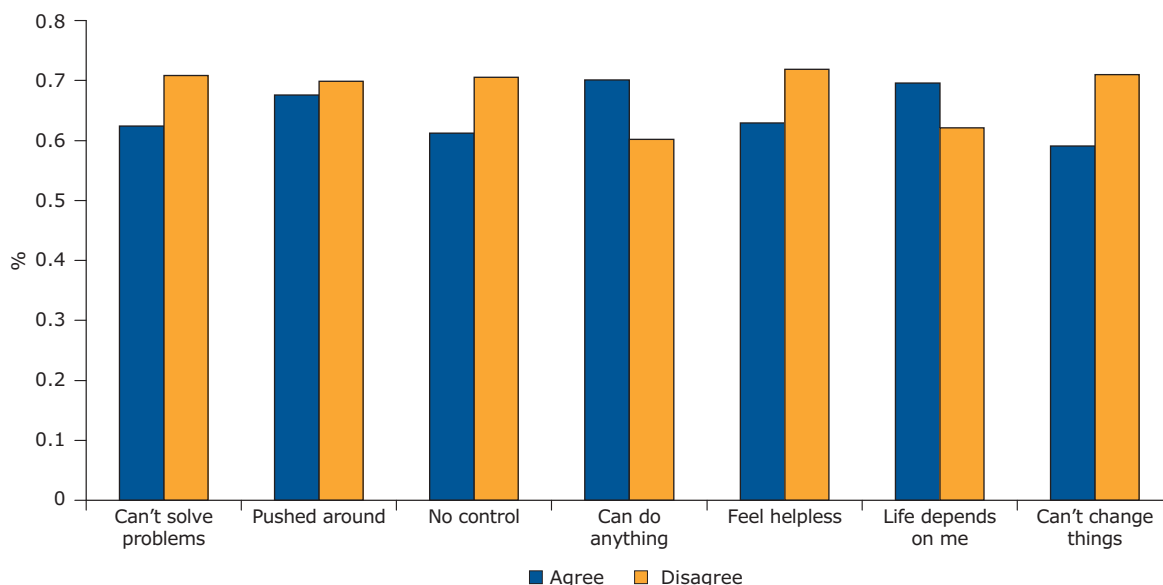
of control into an economic model of the investment decision. Newly available Australian data will be used to test alternative theories about the process linking people's sense of control and their human capital acquisition.

Early results from the project document the importance of locus of control in understanding young Australians' educational outcomes. The figure below shows how completing Year 12 is related to the specific questions used to measure locus of control. Specifically, young people who (strongly) agree that (i) they cannot solve some of the problems they have; (ii) have no control over the things happening to them; (iii) feel helpless in dealing with problems; or (iv) can do little to change things in life are all significantly less likely to have finished Year 12 at the time of the survey. In contrast, completion rates are substantially higher for those who (strongly) agree that (i) they can do anything they set their mind to or (ii) what happens to them mostly depends on them. In addition, young Australians with a more internal locus of control are more likely to meet the necessary requirements to be assigned a university entrance rank upon graduation and to achieve somewhat higher rankings than peers who have a more external locus of control.

Researchers involved in the project are currently investigating the importance of individuals' sense of control over their lives for other important investments in (i) job search; (ii) good eating and exercise; and (iii) the avoidance of risky behaviour.

Further information can be obtained from Professor Deborah Cobb-Clark: <d.cobb-clark@unimelb.edu.au>.

Figure 1: Year 12 Completion (per cent)



MABEL Longitudinal Survey of Australian Doctors: Results from Waves 1 and 2

Results from Waves 1 and 2 of the MABEL longitudinal survey of Australian doctors show that more doctors are satisfied with their work and fewer doctors plan to quit their work over the next five years.

Medicine in Australia: Balancing Employment and Life (MABEL) is a longitudinal panel survey of Australian doctors launched in 2008. The aim of the survey is to investigate factors influencing workforce participation, labour supply, specialty choice and mobility of doctors. A total of 10,498 and 10,304 doctors completed the Wave 1 (2008) and Wave 2 (2009) surveys respectively. A key aspect of the MABEL survey is its longitudinal element which provides valuable insights into the way doctors' circumstances are changing and the reasons.

