

### Structure of the Paper

- A brief history of policy paternalism in the Australian labour market
- Overview of trends in socioeconomic outcomes for indigenous Australians, 1971-2001
- Revisiting the possible role of labour market discrimination
- The interaction between employment and educational participation and arrest/social disruption
- International comparisons
- Lessons for Maori?

### A brief history of policy paternalism in the labour market

- In the 19<sup>th</sup> Century, government policy control over Indigenous workers was both paternalistic and pervasive
- The exclusion from the developing welfare system is embodied in the fact not entitled to an old-age pension in *Invalid and Old-age Pensions Act 1908*
- 'New' industrial relations (post 1890) also 'discriminating'
  - Eg, *Sugar Growers' Employees Act 1913* explicitly stated that Queensland Aborigines paid less
  - One Queensland Act of 1952 proscribed that separate accommodation should be provided for Indigenous workers
  - explicit labour market discrimination reformed since 1960s (e.g. *Racial Discrimination Act 1975*)
    - but possible negative consequences of equal pay case

### Labour market discrimination since 1975

- Only a handful of employment cases since *Racial Discrimination Act 1975* introduced
- De Plevitz (2000) thesis examining all Australian cases involving labour market discrimination since 1975:
  - mainly used by educated middle class white women
  - Judicial definitions focus on biology rather than culture
  - liability determined by whether practice is reasonable, which is easier to rationalise by managerial prerogative
  - 90% of complaints of settled out of court, limited recognition of indirect/systemic discrimination
  - remedies based on (inadequate) compensation rather than changes to recruitment policy
- Stolen wage case: Beattie Government offered \$55m to 16,400 victims if waive rights to sue

### Major events in Indigenous policy since the 1960s

- Amendments to the Australian constitution in the 1967 referendum (supported by all major parties and over 90% of Australians)
  - opened the way for Indigenous people to be fully counted & identified in the five-yearly census and for the Commonwealth to take a more active role in Indigenous affairs
- The broad policy approach of self-determination was introduced in 1972, replacing the earlier policy frameworks of assimilation and integration
  - Recognising widespread exclusion of Indigenous people from mainstream services, especially in rural and remote regions, the new policy encouraged the incorporation of Indigenous community organisations to deliver their own services
- A high degree of similarity between Labor and Coalition governments until the advent of the Howard government
  - New catch phrases of 'practical reconciliation', as opposed to symbolic (or impractical?) reconciliation, mainstreaming and elimination of the elected Indigenous Organisation, ATSIC

### Socioeconomic outcomes for Indigenous Australians, 1971-2001 (see Altman, Biddle & Hunter 2004)

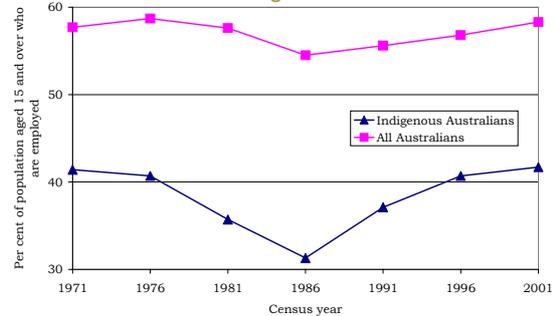
Variable	1971	1981	1991	2001
Unemployment rate	9.0	24.6	30.8	20.0
Employment ratio	42.0	35.7	37.1	41.7
Participation rate	46.1	47.3	53.5	52.1
Full-time employment	32.9	19.5	21.9	21.6
Private-sector emp	29.7	17.2	20.5	22.9
Median Individual income	n.a.	187.5	211.0	212.6
Median Hhold income	n.a.	676.5	653.1	787.1
Home owner	26.1	19.7	19.1	26.8
Household size	4.6	4.1	4.0	3.4
Never attended school	22.7	10.7	5.1	3.2
Youth in education (% non-secondary students)	n.a.	6.8	16.0	25.9
Post-school qual	3.2	5.0	9.5	18.2
Population aged 55 +	7.3	6.4	6.2	6.7

