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The latest *Australian Economic Review* includes a review of recent economic trends and provides industry-level information about employment, wage growth and labour productivity.

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Economics of Education and Child Development

The Victorian Department of Education and Early Childhood Development (DEECD) has awarded a major research grant to the Melbourne Institute. The grant, which may end up being in excess of \$5 million, will fund a research partnership between DEECD and the Melbourne Institute for up to five years. As part of this we will be setting up a brand new research program — the Economics of Education and Child Development — to ensure that the Melbourne Institute becomes an international centre of excellence for applied research in the economics of education.

The partnership could not come at a more exciting time for education policy, with DEECD likely to face some major policy challenges and opportunities over the next five years. There are a number of pressing questions. How can we make the best use of the NAPLAN data to support parents in making informed choices about appropriate schools for their children? Can such data be used constructively in evaluating teachers and school principals? How will the proposed National Curriculum impact on Victorian schools and how can DEECD help schools during the transition? Have the new Integrated Children's Centres improved early child development in Victoria? The new research partnership will build the evidence base necessary for informed policy making regarding these issues.

Associate Professor Chris Ryan (currently at the Australian National University) will take up the position of Principal Research Fellow and Head of the Economics of Education and Child Development research program from late April 2011. Associate Professor Ryan has extensive experience in designing, undertaking and managing research projects, developing policy and providing advice to ministers and senior government

Economics of Education and Child Development (continued)



Associate Professor Chris Ryan

officials in the education sector. In 2002, he was awarded an Australian Post-Doctoral Fellowship by the Australian Research Council to undertake research between 2003

and 2005 on the role of literacy and numeracy in explaining the education, training and labour market outcomes of young Australians.

By drawing on the existing expertise within the Melbourne Institute, other exciting new staff appointments, and expertise from our national and international research partners, Associate Professor Ryan and the new research program will also have the critical mass necessary to address fundamental big-picture issues about child development and education. This research will include a focus on what is the right balance between private and public education, between standardisation and variety, between early years provision and later years provision, between individual excellence and equal opportunity, and between promoting common values while preserving a richness of cultural diversity.

Australians' Vulnerability to Homelessness

The Melbourne Institute will investigate Australians' vulnerability to homelessness under a \$5 million project announced by the Federal Government.

The project, the Longitudinal Study of Australians Vulnerable to Homelessness, will follow the lives of about 1,500 people across Australia who are homeless or vulnerable to homelessness. Researchers will interview participants every six months over two years, and will analyse the contributing factors that lead to homelessness. Project Director Professor Mark Wooden said the study would help us better understand the factors that influenced homelessness.

"We want to try and find out why it is that some people enter the homeless population while others with similar characteristics do not, and why some people remain homeless for long periods of time and others do not," he said.

"We're also keen to find out more about the homeless experience, including what housing and living arrangements exist, the use of and access to different support services, and the consequences for health and other outcomes."

Announcing the project, Federal Minister for Social Housing and Homelessness Mark Arbib said homelessness was an extremely complex problem.

"It's not just about putting a roof over someone's head, it's also about ensuring support services like healthcare, counselling and employment are effectively assisting vulnerable people," he said.

"The new work we are doing will allow us to better target our funding and resources in the future, ensuring government services are better co-ordinated and people are less likely to fall through the cracks."

The two-year study will build on work already underway and will help shape future policy development. The need for the research was identified in the White Paper on Homelessness which found that current Australia-wide data do not capture issues such as the length of time people are homeless and what causes the variation in homeless periods among people with similar support available.

"The aim of the research is to better understand the causes of homelessness and factors that affect homelessness but also to help Governments and the community determine how better to address homelessness," Senator Arbib said.

"It will capture the changing circumstances of people with very complex needs including those experiencing domestic violence, drug and alcohol abuse, gambling, mental health and cognitive disability."

The study is a key part of the Australian Government's \$11.4 million National Homelessness Research Agenda.

Global Proxy – Melbourne Institute Shareholder Confidence Index February 2011

The Global Proxy – Melbourne Institute (GPS–MI) Shareholder Confidence Index decreased by 2.4 per cent in February 2011 to 120.9 from 123.9 in November 2010.

While the Index is 3.0 per cent down from its value a year ago, it is about 25 per cent up from where it was two years ago (the Index was first constructed in March 2009).

