

# **Work rich, work poor**

Inequality and economic change  
in Australia

**Other publications from the  
Centre for Strategic Economic Studies**

---

J. Houghton (2001), *Information Industries Update*, ISBN 1 86272 595 0.

J. Houghton (1999), *Information Technology Trade Update 1999*, ISBN 1 86272 532 2.

P. Sheehan and G. Tegart (eds) (1998), *Working for the Future*, ISBN 1 86272 515 2.

A. Jolley (1997), *Exporting Education to Asia*, ISBN 1 86272 491 1.

R. Mathews and B. Grewal (1997), *The Public Sector in Jeopardy: Australian Fiscal Federalism from Whitlam to Keating*, ISBN 1 87533 896 9.

R. Mathews and R. Jay (1997, reprint of 1972 edn), *Federal Finance: Australian Fiscal Finance from Federation to McMahon*, ISBN 1 87533 897 7.

P. Sheehan, B. Grewal and M. Kumnick (eds) (1996), *Dialogues on Australia's Future: In Honour of the Late Professor Ronald Henderson*, ISBN 1 87553 862 4 (hbk), ISBN 1 87533 859 4 (pbk).

P. Sheehan, N. Pappas, G. Tikhomirova and P. Sinclair (1995), *Australia and the Knowledge Economy: An Assessment of Enhance Economic Growth Through Science and Technology*, ISBN 1 87533 848 9.

P. Sheehan, N. Pappas and E. Cheng (1994), *The Rebirth of Australian Industry: Australian Trade in Elaborately Transformed Manufactures*, ISBN 1 86272 442 3.

---

# **Work rich, work poor**

---

Inequality and economic change

---

in Australia

---

*edited by  
Jeff Borland,  
Bob Gregory and  
Peter Sheehan*

Centre for Strategic Economic Studies  
Victoria University

Copyright © Centre for Strategic Economic Studies 2001

All rights reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission in writing. Enquiries to be made to the Centre for Strategic Economic Studies.

First published in 2001 by  
Centre for Strategic Economic Studies  
Victoria University  
PO Box 14428  
Melbourne City MC, Victoria, Australia 8001  
Website: <http://www.cfses.com>  
Email: [csesinfo@vu.edu.au](mailto:csesinfo@vu.edu.au)

National Library of Australia  
Cataloguing-in-Publication entry:

Work rich, work poor: inequality and economic  
change in Australia.

Includes index.  
ISBN 1 86272 583 7.

1. Income distribution – Australia. 2. Wages – Australia.  
I. Gregory, Robert G. II. Sheehan, P.J. (Peter James),  
1940- . III. Borland, Jeff. IV. Victoria University.  
Centre for Strategic Economic Studies. V. Title.

339.20994

Edited by Carla Taines  
Designed and typeset by Derrick I. Stone Design  
Printed by Brown Prior Anderson, Melbourne

---

# Contents

---

---

---

Preface	vii
Notes on contributors	ix
1 Inequality and economic change <i>Jeff Borland, Bob Gregory and Peter Sheehan</i>	1
2 Family income inequality <i>Nick Pappas</i>	21
3 The causes of increased earnings inequality: The international literature <i>Peter Sheehan</i>	40
4 Immigrant employment and economic change in Australia <i>R.G. Gregory and Xin Meng</i>	60
5 Wives and mothers: The labour-market experiences of immigrant women <i>Deborah A. Cobb-Clark and Marie D. Connolly</i>	78
6 Low-paid employment in the Australian labour market, 1995–97 <i>Yvonne Dunlop</i>	95
7 The polarisation of families <i>Andrew Burbidge and Peter Sheehan</i>	119
8 Job stability and job security <i>Jeff Borland</i>	142

9	Precarious employment and occupational change <i>Sally Weller and Michael Webber</i>	160
10	Earnings inequality and skill <i>Nick Pappas</i>	196
11	Technology, skills and earnings inequality: A new approach to understanding the characteristics of jobs <i>Peter Sheehan and Alexis Esposito</i>	219
	List of figures	241
	List of tables	243
	Index	247

---

# Preface

---

---

---

This book is one of the results of a three-year project to examine a central issue facing Australia – how trends in the labour market, in terms of jobs and the earnings which they generate, may be driving fundamental social division in this country. While the issue is complex and has many dimensions, one main conclusion of this study is that these forces are indeed generating deepening division within Australia. This finding in turn raises central questions about the emerging nature of Australian society and about our strategies for economic and social development.

Given the importance of the issue, it was a great pleasure to be able to assemble, under the banner of the Australian Research Council's Strategic Partnerships with Industry – Research and Training (SPIRT) program, leading economists from the Australian National University and the University of Melbourne to work with the Victoria University team on these issues, with the support of a distinguished group of industry partners.

Thus, our thanks are particularly due to the Australian Research Council, for the core funding which made the project possible; to my joint chief investigators, Professor Bob Gregory of the ANU and Associate Professor Jeff Borland of the University of Melbourne, and to the industry partners which contributed in cash and/or in kind – the Australian Council of Social Service, the Brotherhood of St Laurence, the Strategic Industry Research Foundation, the Australian Institute for Family Studies and the Productivity Commission. The support of the Henderson Foundation, and through it that of the Pratt Foundation, was also vitally important for the success of this project. Above all, of course, our thanks are due to the authors of the various chapters within this book. These include

several authors not directly involved in the project but working in related areas, who agreed to contribute papers reporting some of the results of that work to this volume.