**ANU Data sources, difficulties & caveats**

- There are 3 broad difficulties inherent in using census information to track changes in Indigenous socio-economic status:
  - Practical problems in defining who is Indigenous and what is the size of the Indigenous population
  - Methodological problems arising from variations in Indigenous Enumeration Strategy
    - E.g. self-completed and interview based census data
  - Conceptual difficulties in adopting normative criteria like social indicators from the census in cross-cultural situations

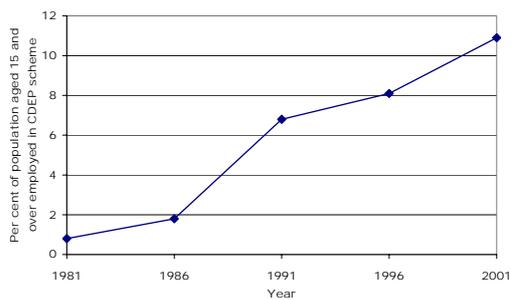
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**Back to the Future: 1970s were as good as it gets?**



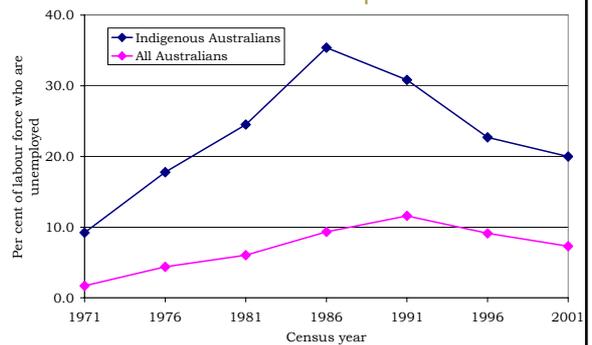
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**The rise and rise of the CDEP scheme**



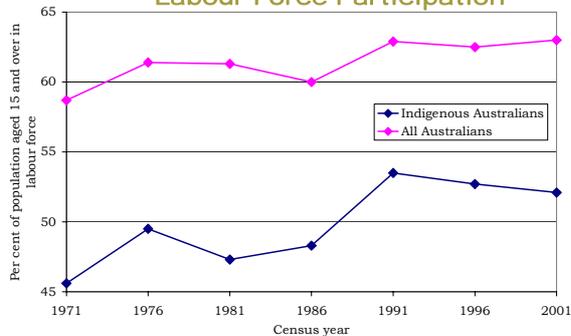
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**The unemployment mountain: are we over the hump?**



