This book consists of a number of research papers arising from a three year project funded by the ARC’s SPIRT scheme and this is precisely what it looks like — a collection of research papers rather than a book with a logical sequence of chapters. Nevertheless, the collection of papers is extremely interesting for those who do research in labour market analysis. It brings together some of our best known labour economists, the odd geographer and Peter Sheehan’s team at the Centre for Strategic Economic Studies at Victoria University. This latter team, including Nick Pappas, are developing a reputation in Australia for their work in technological and structural change commonly known as ‘the New Economy’.

The opening chapter attempts to put the research papers in perspective and reflects the particular interests of the editors. A closing chapter putting the previous ones in context would have been good. One of the more contentious conclusions is that Australia’s response to global change ‘has not produced an employment outcome consistent with social viability’. They reach this conclusion from the observation that real weekly earnings have grown considerably since 1990, earnings inequality has widened significantly, increasing inequality has been more pronounced in particular industries and, finally, that inequality in earnings has risen with all levels of education attainment. These observations alone would not justify the conclusion reached above. Nor the more contentious conclusion:

Thus it is not surprising that Australia enters the twenty-first century in a mood of deepening social crisis’, or ‘the economy has failed to generate an adequate supply of jobs paying a living wage and hence supporting full and independent involvement in the Australian community.

This may come as something of a surprise to those economists who would consider that it is the stubborn rate of unemployment, particularly among the less educated, which remains the biggest social problem in Australia. For the unemployed the only short-run solution, given their low level of productivity, would seem to be the creation of low paid jobs. What needs to be emphasised is that the labour market has changed, many jobs for the unskilled have disappeared.
and, therefore, a program of education and training needs to be initiated aimed at increasing the skills level of those most at risk of unemployment or low paid jobs. The first research paper by Nick Pappas (Chapter 2) examines family income inequality and shows that market income is becoming less equal across families. It also shows that to a large extent this is due to the relative demand for more highly educated workers. This again points to the importance of education not only for reducing unemployment, but also for reducing inequality for those in low skilled employment.

In Chapter 3, Peter Sheehan examines the international literature on the causes of increased earnings inequality. This is an interesting paper particularly in its conclusion that the impact of the New Economy, driven by globalisation and the IT revolution, are ‘often difficult to explain within the existing conceptual framework’ and also ‘that the literature is essentially inconclusive’. Therefore, one would have to conclude that – even if increased earnings in inequality is a problem – the lack of any useful model to explain it makes it difficult to implement any policy responses.

Deborah Cobb-Clark, with Marie Connolly, carries out her usual thorough job on longitudinal data to look at the labour market experience of immigrant wives. Their conclusions emphasise the importance of looking at the family as a unit for economic analysis and point to the important contribution of immigrant wives to the financial health of migrant families.

In Chapter 6, Yvonne Dunlop looks at characteristics of low paid employment in Australia and, interestingly, the dynamics of low pay. That is, what happens to people on low pay over time — do they move from low paid to higher paid jobs or are they trapped in low paid employment? The answer is that for about half the low paid adults this is only temporary and they move to sustained upward earnings within a short period of time. For the other half of low paid workers, low pay is persistent and they also experience greater job turnover. From a policy perspective, it is important to distinguish between groups of low paid workers – for one subset low paid jobs are an important means of getting a foot on the jobs ladder and we need more, not less, of these jobs.

The chapter by Andrew Burbidge and Peter Sheehan takes another view of the rich family/poor family dichotomy. They show that between the two census periods 1986 and 1996, there was an increase of 42 per cent in couples working less than 30 hours per week and a doubling of couples working over 90 hours per week. Clearly differences in hours worked have combined with the changes in hourly earnings to further increase inequality. Again the polarisation into rich and poor is determined to a degree by the skill of workers.

Jeff Borland compares changes in jobs stability and jobs security over time in the 1980s and 1990s. He finds little significant difference with respect to jobs tenure. However, and interestingly, workers’ perceptions of job security have changed. Not only do workers feel less secure but there seems to be less predictability about what a job is likely to entail in the future. He concludes that employers now have greater scope to determine work conditions than previously.
In Chapter 9, Sally Weller and Michael Webber use the textiles clothing and footwear industry to look at people displaced by structural change. They find that, of those workers retrenched, a third did not return to the labour force and many found jobs at lower status or pay. From this they conclude that there has been:

a significant de-skilling of this work force … (and) this study has provided a graphic illustration of the growing polarisation of the Australian labour force and has demonstrated how precarious and unstable careers have been the outcome of the structural changes in the economy.

The implication, which runs through a few chapters of this book, is that somehow structural change is ‘a bad thing’ and is leading to ‘social crisis’. This ignores the point that for most, surely, structural change has been beneficial.

In another thorough piece of work, Nick Pappas again examines the causes of earnings inequality. He points to the importance of the changing pattern of skills in determining the distribution in earnings and again points to the obvious policy conclusion that there is greater need for participation in education and training for the most disadvantaged in Australia.

Peter Sheehan and Alex Esposito introduce the reader to a new approach to occupational information or O*NET (The Occupational Information Network). Readers who are interested in decomposing occupations according to the new range of skills rather than those inherent in the ‘old’ economy will find this chapter extremely interesting. They use the O*NET framework to examine the extent to which the demand for new skills has affected the earnings in Australia. As with previous work of the Sheehan team, they find that on average, jobs are becoming more knowledge intensive, requiring more broadly based knowledge competencies, ability to process information, decision-making and communications. Interestingly, part time jobs, particularly for men, are becoming deskilled with respect to those required by the New Economy.

This is an interesting set of papers particularly for those who are not familiar with developments in the Australian labour market in the last two decades with respect to the New Economy. What spoils the book for me is the emphasis in certain chapters, particularly Chapter 1, on ‘Social Crisis’. It appears to me that that most of the developments in the Australian labour market have been positive for most people. The problem is how to improve the positions of those who have been left behind by structural and technological change, particularly the unemployed. Clearly short run remedies such as labour market programs, cuts in minimum wages, and social security reform will lower unemployment but the unemployed are likely to be in low paid jobs. The solution to inequality lies in a long-term program of education and training particularly for young Australians since most of the evidence suggests that it is education up to Year 12 that really makes the difference in labour market outcomes and that education and training at later years is far less successful. As I have pointed out previously, such a program would only work with considerable government expenditure and would take a
long time to produce significant results. However, considering the cost of short-
term measures to reduce unemployment, which gives no more than bandaid
solutions, such a program is essential and the sooner it happens the better.

*Phil Lewis is Professor of Economics and Director of the Centre for Labour
Market Research, University of Canberra.*