The project was overseen by a Steering Committee, which brought together representatives of the industry partners and the chief investigators. I would like to thank the key individuals involved on behalf of the industry partners in that Steering Committee – Alison McClelland, Lynne Williams, Jenny Trethewey, Andrew Burbidge, Kim Sweeny, Peter Davison and Fiona McDonald.

The initial results of this project were reported and discussed at the conference Earnings Inequality in Australia held in Melbourne on 13 August 1999. The discussants at that conference – Bruce Bradbury, Chris Worswick, John Freebairn, Peter Dawkins and Graeme Woodbridge – made a major contribution to the subsequent development of these papers. While the project has focused mainly on empirical analysis rather than policy development, the conference involved a policy forum, where Ralph Willis, Nick Gruen, Alison McClelland and Sue Richardson explored the policy implications of these emerging trends. We are grateful for all these valuable contributions to the process of understanding.

Nevertheless, and in spite of contributions at the conference and elsewhere, the policy task in regard to these issues remains far from completed. There is little doubt that Australia is becoming a deeply divided community, and that these divisions are being driven by economic change and by the growing polarisation of the community into work rich and work poor. These are no longer marginal issues related to the labour market. Rather, they raise deep-seated questions about what sort of society Australia is becoming, how economic trends influence social development and how economic and social policy can affect outcomes. Thus the policy issues raised by the increasing division into work rich and work poor go to the heart of our strategies for achieving competitiveness and social viability in a rapidly changing world.

The work of transforming completed drafts into the final manuscript of a high quality book is a complex and onerous task. Carla Taines carried out the editorial role for this volume, and as usual did it with distinction. Derrick Stone did all of the design, layout and typesetting, and has produced a handsome volume. Finally, Margarita Kumnick linked together authors, editors and chief investigators in her normal inimitable style. The Centre is very grateful to these three individuals for their expert and generous contributions to bringing this central output of the project to final form.

Peter Sheehan  
Director  
Centre for Strategic Economic Studies  
Victoria University, Melbourne

---

## Contributors

---

---

---

**Jeff Borland** is Associate Professor of Economics at the University of Melbourne. His main research interest is in the area of the operation of the Australian labour market, in particular in terms of earnings and inequality, and unemployment.

**Andrew Burbidge** previously worked with the Henderson Poverty Inquiry, the Minister for Social Security and the Australian Institute of Family Studies. As a visiting researcher at the Centre for Strategic Economic Studies, Victoria University, his research focuses on inequality, families and changes in the labour market.

**Deborah Cobb-Clark** is currently the Director of the Social Policy Evaluation, Analysis and Research Centre at the Australian National University. Her research agenda assesses the role of public policy in influencing labour-market outcomes, with projects under way on immigration, social program evaluation, gender differences in promotions, old-age support in developing countries and sexual harassment in the US military.

**Marie D. Connolly** is Associate Professor of Economics, Chatham College, Pittsburgh, Pennsylvania. She obtained her PhD from Michigan State University in 1983. Her work on Australian immigration policy began while visiting the Economics Program at the Research School of Social Sciences at the Australian National University.

**Yvonne Dunlop** is undertaking her doctoral thesis as a Henderson Foundation Research Scholar at the Centre for Strategic Economic Studies. Her work relates to issues concerning employment stability in the low-paid labour market

and, in particular, the extent to which active labour-market policies can assist disadvantaged jobseekers. She is also currently undertaking research work with the Social Policy Evaluation, Analysis and Research Centre, Australian National University.

**Alexis Esposito** is a Henderson PhD Scholar at the Centre for Strategic Economic Studies, Victoria University, where he is studying the concept of skill, its measurement and its impact on earnings inequality in Australia. His other area of interest is the role of migrants in the labour market, where he has numerous publications.

**Bob Gregory** is Head of Program, Economics Program, Research School of Social Sciences, at the Australian National University. He has published extensively, both in Australia and overseas, on labour-market issues and regional concentration of inequality in Australia.

**Xin Meng** is a Fellow at the Research School of Pacific and Asian Studies, Australian National University. Her work is concentrated on labour market and development issues, such as the labour market in China and other Asian countries, rural/urban migration, immigration and the gender wage gap in some developing and developed countries.

**Nick Pappas** has been undertaking research at the Centre for Strategic Economic Studies since 1994, and was Henderson Research Fellow from 1999 to 2001. He has worked particularly on industrial, technological and labour-market issues, and is currently employed in the private sector.

**Peter Sheehan** is Director of the Centre for Strategic Economic Studies at Victoria University. His central interest is in the economic and social effects of global change and their implications for policy in Australia and other countries.

**Michael Webber** is Professor of Geography at the University of Melbourne. His work in economic geography focuses on uneven development and the social embeddedness of economic relations. He has authored eleven books and numerous articles related to industry restructuring, regional change and labour-market processes.

**Sally Weller** was Research Fellow to the Textiles Clothing Footwear Industry Study at University of Melbourne between 1993 and 1998. She is currently pursuing her interest in the global structuring of the sector at the Centre for Strategic Economic Studies.