Introduction to the Special Issue on papers presented at the December 2007 Australian Labour Market Research Workshop

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This edition of the *Australian Journal of Labour Economics* contains a small subset of the papers that were presented at the December 2007 Australian Labour Market Research Workshop held in Perth, embracing a wide range of topics within labour economics. They are predominantly of an applied nature with a clear eye for evidence-based policy design.

The paper by Hallam and Weber applies a dynamic general equilibrium model based on Prescott (2004) to Australian data to examine the relationship between labour taxes and work hours in the last three decades. They compare the changes in Australia, the US and Europe and suggest that the Australian experience can be of use for making predictions regarding future changes in European labour taxation that aim to influence work hours in Europe and possibly *vice versa*. The need for further calibration of the Australian model is acknowledged, as is the complementarity between this approach and the micro-based approach used in other parts of the literature. Notwithstanding these acknowledged limitations of the paper, it is a good attempt to promote comparative empirical research and ensuing policy discussion which builds on the utilization of the differences and similarities between the US, Europe and Australia. Australia occupies a unique position in the space between the US and Europe and comparative studies, for all their inherent difficulties, should be welcomed and promoted.

The paper by Cavagnoli attempts to investigate the theoretical foundations of labour supply in order to shed light on the difficult problem of interpreting changes in average working hours of Australian workers over recent decades. Although the motivating facts presented appear to be simple, the underlying structure of the problem is anything but straightforward. This is an area of considerable debate, especially because of the legislative changes that Australia has undergone in the past two decades. What the paper tries to do is ambitious and should be looked at as a first stab, pointing towards future research. It offers a partial equilibrium analysis from a strict and limited economic model with results that have limited generality because of the nature of the analysis that generated them. The paper highlights the need for the use of general equilibrium analysis and the incorporation of the institutional and social backgrounds that often either drive or inhibit choices and outcomes. The area of addiction is also one that economists have often shied away from, typically because many of the assumptions on which economics bases its model building and understanding of behaviour come to blows with the facts that result from addiction.
The paper by Keegan and Corliss builds on an earlier result in the literature which argues that women who experience their first childbirth at a younger age also present worse labour market attachment, both as higher probability of dropping out and longer durations out of work. A number of theoretical reasons are put forward and tested. This is a technically simple paper that examines some relatively simple hypotheses. If older women (i) can negotiate better work deals; (ii) have a higher opportunity cost of staying away from work; and (iii) have attached a higher value on career building and lower (relative) value on child bearing, then conventional human capital theory would explain, at least in part, their stronger labour market outcomes. The paper focuses on the first hypothesis for most of its analysis, and uses multivariate logistic regressions to test the association between a number of flexible work arrangements and age of child birth. This association is found to be clearly significant for most flexibility indicators and is then used as a possible support for the first hypothesis. The paper completes the argument by presenting evidence from the literature and the HILDA data on younger women facing higher effective marginal tax rates and on younger women being more likely to state that they would be prepared to deliberately avoid paid employment in favour of motherhood for a number of reasons.

The paper by Perry and Maloney presents an evaluation of the New Zealand Training Opportunities Programme, which is the main policy tool in labour market policy for upskilling and re-employment in New Zealand. Its detailed exposition of the programme itself, as well as the methodology used to evaluate the programme, explains some aspects of the policy and analysis that are assumed, often wrongly, to be well understood by the reader, thus broadening the readership and appeal of this paper in a welcome manner. The paper improves on the methodology that has been applied to the New Zealand training programme in the past by applying difference-in-difference estimation. The paper concludes that given that this programme is the main national active labour market policy, the estimated impacts of it are only modest and ‘somewhat disappointing’. The beneficial effects are transitory in nature and are not experienced more by those groups that they are targeting. As I read it, the paper offers some good insights and raises some very pertinent issues, especially in the context of the present economic downturn. The first one is the distinction between classroom and work-based training delivery and the split between general and specific up-skilling. The cost-benefit calculations underlying training stakeholders (workers, firms, state) are clearly changing with the economic climate. We know that in a recession classrooms become more crowded (every MSc teacher knows this!) and that the willingness of businesses to take on marginal trainees is reduced, and the welfare system is stretched, so what is identified in this paper as a possible problem in a period of economic expansion could be a harbinger for serious problems during a downturn. For those of us who can remember that far, the European glacial speed of unemployment reduction and devastating losses in the skills base during the 1980s should be a warning about the way (re)training is to be delivered in the coming years. Australia did better in the early 1990s, which is an encouraging thought given the present situation. Other issues are also highlighted such as the estimated ineffectiveness of influencing target groups and the possibility that the intervention was too short. The paper is a clear call for policy makers to engage more deeply with the research community in order to improve this vital link between evidence and labour market policy.