The following are a few top-line results from Waves 1 and 2. These results are based on the cohort of doctors who responded in both 2008 and 2009.

- Between 2008 and 2009, the percentage of doctors who were 'very' or 'moderately' satisfied with their work increased by between 1.6 and 2.1 percentage points, with the exception of doctors enrolled in a specialty training program for whom satisfaction fell slightly (Figure 1). Hospital non-specialist doctors (for

example, interns and medical officers) were the least likely to be satisfied when compared to other groups. However, job satisfaction for this group increased by 1.6 percentage points. Increases were recorded in satisfaction with remuneration, hours of work, and freedom to choose one's own method of working.

- The overall pattern of increased satisfaction is reflected in reported intentions to quit. Figure 2 shows that between 2008 and 2009, the percentage of doctors 'very likely' to quit medical work entirely within the next five years decreased by between 0.6 and 2.7 percentage points, with the largest reduction for GPs and specialists. In 2009 almost 9 per cent of GPs and 10 per cent of specialists were expecting to leave medical work in the near future. This is equivalent to around 2,000 GPs and 2,100 specialists.

Analysis of the data from Waves 1 (2008) and 2 (2009) has commenced and the results and publications will progressively be posted on the MABEL website <www.mabel.org.au>. De-identified data from Waves 1 and 2 of MABEL are now available at <www.mabel.org.au/data.html>. Preparatory work on the Wave 3 (2010) data has begun and is expected to be available in late 2011.

Further information on the MABEL survey can be obtained from the Principal Investigator, Professor Tony Scott: Telephone (03) 8344 2115; Email <a.scott@unimelb.edu.au>.

Figure 1:
Doctors 'very' or 'moderately' satisfied with their work (per cent)

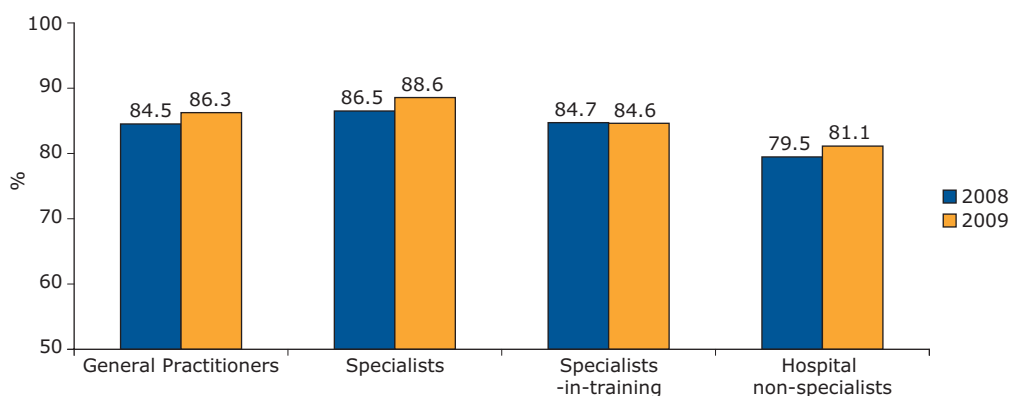
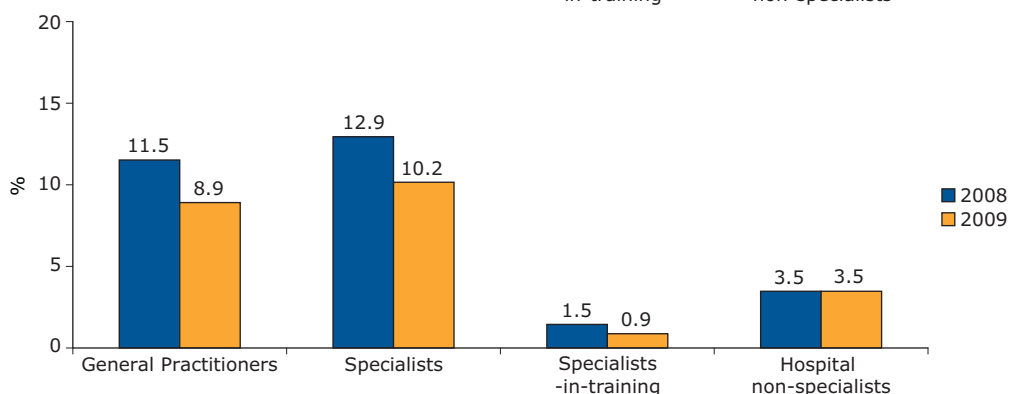