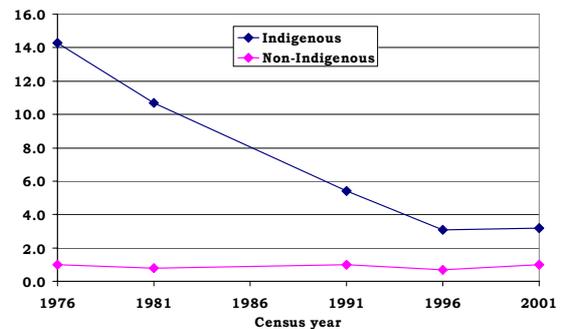
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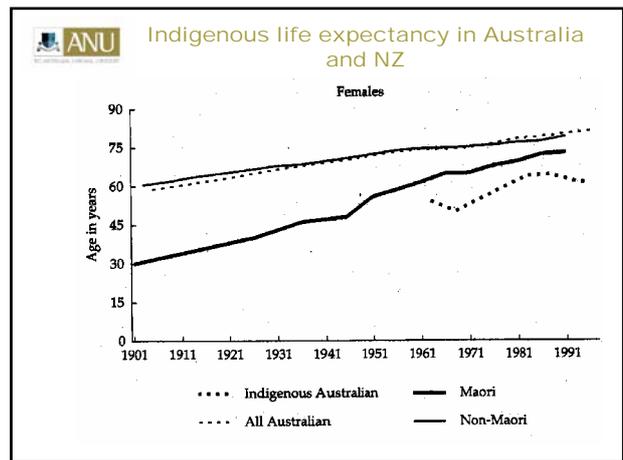
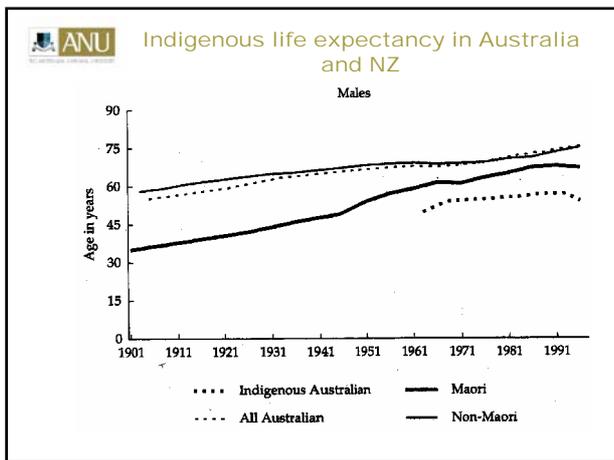
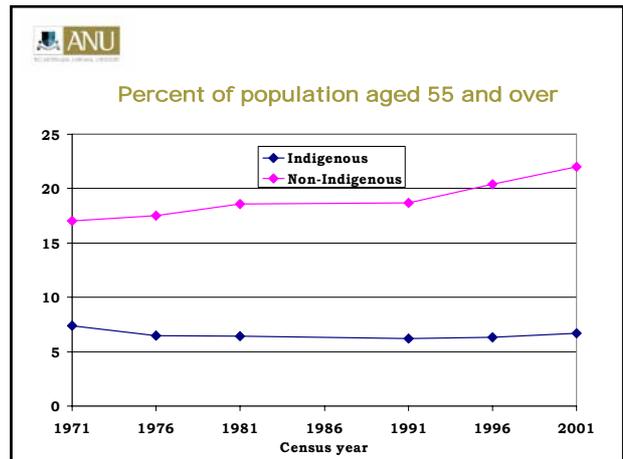
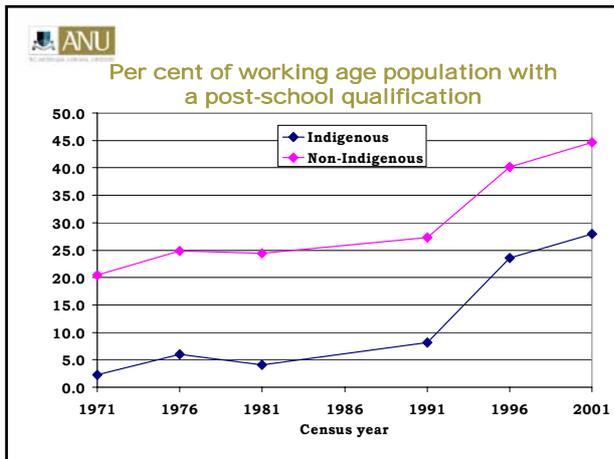
**Employment + Unemployment = Labour Force Participation**



**ANU**

**GOOD NEWS?: Per cent of working age population who have never attended school**





**Socioeconomic outcomes for Indigenous Australians, 1971–2001**

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**Ratio of Indigenous to non-Indigenous outcomes, 1971–2001**

Variable	1971	1981	1991	2001
Unemployment rate	5.44	4.22	2.70	2.79
Employment ratio	0.73	0.61	0.66	0.71
Participation rate	0.78	0.77	0.84	0.82
Full-time employment	0.68	0.44	0.56	0.57
Private-sector emp	0.65	0.42	0.50	0.48
Median Individual income	n.a.	0.55	0.62	0.56
Median Hhold income	n.a.	0.72	0.77	0.78
Home owner	0.37	0.27	0.27	0.37
Household size	1.33	1.32	1.38	1.31
Never attended school	39.32	14.42	5.21	3.14
Youth in education (% non-secondary students)	n.a.	0.38	0.35	0.43
Post-school qual	0.13	0.18	0.30	0.44
Population aged 55 +	0.43	0.34	0.31	0.31

