

Labour Market and Other Discrimination Facing Indigenous Australians

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Abstract

This paper uses self-reported data to illustrate how Indigenous Australians experience discrimination and how it is potentially associated with poor labour market outcomes. After giving consideration to what factors may lead people to report being discriminated against, an empirical analysis of self-reported discrimination is presented, utilising data from the 2008 National Aboriginal and Torres Strait Islander Social Survey (NATSISS). Correlations between discrimination experienced in different settings are identified, and the association of discrimination with human capital and other characteristics is presented. The results suggest that the main process driving the reporting of discrimination is the extent to which an individual is exposed to situations in which they interact with potential discriminators. This could mean that some Indigenous Australians decrease their labour supply in order to avoid potentially adverse (discriminatory) situations. Implications for understanding Indigenous disadvantage are discussed along with recommendations for both addressing discrimination and enhancing the resilience of individuals facing discrimination.

JEL Classification: J15; J71; J78

1. Introduction

Labour market discrimination is an ongoing concern to labour economists. It potentially constrains the employment outcomes experienced by certain sub-populations leading to losses in both efficiency and equity. One particularly disadvantaged group in Australia is Aboriginal and Torres Strait Islander peoples (Indigenous Australians) for whom the official government policy seeks to close the gap between them and other Australians on a range of target indicators, including employment (COAG, 2009).

Although of most interest to economists, direct labour market discrimination is just one form of discrimination. People can experience differential treatment relative to the members of the 'mainstream' or feel they receive differential treatment, in a range of societal domains or settings. For example, one explanation for the high rates of Indigenous imprisonment is the differential treatment within the criminal

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justice system (Blagg, Morgan *et al.* 2005) which may also contribute to the poor employment outcomes experienced by Indigenous Australians. Alternatively, if Indigenous Australians feel that they are treated unfairly at school or at other education institutions, this can limit their human capital development.

Much of the extant economics literature focus on the preferences and behaviour of employers at a theoretical level or provide an indirect empirical analysis of the effect of discrimination on employment and wage outcomes (Blinder, 1973; Oaxaca, 1973; Arrow, 1998). While such analysis provides considerable insight into discrimination, the analysis is inevitably limited by the fact that discrimination is never directly observed – and is certainly not openly acknowledged – *inter alia* because it is not possible to legally discriminate against workers and jobseekers openly on the basis of race, gender, and sexual preferences.

The process of identifying whether one has experienced differential treatment from other members of society is inherently complex and subjective. It is a rare person that can see how they should be treated objectively. This is more complex than seeing ourselves as others see us; in certain domains it may be difficult to define what constitutes ‘equal’ treatment, as both the persons being compared have to be otherwise similar as well as the ‘treatments’ being the same. In labour market studies, the productivity of the individual is argued to provide an objective measure of the valuation of actual and potential workers, but productivity is difficult to observe for either the individuals or employers. An individual’s reporting of discrimination in a survey is likely to be associated with the subjective experience that one does not feel as though one has been treated in the manner that one feels one ‘should’ be. That is, self-report data is not only inherently subjective, but there is a normative component that involves a complex interaction between societal standards and psychological processes.

Notwithstanding the difficulties in objectively identifying discriminatory practice, the inherent subjectivity of self-reported discrimination is likely to be associated with an individual’s decision to supply labour. Indeed, discrimination is one factor identified as being responsible for people choosing not to look for work (Hunter and Gray, 2001). Accordingly, we should expect some association between attachment to the labour market and various forms of discrimination.

This paper uses self-reported discrimination to illustrate how discrimination reported in various domains affects Indigenous Australians and can be associated with poor labour market outcomes. We examine this issue by analysing the 2008 National Aboriginal and Torres Strait Islander Social Survey (NATSISS). This is a nationally representative survey of the Indigenous population that provides an array of information on self-reported discrimination due to Indigenous status (technically ethnic/racial discrimination but referred to simply as discrimination in this paper) as well as a wide range of characteristics of Indigenous Australians. Given that this paper focuses on labour market issues, all the data reported refers to the working aged population only (aged between 15 and 64 years).

The next section provides an overview of the literature on labour market discrimination with a particular focus on what may lead people to report being discriminated against. The empirical analysis uses the 2008 NATSISS to first identify the correlations between discrimination as reported in various settings and labour market outcomes before examining some of the human capital and other characteristics

associated with discrimination. The concluding section reflects on the implications of the preceding analysis for understanding and addressing Indigenous disadvantage, including approaches to combating discrimination and promoting resilience among those experiencing it.

