

From the Managing Editor

Welcome to the first issue of the *Australian Journal of Labour Economics* (AJLE) for 2022. In this issue we have a range of articles which will be of interest to our readers covering a range of labour market issues and using a variety of approaches to research.

The first paper by Simone Casey of RMIT University examines the experiences of Australian unemployment payment claimants under the *jobactive* scheme, the main employment services program for Australian job seekers receiving income support. The paper reports the results of a survey conducted by the author on behalf of the Australian Unemployed Workers Union in 2019 of their members about their experience of what the author terms ‘coercion’ during the *jobactive* era. On indicators like job search support, attending appointments, and activities like Work for the Dole, the results indicate that these requirements did not help unemployment claimants get jobs. Further, the results suggest that significant numbers of respondents felt they were unfairly treated by some employment agencies and scarred by the process. The author suggests that the findings indicate that policy makers should be concerned about the effectiveness of mutual obligation, particularly if the overall intent of labour market programs is increasing economic integration. The results have important implications for improving job-seeker policy.

The paper by Jordy Meekes of Melbourne University, seeks to quantify the economic impact of urban density on individual wages in Australia. The existing literature shows a positive urban density effect on wages, referred to as the urban wage premium. This result is explained by agglomeration mechanisms that affect the benefits and costs of the spatial concentration of economic activity. Increased density can also bring with it costs including crowding and frictions such as increased congestion in urban areas. The paper estimates the size and direction of the net density effect in Australia. HILDA Survey microdata on individuals and regional-level population data, population density effects on individual hourly wages are studied over the period 2001 to 2019. An interesting technique, a flow-based clustering algorithm that uses commuting flows across regions to define spatial units that are characterised by a strong commuting connectivity within each spatial unit. The results suggest that the urban wage premium is conditional on the specific aggregation. The evidence implies that wages increase by 1.6 per cent to 2.7 per cent if local density doubles.

The paper by Austen Peters, Sherry Bawa and Mike Dockery of Curtin University, provides an interesting new approach to estimating the returns to education. The conventional estimates of returns to education examine earnings related to an individuals’ years of education, with years spent in education typically inferred from their highest qualification attained. The novelty of the authors’ new approach is to account for the actual time individuals may have spent in education by correcting for multiple qualifications obtained and time spent towards qualifications that were not completed. The authors employ data from the HILDA Survey and the ABS to examine the sensitivity of return to education estimates to include these adjustments. Employing these measures, the wage premium associated with each additional year

of education reduces the estimated return by 15 per cent. This implies that previous studies may have significantly overestimated the returns to education. However, the returns estimated here are still high implying education is a sound investment. The authors suggest that the results have important policy implications including consideration when setting student contribution fees. The authors also offer important suggestions for further research raised by their analysis.

The final paper in this issue is by Omoniyi Alimi and Jacques Poot of Waikato University and David Maré of Motu Economic and Public Policy Research, Wellington. The paper investigates the contribution of immigration to change in income inequality of New Zealand's urban population (most migrants live in urban areas) and compares that with the contribution of the changing skill composition of the population. In many ways New Zealand's pre-COVID-19 migration narrative is similar to Australia. There have been large numbers of migrants, relative to population – both highly skilled permanent migration and relatively low-skilled temporary migration. Over the relevant period, 1986 and 2013, there has been growing inequality in urban New Zealand which some have attributed to migration. Using a somewhat technical analysis the authors use microdata from six consecutive population Censuses to decompose income inequality into that due to changing skill mix and that due to migration. Inequality is examined for sub-groups of the population according to migrant status so that inequality can be decomposed into that within each sub-group and that between subgroups. Interestingly the results suggest that more than 90 per cent of income inequality in each Census can be attributed to within-group inequality; the growth in the share of the population that is highly skilled and the growth in the share of foreign born in the population both had inequality-increasing effects; and the skill effect exceeded the migration effect. The authors speculate about the impact on inequality when migration numbers return to their post-COVID-19 levels.

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Phil Lewis

Managing Editor