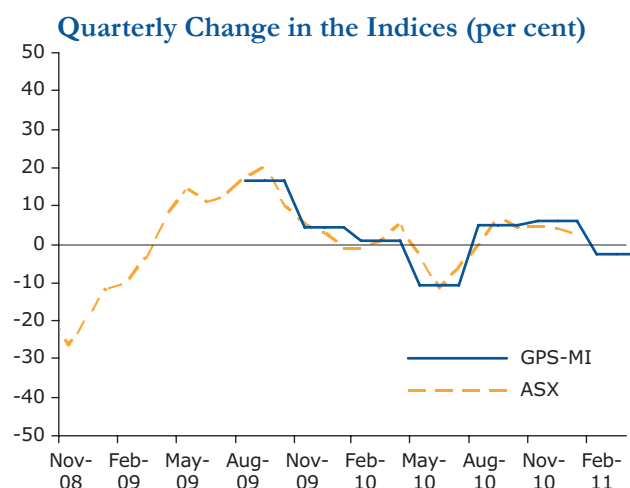
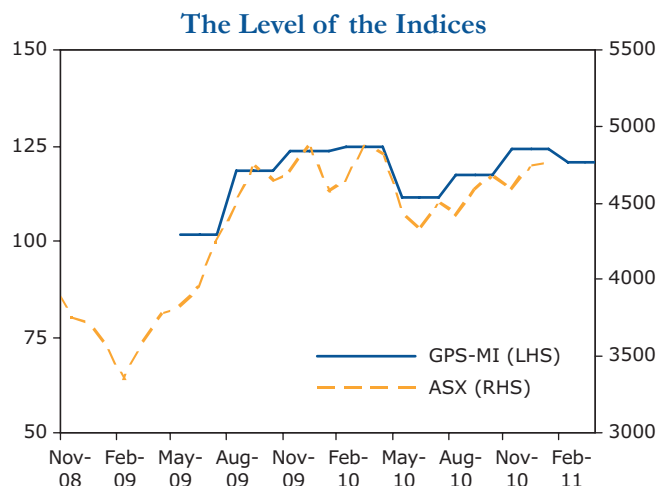
The figures on this page show the performance of the GPS–MI Shareholder Confidence Index against the movements of the S&P/ASX 200 Share Price Index. The Index indicates that the market will be sluggish in the next few months.

All but one of the six component-indices decreased in February 2011 compared to their values in November 2010. Compared to two years ago, the Current Returns Index has improved by a massive 279.5 per cent, but both Current and Expected Trading Intentions Indices have fallen. This means that respondents remain wary about conditions in the stock market and share prices are likely to remain flat.

The February 2011 issue of the *Global Proxy – Melbourne Institute Shareholder Confidence Index™* also presents respondents' buying/selling intentions. Compared to the situation in November 2010, there is a discernible drop in interest in 'energy' and in 'financials' now and in the months ahead.

For more information, see <www.melbourneinstitute.com/miaesr/publications/indicators/global-proxy.html>.

GPS–MI Shareholder Confidence and the S&P/ASX 200 Share Price Index



The HILDA Survey 10th Anniversary Research Conference 2011

The 2011 HILDA Survey 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.

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.



PwC Melbourne Institute Asialink Index 2010

The 2010 *PwC Melbourne Institute Asialink Index* provides a comprehensive view of how the most difficult year of recent times, in economic terms at least, has impacted on Australia–Asia engagement.

Tracking 2009 along seven critical indicators — trade, investment, research and business development, education, tourism, migration and humanitarian assistance — the Index reveals that recent growth in our engagement was substantially curtailed, and there were falls in three components.

Under pressure of the global financial crisis, the flattening was driven by trade — specifically a decline in imports — and overall investment flows between Australia and Asia. A slowdown in the rapid growth of recent years in the education and migration components was also a contributor.

The importance of China and India to Australia was vividly highlighted in the year. A crisis can expose both the vulnerabilities and strengths in economies and in relationships — and what we saw during 2009 is no exception. The Index shows the China factor in particular buoyed aspects of a number of components: exports to Asia overall continued to rise on par with previous years, incoming capital flows were strong, and tourism numbers remained high. In contrast, engagement with each of the other major Asian economies under review declined. The Australia–Indonesia Index in particular recorded a substantial drop of almost 30 per cent in engagement.