Figure 2:
Doctors 'very likely' to leave medical work entirely within the next five years (per cent)



2011 Research Agenda of the Social Policy Research Services Contract

The Labour Economics and Social Policy program has done research on a wide variety of topics under a long-term Social Policy Research Services contract with the Department of Education, Employment and Workplace Relations.

This contract for delivering research services has been in place for a decade. It covers a variety of topics such as the dynamics of income support receipt of mothers who had their first child in their teens, the re-engagement in education of early school leavers, and retirement decisions of older Australians. The projects started this year include two topics focusing on education outcomes and two topics focusing on labour market outcomes.

The Effect of Schools in Retaining Disadvantaged Youth in Education

School completion rates are much lower than the national average for children from a low socio-economic background. This project aims to identify differences in education inputs, especially school and schooling inputs at the post-compulsory level, between youth from low and middle socio-economic backgrounds. It also aims to examine whether the importance of these inputs to completion varies between the two groups.

The Role of VET-in-Schools in School Completion and Post-School Outcomes

The aim of this project is to examine participation in the VET-in-schools program, including courses undertaken in and off school campus (such as in TAFE) and estimate the effects of participation on students' education and initial labour market outcomes. Key questions to be answered include: What are the main combinations of classroom (on- and off-campus) and workplace learning



Some members of the Labour Economics and Social Policy research team

in VET-in-schools programs? Are there differences in these combinations across schools? What are the impacts of VET-in-schools programs on school retention and on initial post-school activities, such as further education and employment? Do these impacts depend on the chosen VET-in-schools model or the academic ability of the student?

Decomposing Differences in Labour Force Status between Indigenous and non-Indigenous Australians

Various data sources show that labour force participation of Indigenous Australians is much lower than that of the general population. Unemployment rates are also much higher. Indigenous Australians also have poorer outcomes in a range of other areas, such as education and health. They are also younger than the general population and more likely to live in areas of high unemployment. The aim of this project is to understand to what extent these and other observable factors explain the gap in labour force outcomes between the Indigenous and non-Indigenous population, to what extent different returns to observable factors explain the gap, and to what extent the gap is unexplained by observed characteristics.

Longitudinal Analysis of Employment Outcomes for Vulnerable and Other Migrants

Earlier research has indicated that employed migrants experience downward mobility in their occupational status. This project will compare employment and occupation outcomes for migrants and natives at different durations since arrival in Australia, as well as examine differences in outcomes for migrants with different characteristics, with different countries of origin and arrival times, and who arrived in good versus bad economic times. Key questions of interest are: Is there a migrant 'employment penalty'? If so, how big is it and does it reduce over time? Who are the most vulnerable migrants in terms of employment outcomes? Do labour market conditions at the time of arrival affect employment outcomes of migrants in the long run? Does this vary with migrant characteristics? Do migrants' occupations match their skills and qualifications well, compared to the overall Australian population? If not, does this improve over time, and is that related to further accumulation of qualifications after arrival in Australia? A better understanding of these issues will help to identify those migrants most vulnerable to poor labour market outcomes.

For more information contact Associate Professor Guyonne Kalb: Telephone (03) 8344 2095; Email <g.kalb@unimelb.edu.au>.

Comparing Economic Performance: An Index Approach

Policy makers and business analysts are often required to compare regions at different stages of economic development and with diverse economic structures and sizes. To facilitate the comparison, information is often accumulated into one overall measure.

In a recent paper, 'Regional Indexes of Activity: Combining the Old with the New', Dr Edda Claus, Dr Michael Chua and Professor Guay Lim propose a Regional Index which links two strands of the indicator literature — the weighting approach that underpins traditional business cycle analysis and the latent variable approach that underpins recent time series analysis.

