

**SPEECH BY MR DAVID TUNE PSM**

**“LAGGARDS AND LEADERS IN LABOUR MARKET REFORM:  
COMPARING JAPAN AND AUSTRALIA”**

**(ROUTLEDGE STUDIES IN THE GROWTH ECONOMIES OF ASIA SERIES)**

**Edited by Jenny Corbett, Ann Daly, Hisakazu Matsushige and Dehne Taylor**

- This publication is notable because it too was the product of joint research undertaken by Australia and Japanese economists and because it is the product of collaboration between the ANU and Monash universities in Australia and the Japan Institute of Labour Policy and Training in Japan. Also, the Australian Treasury provided support in the form of the secondment of Dehne Taylor to participate in the research project for a period in 2006-07.
- Unfortunately it has not been possible for Japanese collaborators, or those from Sydney, Melbourne and Queensland to be present today, but we are linked to Monash contributors by video-conference link.
- A striking feature of the line-up of contributors to this book is the number of scholars who have undertaken research on both countries before and who have spent time working in the other country. The result is a more integrated and coherent analysis. The comparisons are more developed and enhanced by an understanding of both economies.
- The quality of the research is attested to by the number of leading labour market economists among the contributors: Professor Mark Wooden, Director, Household Income and Labour Dynamics in Australia (HILDA) Survey, University of Melbourne; Professor John Piggott, Director, Australian Institute for Population Ageing Research at UNSW; and Professor Ann Harding, until recently Director, National Centre for Social and Economic Modelling, at the University of Canberra, who is here today.

- And from Japan prominent scholars contributing to the research project included Professor Hisakazu Matsushige, Osaka School of International Public Policy, Osaka University; Professor Akira Kawaguchi, of Doshisha University, Kyoto; and Professor Junichi Goto, then Director of the Research Institute for Economics and Business Administration, from Kobe University.
- Labour market institutions and reforms have been identified by the OECD and academic studies as key drivers of productivity and growth.
- Since 1983, Australian labour markets have undergone substantial change as Australia adopted new employment strategies and undertook substantial structural reform. Today the situation between the two countries' labour markets is almost the reverse of 1982. As the authors of this work say, "Australian performance looks impressive compared with all OECD economies, while Japan seems caught in a low-productivity, rigid-labour market trap".
- Labour market reform is altogether a more recent phenomenon in Japan, beginning under the Koizumi Prime Ministership from 2001. The full effect of legislative and other changes in Japan cannot yet be assessed.
- But this new publication demonstrates that Australia and Japan still face many similar challenges in their labour markets. Both face ageing populations. The nature of work in both economies has changed, with more people in part-time or casual work than two decades ago. Both countries are concerned about emerging inequality in income and wealth distribution and both are still trying to improve opportunities for women and younger workers.
- One of the key issues faced by both countries is the steady growth of **non-regular or casual workers**. The OECD has concluded that "Non-regular employment provides flexibility and cost reductions for firms, it also creates equity and efficiency concerns". So far, it seems Australian workers have benefited from this flexibility, while their Japanese counterparts face equity issues in terms of access to holidays, sick pay and general conditions.
- Another issue with the growth of casual and part-time employment identified clearly in this publication is that this trend is at odds with what workers themselves want. Data indicate that workers generally want to work more hours than are currently available.

- The different economic performances of Australia and Japan during this period produced different outcomes for **income inequality and productivity**, but as the editors note: where growth occurs, “the rising tide has lifted all boats, though the ones at the top of the distribution benefited somewhat more than the ones at the bottom”.
- Social welfare policies in both Australia and Japan are dealing with issues such as ageing and the consequential slowing of improvement in living standards, and increasing costs. Australia has have looked to growth in immigration to fill labour force gaps, while Japan is still debating that option. Providing opportunities for women and young people continues to pose challenges in both countries.
- Dealing with labour market issues has become more challenging since the onset of the global financial crisis. Some of the lessons outlined in this publication are still pertinent. For example: Reform of labour markets alone is not enough... sequencing of [other] reform matters.
- But perhaps one of the more interesting things that seems to be occurring in Australia is that the impact on labour demand of the GFC is being reflected more in hours worked than in unemployment – perhaps testimony to our move to a more flexible labour market.
- The editors conclude that: “Australia’s **future productivity** gains are likely to be dependent upon policy success in the areas of further product market reforms; further labour market reforms; raising educational performance; and raising innovation performance.”
- In respect of Japan, the editors argue that Japan’s particular problems mean that “it may still be politically difficult for Japan to absorb the lessons from Australian and other OECD examples and to reform labour markets and undertake the comprehensive structural reform that seems to be needed. But the policy debate ... is under way.”
- One final point: since the work for the publication was done, there have, of course, been some changes in both Australia and Japan:

- In Australia, we have moved from “Work Choices” to “Fair Work” (interesting titles in themselves).
- And, in Japan, we have just seen the election of a new Government that ends many years of LDP Government.
- Will be interesting to see where that takes Japan on labour market changes as well as many other areas of Government policy.
- May need another book of this type in years ahead. But before I get ahead of myself, can I formally launch this book: “Laggards and Leaders in Labour Market Reform: Comparing Japan and Australia”.

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