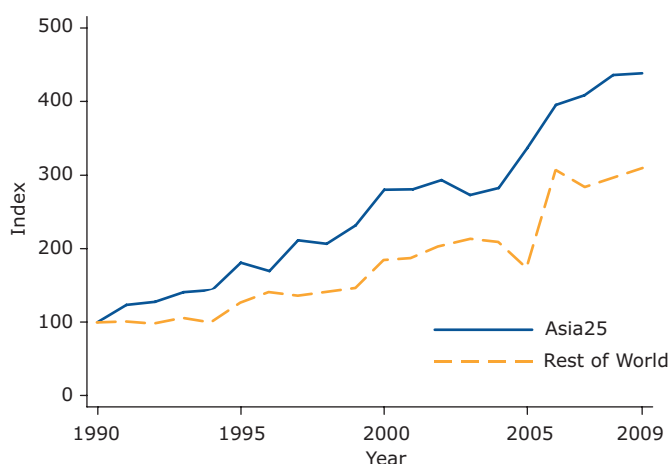
The continued rise in the Rest of the World engagement through the period can be explained in large part by increased capital flows out of Australia, likely motivated by cheap purchases or corporate divestments. There was a substantial rise also in the research and business development component driven by a 40 per cent increase in business trips to and from countries outside Asia.

Index in Brief

- China became our largest trading partner and largest investor (and also overtook Japan as the world's second largest economy). Exports to China increased by 39 per cent in real terms, a record rise.

- Australia's trade surplus with Asia grew at a faster rate than ever before — with imports from Asia falling by 12.9 per cent while exports continued to rise.
- Tourism engagement continued to increase over 2009. On recent trends, China will be larger than Japan as our biggest source of incoming tourists within a year.
- Australian outbound investment to Asia declined. Australians investing abroad clearly prefer the United States, New Zealand and the European Union over Asian economies. At the same time, foreign direct investment from Asia into Australia increased substantially, despite a 43 per cent worldwide decline.
- While Australia's relationships with China and India remained extremely robust in the period, Australian engagement declined for each of the other major economies under scrutiny.
- Data on education engagement show a concerning slowdown of international arrivals for study in Australia, and a further deceleration is anticipated. At the same time, Australians appear to be less and less interested in studying in Asia, a particularly disturbing trend.

PwC Melbourne Institute Asialink Index



This report can be downloaded from the Melbourne Institute website <www.melbourneinstitute.com>.

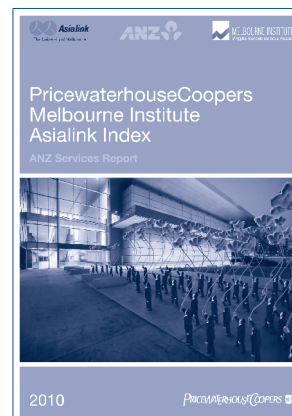
ANZ Services Index 2010

The *ANZ Services Report* is an expansion of the *PwC Melbourne Institute Asialink Index*. It is the first in a series and examines four important sectors in Australia's international trade in services: education, transport, finance and business services.

The ANZ Services Index looks at the level and spread of the trade between Australia and 16 countries of Asia (Asia16) in the period 2000 to 2008. It compares the relative growth in those sectors in the context of both Australia's goods trade and services trade with Asia, and with the rest of the world.

Overall Trends in Trade between Australia and 16 Main Asian Economies

- Looking at export data only, services to Asia grew four times faster — though from a far lower base — than services to the rest of the world.
- Trade in services with Asia16 grew 70 per cent in the period, compared to a rise of 38 per cent with the rest of the world. In terms of services exports to Asia, these increased by around 55 per cent, compared to services export growth to the rest of the world of around 12 per cent.
- Education was by far our biggest services export, increasing by 23 per cent in 2008 and almost tripling in value over the eight-year period. Our education exports to China multiplied eight times in the period, and exports to India increased five and a half times. Imports play a comparatively minor role in this sector. In 2008, 94.4 per cent of Australian educational trade consisted of exports. More than 70 per cent of education services trade is with Asia.
- At a total value of \$11.5 billion in 2008, transport services trade between Australia and Asia led the four Index components under review, but this was driven by a 100 per cent increase in imports over the period. The transport services share of Asia16 countries compared with the rest of the world increased from 40 per cent in 2000 to 46 per cent.
- In constant price terms, total Asia–Australia trade in financial services increased by 50 per cent from 2000 to 2008. But the data on income of foreign affiliates of financial services are particularly lacking. The Australian Bureau of Statistics acknowledges this data gap and is undertaking a survey of finance



and insurance offshore affiliates in 2011 for the Department of Foreign Affairs and Trade.