The methodology is applied to obtain insights about the relative performance of two resource-rich regions, Western Australia and Queensland, and two service-based regions, New South Wales and Victoria.

One of the questions the authors ask is: What are the effects of growth in China and in the United States on these four States? The key quantitative results relating to this question are:

- All four States benefit directly from a rise in economic activity in the United States but only Queensland and Western Australia benefit considerably from a rise in activity in China. The cumulated effect of a one-off 1 percentage point rise in US quarterly GDP growth is between about A\$160 and A\$220 for state final demand per capita for all four States. A temporary rise in Chinese growth raises state final demand per capita by about A\$50 in Queensland and A\$110 in Western Australia but only by about A\$10 in New South Wales and Victoria. (See the values after eight quarters in Figures 1 and 2.)
- Increased growth in China not only has the biggest absolute effect on Western Australia's level of state final demand, its growth rate also responds faster.
- Interactions between the States can also be extracted from the analysis. For example, the quantitative analysis shows that a \$1 increase in Western Australia's state final demand per capita translates to an increase

Figure 1: Effect on State Final Demand Per Capita (\$) of a 1 Percentage Point (Temporary) Rise in US GDP Growth

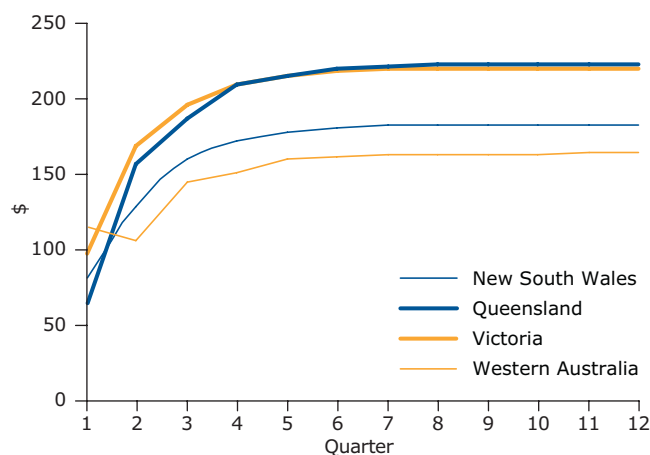
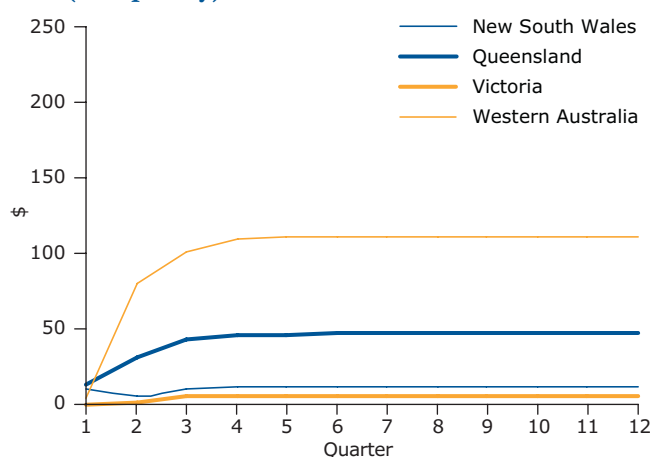


Figure 2: Effect on State Final Demand Per Capita (\$) of a 1 Percentage Point (Temporary) Rise in Chinese GDP Growth



in the state final demand per capita in New South Wales and Victoria of about 5 cents. Furthermore, not all interactions are positive. This is most obvious for Western Australia and Victoria following a positive shock to the New South Wales economy — a \$1 rise in state final demand per capita in New South Wales translates into declines of around 10 cents for Western Australia and Victoria.

For more information contact Professor Guay Lim, Head of Applied Macroeconomics: Telephone (03) 8344 2146; Email <g.lim@unimelb.edu.au>.