### Major findings of Hunter (2004)

- Ch1: Trends in labour force status, 71-2001
- Ch2: Labour supply & mobility
  - low participation rates among youth
  - preponderance of local moves irrespective of LM
- Ch3: Labour demand & segregation
  - at least 1/2 employment increase due to demand
- Ch4: Multivariate analysis & discrimination
  - labour market discrimination is important
  - manifest in ability to find job (rather than low wages)
- Ch5: Indigenous entrepreneurs
  - 2/3rds of growth in firms that don't employ others
  - age, education, mortality, & financial constraints
- Ch6: Summary and policy discussion

### Discrimination: Data and Method

- Detailed cross-tabulations of all employment, private sector and full-time employment by usual explanatory factors
- A logistic regression model is used to estimate the effect of predictors:
  - 1981 and 1996 censuses for all employment (both Indigenous and non-Indigenous)
  - 2001 census all, private and full-time employment
- Nielsen estimator (*Economic Letters* 1998) is used to estimate discrimination
  - LDV analogy of Blinder/Oaxaca decomp

### How is employment discrimination estimated?

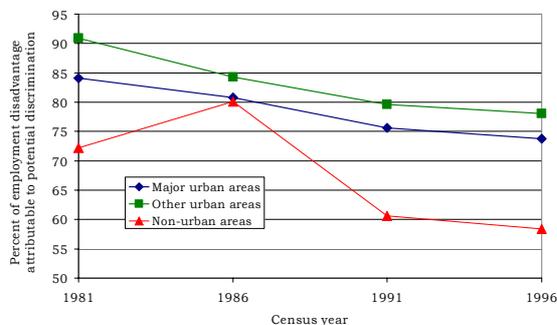
- The full census file are used to analyse employment outcomes for Indigenous males and females since 1981:
  - Analysis is conducted separately in major urban, other urban and non-urban areas for each census between 1981 and 1996
  - For 2001, analysis is by remoteness classification using private sector and full-time employment as the dependent variables
- Logistic regression models are estimated for Indigenous and non-Indigenous males and females in respective areas
  - multi-variate controls include: Age, Qualification, Highest level of schooling, marital status (results in AJLE)
  - Change in the education variables mean that the 2001 results are not comparable with those for the earlier period
- From Nielsen (1998), Potential discrimination = (diff between actual and non-discriminatory employment probability) / (prevailing employment disadvantage)
  - Non-discriminatory employment prospect is probability of employment if Indigenous males and females were treated the same as other Australians

### Summary of census analysis, 1981-96

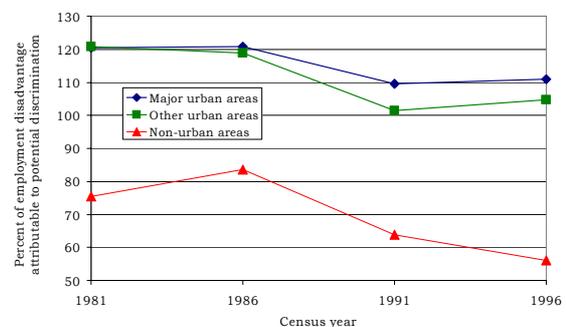
- The effect of qualifications (broadly-defined) has not changed significantly, with the basic relativities between Indigenous and non-Indigenous people being maintained over this period
- The expansion of the CDEP scheme in non-metropolitan areas has cushioned low-skilled Indigenous workers from the harsh realities of declining regional labour markets
  - the employment disadvantage of leaving school at 14 is now worse for non-Indigenous people outside major urban areas
- The trends in CDEP appear to be correlated with changes in educational attainment and proficiency in English (especially in rural/remote)