- Business services includes the growing area of trade which supports other business, for example legal services, market research, architecture and engineering services, as well as charges for the use of intellectual property and payments for licences to reproduce such work as books and manuscripts, computer software, cinematographic works, and sound recordings. Total trade in business services was valued at around \$3.6 billion in 2008, a rise of 120 per cent from 2000.
- Japan was Australia's biggest single Asian trading partner in services (in value terms) in 2000, accounting for 24.4 per cent of total trade in services. By 2008 Japan's share in Australia's services trade had fallen sharply to just 12 per cent and Singapore had become the most important trading partner in services (21.4 per cent). This may be a reflection of the trend towards hubbing, in particular in transport services. The other significant shifts in the distribution of Australia's trade in services with Asia16 countries during the period were a more than doubling in China's share of Australia's services trade (to 15.6 per cent of the total) and an almost tripling in India's share (to 9 per cent).
- In terms of exports, the biggest shift in the period was a sharp increase in the significance of China and India as destinations for Australia's services. China's share increased from just 6.7 per cent in 2000 to 21.2 per cent in 2008, while India's share increased from 3.9 per cent to 13.3 per cent.
- Japan, Singapore and Hong Kong were dominant as source countries for Australia's imports of services in 2000, and this pattern was not dramatically altered by 2008.

This report can be downloaded from the Melbourne Institute website <www.melbourneinstitute.com>.

New Research to Explore How Education and Training Can Combat Disadvantage

A major new research project aims to better understand how education and training can overcome social and economic disadvantages.

A new partnership between the University of Melbourne and the National Centre for Vocational Education Research (NCVER) aims to build the knowledge base for policy makers and practitioners.

“It is an issue high on the government’s policy agenda,” said Dr Duncan McVicar, Principal Research Fellow with the Melbourne Institute. “Growing up in a low socioeconomic status environment, living in a remote area, or having a disability can all contribute to poor employment outcomes and social exclusion. Participating in tertiary education and training can help overcome such disadvantages.”

A major policy concern is that people from disadvantaged groups are less likely to participate in tertiary education

and training and may get less benefit from doing so than their more advantaged counterparts.

“We want to know where the gaps are, how big they are, why they exist and what can be done about them,” Dr McVicar said.

The research program entitled ‘Promoting Social Inclusion for Disadvantaged Groups through Education and Training’ will be funded by a three-year research grant from NCVER.

Research has already started on two projects under the program. The first project examines the issue of how to measure social exclusion, accounting for its multi-dimensionality and dynamics, and how education and training impacts on different measures. The second project examines mature age participation in education and training, in particular for disadvantaged groups, its impacts, and why participation rates are so much higher in Australia than in other OECD countries.

Economic and Social Outlook Conference

The *Australian* and the Melbourne Institute are pleased to announce that *Growth Challenge* will be the theme of our seventh joint Economic and Social Outlook Conference in 2011.

Date: Thursday 30 June and Friday 1 July 2011

Venue: Faculty of Business and Economics Building, 198 Berkeley Street, Carlton

Enquiries: melb-conf@unimelb.edu.au or (03) 8344 2100

Not so long ago, Australia was wondering where the road out of the global financial crisis would lead. While most of the developed world struggles to shrug off the crisis, Australia is digesting a surge in demand from China and the rest of Asia for our mining and energy exports.

While this has boosted national income, it has run into infrastructure bottlenecks, particularly in our cities and obscured a worrying slowdown in the economy’s productivity growth.

Issues explored by the two-day conference will include managing the economy’s growth shock, financing the education revolution, tackling social disadvantage amid the boom, climate change and energy security, skills shortages, population and immigration growth, tax reform, funding an older Australia, water policy, women in the workforce, broadband, health reform, the financial system after the crisis and political options for a boom economy.

The Australian’s editor-in-chief Chris Mitchell and Melbourne Institute Director Deborah Cobb-Clark said the joint conferences had developed into the nation’s premiere public policy gathering since the inaugural Towards Opportunity and Prosperity Conference in 2002. They draw a unique collection of politicians, public servants, business leaders, academics and other policy experts.

Headline speakers include Treasurer Wayne Swan, Professor Ross Garnaut AO and Chairman of the Productivity Commission Gary Banks. Federal Government ministers (including Martin Ferguson) and shadow ministers (including Malcolm Turnbull, Andrew Robb and Scott Morrison) are on the program to speak on social and economic issues.

For more details and to register, please visit the Melbourne Institute website <www.melbourneinstitute.com>.

GDP Growth on the Rise, as Are Inflationary Pressures

The Melbourne Institute has released the March edition of the *Australian Economic Review*, the peak economic policy journal in the country.

Edited by Professor Ross Williams, the highlight of this issue is the annual review of the Australian economy. The Melbourne Institute's macroeconomics team of Professor Guay Lim, Dr Chew Lian Chua, Dr Edda Claus and Dr Jounghyeon Kim reviews recent economic trends and provides industry-level information about employment, wage growth and labour productivity. The team expects GDP growth in Australia to remain modest in 2011, mainly because the international environment will remain weak and the high Australian dollar will put a dampener on export-led growth. However, "the modest growth in international trade will be balanced by domestic growth in consumption and especially investment". The Melbourne Institute's macroeconomics team sees monetary policy as remaining tight as inflationary pressures rise with some extra pressure possibly coming from the labour market.