2. Literature review

Conventional approaches to discrimination in economics literature

There are three conventional approaches to the analysis of discrimination within economics. The first of these is theoretical explanations which, building on the work of Becker (1971), considers differences between the taste for discrimination (where employers or their customers experience a disutility from interacting with members of a particular population sub-group) or statistical discrimination (where people use an observed characteristic like race or sex to make predictions about unobserved characteristics). The second approach is statistical analysis of observational where labour market outcomes are regressed against a set of relevant observable characteristics and the discrimination variable (e.g. race or gender) is included as an additional explanatory variable. The technique often involves the decomposition of race/gender wage differentials into their constituent parts, assuming that this includes human capital factors (such as education and work experience) and a factor of discrimination (Blinder, 1973; Oaxaca, 1973). A problem with this technique is that it is often hard to determine how much of the residual difference is due to discrimination, rather than any possible number of omitted variables (Oaxaca and Ransom, 1999).

The third approach is laboratory and field experiments which involve measuring discrimination under somewhat controlled circumstances. Laboratory experiments provide an environment in which participants can be randomly assigned to one of several conditions or situations. They are useful in determining when and in what situations discrimination is most likely to occur, although results cannot be extrapolated to the wider population (Blank, Dabady *et al.* 2004).

Field experiments involve paired-testing studies whereby the outcomes of a similar pair of people (but with differing race/gender) are compared. For example, in correspondence studies, which are one type of field experiment, pairs of resumes that are identical but for the name (indicating a different sex, race or ethnicity) are sent to prospective employers. The probability of being called-back for an interview can then be compared across the different groups to ascertain the presence of discrimination. In the Australian setting, correspondence studies have found evidence of both gender discrimination (Riach and Rich, 1987; Booth and Leigh, 2010) and ethnic discrimination (Riach and Rich, 2002; Booth, Leigh *et al.* 2012). In particular, Booth, Leigh and Vargonova (2012) found that job applicants with 'Indigenous-sounding' names were significantly less likely than Anglo-Saxon applications to get a call back for an interview (overall call-back rate of 26 per cent compared to 35 per cent for the Anglo-Saxon group).

Analysis of self-reported discrimination

While some economists have analysed self-report and survey data on discrimination, it is not all that common (Antecol, Cobb-Clark *et al.* 2011). Such data is more likely to be used by psychologist and other social scientists that are more accustomed to

systematically analysing subjective responses. The extent to which an individual perceives discrimination can provide information on why and to what extent that individual, or group to which that individual belongs, is being discriminated against. However, due to its perceived nature, self-reported discrimination may over or under report the level of discrimination that would be observed by an independent third party. As such, there is potential for biases in analysis when using self-reported discrimination, so it is important to try and understand how and why different individuals report discrimination.

What are the factors associated with self-reported discrimination?

Although discrimination is usually associated with low-status (i.e. 'minority') groups, people in high-status (i.e. 'dominant' or 'privileged') groups also perceive discrimination, but their reasons for doing so are often different (Major, Gramzow *et al.* 2002; Schmitt, Branscombe *et al.* 2002). A high-status individual may use discrimination as a way of shifting the blame for undesirable events from themselves to a reason that is out of their control (Crocker and Major, 1989; Kobrynowicz and Branscombe, 1997). In contrast minority groups who historically have experienced high levels of discrimination tend to downplay discrimination (Kaiser and Major, 2006; Krieger, Carney *et al.* 2010; Dunn and Nelson, 2011; Krieger, Waterman *et al.* 2011) in order to avoid confronting a difficult personal problem (Crosby, 1984; Bobo and Suh, 2000) or to avoid potential negative social repercussions that can ensue from labelling experiences as racist (Kaiser and Major, 2006).

This paper focuses on Indigenous Australians who make up approximately 2.7 per cent of the Australian population according to the most recent (2011) census counts. As such the focus for the rest of the literature review is on minority groups. It is, however, worth noting that within this minority group there may be differences in factors associated with self-reports of discrimination between males and females.

Psychological correlates

There is a wealth of literature that shows a strong relationship between perceived discrimination and poor psychological and physical well-being. Individuals in minority groups reporting being discriminated against are more likely to suffer from conditions such as depression and low self-esteem (e.g. Kobrynowicz and Branscombe, (1997) and Schmitt *et al.* (2002) in women; Meyer (2003) in the lesbian, gay and bisexual community; and Paradies (2006) in racial minorities). Schmitt *et al.* suggest discrimination "... represents the realisation that one's in-group is rejected by the majority and that the in-group's life opportunities are limited in a way that others' are not"; acknowledgment of this situation may result in poor mental health amongst those who are discriminated against. Although it is important to note that this relationship may be bi-directional, evidence from longitudinal studies suggests that experiences of discrimination lead to ill-health rather than ill-health leading to increased perception and reporting of discrimination (Paradies, 2006; Gee and Walsemann, 2009).