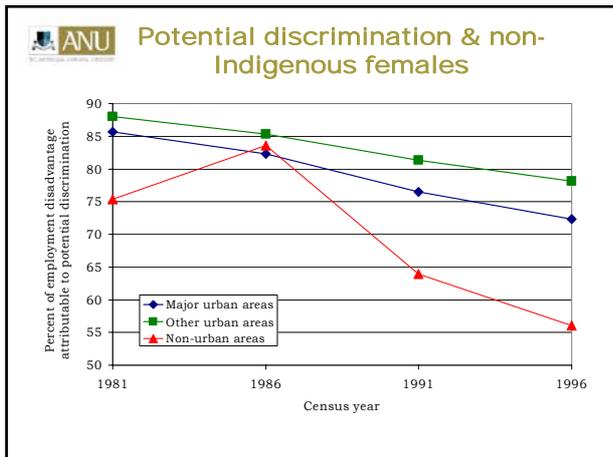


### Potential discrimination & Indigenous males



### Potential discrimination & Indigenous females





**ANU** Estimating the potential for racial discrimination in total employment, 2001

	Indigenous	Non-discriminatory	Non-Indigenous	% attributable to potential discrimination
<b>Males</b>				
Metropolitan zone	0.542	0.697	0.771	67.7
Provincial zone	0.489	0.664	0.744	68.6
Remote zone	0.535	0.766	0.821	80.8
<b>Females</b>				
Metropolitan zone	0.433	0.602	0.636	83.1
Provincial zone	0.368	0.523	0.593	68.7
Remote zone	0.386	0.564	0.658	65.4

**ANU** Estimating the potential for racial discrimination in private sector employment, 2001

	Indigenous	Non-discriminatory	Non-Indigenous	% attributable to potential discrimination
<b>Males</b>				
Metropolitan zone	0.395	0.612	0.649	85.5
Provincial zone	0.316	0.583	0.621	87.5
Remote zone	0.156	0.666	0.694	94.8
<b>Females</b>				
Metropolitan zone	0.280	0.503	0.500	101.2
Provincial zone	0.216	0.435	0.452	92.8
Remote zone	0.109	0.465	0.487	94.1

**ANU** Estimating the potential for racial discrimination in full-time employment, 2001

	Indigenous	Non-discriminatory	Non-Indigenous	% attributable to potential discrimination
<b>Males</b>				
Metropolitan zone	0.387	0.519	0.607	60.1
Provincial zone	0.308	0.501	0.589	68.8
Remote zone	0.226	0.614	0.673	86.8
<b>Females</b>				
Metropolitan zone	0.232	0.322	0.338	85.3
Provincial zone	0.162	0.248	0.281	72.3
Remote zone	0.140	0.307	0.366	74.1

- ANU** Issues for discussion
- Ability bias and measurement error
    - Synthetic cohort analysis in AER illustrates such issue are significant but do not change parameter estimates substantially
  - While wage studies can control for industry (& occupation), employment studies cannot
    - As with segregation, difficult to attribute components due to individual preferences and labour market constraints
      - but job segregation between Indigenous and other Australians less than previously thought
  - Sensitivity of analysis to omitted categories?
    - vastly different distribution of human capital and other variables for Indigenous and other Australians
    - cannot in good conscience disaggregate discrimination results by variable clusters

- ANU** Discrimination and social exclusion
- Results indicative of the scope for discrimination
    - Processes determining Indigenous employment are different to those facing other Australians
    - Importance of symbolic reconciliation should not be under-estimated, especially since practical reconciliation is not delivering the goods.
    - Subtle biases in our models from not accounting for arrest and other indicators of social exclusion, possibly embodied in education
    - Education special place in reducing social exclusion and building capacities to help Indigenous people participate in mainstream life

**ANU** Marginal Effect of Arrest on Non-CDEP Employment, Indigenous Australians, 1994

	Males	Females
a. Single equation		
Arrest	-0.183*	-0.131*
b. Two-stage estimates		
Arrest	-0.186*	-0.142
Generalised residual	0.002	0.008
Arrest equation - Identification Wald tests Chi-Squared(2)		
	131.25*	124.24*
c. Maximum likelihood		
Arrest	-0.185*	-0.141
Correlation coefficient	0.004	0.022

**ANU** Marginal effect of arrest record on probability of attendance at school - 13 to 17 year old indigenous Australians - 1994

	No arrest	Marginal effect of arrest	Standard error
Males	0.586	-0.256	0.053
Females	0.544	-0.184	0.095