Recent Melbourne Institute Working Papers

- 5/11 'The Effect of Disability Pension Incentives on Early Retirement Decisions' *Barbara Hanel*
- 6/11 'Differences in Length of Stay between Public Hospitals, Treatment Centres and Private Providers: Selection or Efficiency?' *Luigi Siciliani, Peter Sivey and Andrew Street*
- 7/11 'With or Without You: Hazard of Divorce and Intra-household Allocation of Time' *Domenico Tabasso*
- 8/11 'Decomposing Inequality and Social Welfare Changes: The Use of Alternative Welfare Metrics' *John Creedy and Nicolas Héroult*
- 9/11 'Two Economists' Musings on the Stability of Locus of Control' *Deborah Cobb-Clark and Stefanie Schurer*
- 10/11 'Dynamics of Household Joblessness: Evidence from Australian Micro-Data 2001–2007' *Nicolas Héroult, Guyonne Kalb and Režida Zakirova*
- 11/11 'Measuring Minimum Award Wage Reliance in Australia: The HILDA Survey Experience' *Roger Wilkins and Mark Wooden*
- 12/11 'Immigration and Status Exchange in Australia and the United States' *Kate H. Choi, Marta Tienda, Deborah Cobb-Clark and Mathias Sinning*
- 13/11 'The Re-engagement in Education of Early School Leavers' *David Black, Cain Polidano and Yi-Ping Tseng*
- 14/11 'Asymmetric Price Impacts of Order Flow on Exchange Rate Dynamics' *Viet Hoang Nguyen and Yongcheol Shin*
- 15/11 'Regional Indexes of Activity: Combining the Old with the New' *Edda Claus, Chew Lian Chua and G. C. Lim*

Working Papers can be downloaded for free from <www.melbourneinstitute.com/miaesr/publications/default.html>. If you would like to receive an email notification when new Working Papers become available, contact the Melbourne Institute at <melb-inst@unimelb.edu.au>.

Australian Economic Review, June 2011 Issue

The lead article in the latest issue of the *Australian Economic Review* is 'Some Basic Economics of Carbon Taxes' by Professor Harry Clarke. He examines the economic base for levying such taxes and compares outcomes with those from an emissions trading scheme.

Two contributed articles make use of HILDA data. Dr Cain Polidano and Professor Kostas Mavromaras examine the engagement in vocational education of people with disability while Dr Hielke Buddelmeyer and Associate Professor Roger Wilkins estimate the effects of tightening smoking regulations. The other contributed article is by Edmund FitzGerald, Dr Michelle Cunich and Associate Professor Philip Clarke who examine changes in access to dental care in Australia.

State and regional economic disparities is the topic for the Policy Forum. Professor John Freebairn in his article, 'Structural Changes in Regional Economies', argues that shifts in regional income levels are endemic to a market-based economy. Professor Ross Williams writes on 'State and Regional Disparities Before and After Transfers'. This is discussed further by Professor Jeffrey Petchey in 'Fiscal Capacity Equalisation of the Australian States'. The fourth article in the Policy Forum, by Professor Robert Dixon and Professor David Shepherd, is entitled 'State and Territory Employment and Unemployment Patterns in Australia'.

In the Data Survey section, Dr Carsten Murawski provides an overview of data and analysis techniques commonly used in neuroeconomics to study the neurobiological foundations of decision making. In the For the Student section, Professor John Freebairn examines the principles that should be used in allocating limited supplies of water.

The June edition of the Australian Economic Review is available from <www.wileyonlinelibrary.com/journal/aere>.

Melbourne Institute News

Views expressed by the contributors to *Melbourne Institute News* are not necessarily endorsed or approved by the Melbourne Institute. Neither the Melbourne Institute nor the Editor of *Melbourne Institute News* accepts any responsibility for the content or accuracy of information contained in this publication. Editor: Rachel Derham tel: (03) 8344 2158, fax: (03) 8344 2111, email: r.derham@unimelb.edu.au. Sub-Editor: Nellie Lentini.

Contributors: Dr Terence Cheng, Professor Deborah Cobb-Clark, Dr Gaétan de Rassenfosse, Associate Professor Guyonne Kalb, Professor Guay Lim, Dr Russell Thomson, Associate Professor Roger Wilkins, Professor Ross Williams.

Photos: © iStockphoto.com/Justin Horrocks (page 1: family stroll); and Les O'Rourke Photography (pages 2 and 6: staff photos).