In the article 'Safe Harbours in Merger Guidelines: What Should They Be?', Dr Qing Gong Yang and Dr Michael Pickford, writing from New Zealand's Commerce Commission, use simulations to develop safe harbour thresholds that should be followed by competition enforcement and regulatory agencies. Safe harbours in merger guidelines define post-merger market concentration thresholds below which proposed mergers are unlikely to be anti-competitive. The authors conclude that commonly used thresholds are typically too restrictive in that they fail to allow mergers that are almost certainly competitively benign.

In an article on the Kangaroo bond market (the issuance of foreign bonds in Australia) the authors, Professor Jonathan Batten, Dr Peter Szilagyi and the late Professor Warren Hogan, highlight the contribution that the market makes to the depth of the Australian bond market, the diversity provided by international issuers and the subsequent improvement in credit quality. In another finance article, Dr Peter Phillips uses data from self-managed superannuation funds to argue that the trustees may be too risk averse.

The Policy Forum is on 'Privatising Science'. Universities are increasingly patenting their research and the Policy Forum articles evaluate whether this fosters or hinders future research activity. The eminent legal



scholar Professor Rochelle Dreyfuss, from New York University, argues in 'Evaluating the Public Impact of Open Innovation' that more empirical research on the production of information in the open domain would allow us to identify the fields or sectors where strong IP rights are needed and those where they are not necessary. Dr Julian Clark from the Walter and Eliza Hall Institute of Medical Research argues that patents and research activities can beneficially exist. Associate Professor Paul Jensen and Professor Beth Webster report on a survey of public-sector research scientists conducted by the Melbourne Institute.

In the Data Survey section, the longitudinal survey of Australian doctors, Medicine in Australia: Balancing Employment and Life (MABEL), launched in 2008, is described and the characteristics of the respondents in the first two waves are analysed. In the For the Student section, Professor Ross Guest looks at how the global financial crisis should impact on how undergraduate macroeconomics is taught.

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

Recent Melbourne Institute Working Papers

- 4/11 'Sheepskin Effects in the Returns to Education: Accounting for Enrolment and Completion Effects'
Nicolas Hérault and Režida Zakirova
- 3/11 'Improving the Employment Rates of People with Disabilities through Vocational Education'
Kostas Mavromaras and Cain Polidano
- 2/11 'Re-engaging with Survey Non-respondents: The BHPS, SOEP and HILDA Survey Experience'
Nicole Watson and Mark Wooden
- 1/11 'Predicting Short-Term Interest Rates: Does Bayesian Model Averaging Provide Forecast Improvement?'
Chew Lian Chua, Sandy Suardi and Sarantis Tsiaplias
- 20/10 'How SMEs Exploit Their Intellectual Property Assets: Evidence from Survey Data'
Gaétan de Rassenfosse

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.

PhD Study at the Melbourne Institute

Applications are sought for PhD study either in the Economics of Education or Health Economics.

Economics of Education

The PhD student will be part of the new research program the Economics of Education and Child Development (funded by a major grant from the Department of Education and Early Childhood Development (Victoria)). The research program will address many fundamental questions about child development and education. What public interventions support child academic, developmental and social outcomes? What is the right balance between private and public education, between standardisation and variety, between resources spent on early years provision and later years provision, between individual excellence and equal opportunity, and between promoting common values while preserving a richness of cultural diversity? What types of organisational arrangements promote better student outcomes?

Health Economics

The Health Economics research program conducts research into the financing and organisation of the health care system, with a focus on the performance of primary care and hospitals and the health workforce. Research around the medical workforce is based on the Medicine in Australia: Balancing Employment and Life (MABEL) longitudinal survey of doctors, now in its fourth annual wave.

This scholarship would suit someone with an interest in contributing to the development of an evidence base necessary for informed policy making in Education or Health Care.

Further details of PhD study at the Melbourne Institute, including details on how to apply, are available at www.melbourneinstitute.com/study. Applications can be made at any time. Applicants are advised to contact the following to discuss their suitability:

For research in the Economics of Education, contact Professor Deborah Cobb-Clark, melb-inst-director@unimelb.edu.au; for research in Health Economics, contact Professor Anthony Scott, a.scott@unimelb.edu.au.

For Australian domestic applicants, the scholarship will be equivalent to the Australian Post-Graduate Award; for international applicants, the scholarship will cover the annual fees.

Melbourne Institute News

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