**ANU** International Comparisons of Indigenous Arrest & Labour Market Outcomes, 90-91

	Number of arrests per 1,000 adults(a)	Unemploy rate	Employ/ population ratio	Particip rate
Ratio of Indigenous to non-indigenous outcomes				
Australian Indigenous (b)	168.5	30.84	37.1	53.5
	(8.10)	(2.66)	(0.67)	(0.85)
Canadian Aboriginal (c)	34.2	19.4	51.83	64.3
	(7.44)	(1.94)	(0.85)	(0.94)
New Zealand Maori	216.5	24.7	45.7	60.7
	(4.78)	(2.84)	(0.78)	(0.95)
US Indian (d)	138.2	7.9	47.2	55.1
	(1.48)	(2.31)	(0.89)	(0.97)

**ANU** Indigenous outcomes in Australia and NZ, 1991-2001

Variable	1991		2001	
	Aust	NZ	Aust	NZ
Unemployment rate (% labour force)	30.8	24.2	20.0	16.8
Employment to population ratio (% adults)	37.1	42.8	41.7	56.3
Labour force participation rate (% adults)	53.5	56.4	52.1	67.7
Full-time employment (% adults)	21.9	35.7	21.6	42.9
Private-sector employment (% adults)	20.5	31.7	22.9	47.4

**ANU** Non-Indigenous outcomes in Australia and NZ, 1991-2001

Variable	1991		2001	
	Aust	NZ	Aust	NZ
Unemployment rate (% labour force)	11.4	9.0	7.2	6.2
Employment to population ratio (% adults)	56.3	55.8	58.9	62.6
Labour force participation rate (% adults)	63.6	61.3	63.4	66.7
Full-time employment (% adults)	38.9	45.8	38.1	48.2
Private-sector employment (% adults)	40.6	44.1	48.0	52.9

- ANU** Hypothetical: Proportion of Maori employment disadvantage explained by high arrest rates, 1991-2001
- Higher Maori arrest rates account for about 3.8 percentage points of their employment differential
    - That is, assuming arrest affects Maori employment to the same extent that arrest effects Aboriginal and Torres Strait Islander employment
    - Also arrest differential are held constant by rescaling NATSIS data using the international comparison presented above to approximate Maori arrest rate data for arrest in the last five years
    - Given that Maori arrest rates have probably not improved in the same way economic outcomes have the proportion of employment disadvantage that might be explained by relatively high arrest rates probably increased from 29% to just over 60% between 1991 and 2001



## Lessons for Maori?

- Most lessons are about what you shouldn't do!
  - Importance of symbolic reconciliation should not be under-estimated, especially since the sole focus on practical reconciliation is not delivering the goods, at least in Australia
  - One cannot discount the role of racial discrimination although the policy implications are not clear because it is a difficult area
  - Prospects for future Maori development are clearly limited unless the high rates of arrest and social exclusion among Maori youth can be successfully addressed
  - Mainstreaming of provision of public services is not likely to be the solution given the processes that determine indigenous and non-indigenous outcomes are very different



## Selected Publications

- Altman J.C. & Hunter, B.H. 2003. 'Evaluating Indigenous Socioeconomic Outcomes in the Reconciliation Decade, 1991-2001', *Economic Papers*, 22 (4): 1-15
- Altman, J.C., Biddle, N. & Hunter, B.H. 2004. 'Indigenous socioeconomic change 1971-2001: A historical perspective' *CAEPR Discussion Paper No 266*, CAEPR, ANU, Canberra
- Borland, J. & Hunter, B.H. 2000. 'Does crime affect employment status?—the case of indigenous Australians', *Economica*, 67(1): 123-44
- Gray, M.C & Hunter, B.H. 2002. 'A cohort analysis of labour market outcomes of Indigenous and non-Indigenous Australians, 1986-96', *Australian Economic Review*, 35(4): 391-404
- Hunter, B.H. 2003. 'The rise of the CDEP scheme and changing factors underlying Indigenous employment', *Australian Journal of Labour Economics*, 6 (2): 473-96
- Hunter, B.H. 2004. *Indigenous Australians in the Contemporary Labour Market*, Australian Census Analytic Program Series, cat. no. 2052.0, ABS, Canberra.
- Hunter, B.H. & Schwab, R.G. 1998. 'The Determinants of Indigenous Educational Outcomes', *CAEPR Discussion Paper No. 160*, CAEPR, ANU, Canberra