The extent to which an individual embraces either individual mobility or group ideology also affects their level of self-reported discrimination. Those members of a minority who embrace individual mobility, wishing to succeed in a 'high-status'

environment, may be less likely to admit to personal discrimination because they do not want to draw attention to a pre-conceived boundary between themselves and the high-status group (Major, Gramzow *et al.* 2002).

On the other hand, the more that group ideology is endorsed, the more likely they are to feel discriminated against (Major, Gramzow *et al.* 2002). This may be because perceived discrimination because of group membership can help to sustain self-esteem (Dion and Kawakami, 1996). Crocker and Major (1989) argue that membership in a stigmatised group helps to protect the 'self-concept', potentially through three different mechanisms. Firstly, minority-group membership enables negative feedback to be attributed to discrimination (an external factor, therefore not reflective of a lack of ability). Secondly, a strong identification with a stigmatised group may mean that an individual tends to make comparisons with members of the in-group, rather than with members of a relatively advantaged out-group. Finally, members of a stigmatised group may protect their self-esteem by selectively devaluing aspects where their group fares poorly, while overvaluing aspects where their group excels. The effect of group ideology has been most notably observed in women; strong feminists are more likely to feel discriminated against (Major, Quinton *et al.* 2003), whereas women with a high need for approval are less likely to perceive discrimination (Kobrynowicz and Branscombe, 1997). This relationship between strength of identity and perceived discrimination has also been noted among ethnic/racial minority groups (Brondolo, ver Halen *et al.* 2009).

The role of visibility

It could be expected that certain demographic characteristics of an individual affect the level of perceived discrimination. One characteristic of individuals is the degree to which they are 'visibly' part of a minority group, especially in the case of ethnic/racial minority groups. Visibility is of particular interest, as individuals that choose to identify as being Indigenous Australians can differ substantially in their visible difference from the 'Anglo' norm that underlies Australian identity (Dandy, 2009). There are several Canadian-based studies on the effect of visibility, with results suggesting that visible minorities (especially blacks and Asian groups) are more likely to perceive discrimination than 'non-visible' (white) minorities (Dion, 1989; Dion and Kawakami, 1996; Banerjee, 2008).

Relating self-reported discrimination to observed labour market characteristics

Self-reported discrimination within the labour market has been most commonly related to statistically measured wage discrimination. Although some studies have found a strong positive correlation between self-reported discrimination and wage discrimination (Hampton and Heywood, 1993; Coleman, Darity *et al.* 2008), the majority of research finds little relationship between the two measurements (Kuhn, 1987; Barbezat and Hughes, 1990; Hallock, Hendricks *et al.* 1998). The fact that self-reported data is not usually related to wage discrimination could mean that discrimination in the workplace is perceived in areas other than pay. Alternatively, Barbezat and Hughes (1990) look at the discrepancy from an employer's point of view,

suggesting that employers are more likely to discriminate in wages when employees have less accurate information about who is likely to discriminate.

The difference in results can be at least partially attributed to the difference in the type of question respondents are asked; those authors who succeed in finding a relationship use self-reported data that relates specifically to wage discrimination. Indeed, Hampton and Heywood (1993) suggests that Kuhn (1987) are "...unable to provide such evidence because the dependent variables they use flow from broad questions either about discrimination in general (not limited to earnings) or about affirmative action (not even limited to issues of gender)."

Some research has investigated the relationship between self-reported data and other labour market outcomes. Self-reported discrimination has been found to relate to both discrimination and job separations of aged workers (Johnson and Neumark, 1997) and employer and demographic (marriage or childbirth) changes of women (Neumark and McLennan, 1995). These authors identified potential biases that may arise from using self-reported data, but made adjustments to their analyses to account for this. Firstly, it was observed that some people are consistently more likely report discrimination over time and across employers. This heterogeneity bias was controlled for by restricting analysis to respondents who initially reported no discrimination. In addition, there may be biases due to the possibility that any negative outcomes could be attributed to discrimination, even though it is not the case. This subjectivity bias partially controlled for in Neumark and McLennan (1995) by only assessing wage growth following the first observation of reported discrimination.

There is evidence for link between perceived discrimination and labour supply (Goldsmith, Sedo *et al.* 2004; Antecol, Cobb-Clark *et al.* 2011). Goldsmith *et al.* (2004) accounts for the deviation between self-reported and actual discrimination by extending the classical theory of labour supply to incorporate the 'cognitive dissonance' that arises when an individual is discriminated against when applying for jobs. It is suggested that, once discriminated against, an individual is 'thrown into an unbalanced psychological state' because their desired job becomes out of reach. To restore their personal balance they may change their beliefs about the quality of the job that they can expect to attain, thus reducing their labour supply. Alternatively, they may decide to increase their chances by gaining more work experience, thus increasing their labour supply.

While people may nominate the labour market as being the domain where discrimination occurred, discrimination experienced in other settings may also affect labour market outcomes. In the context of this paper, we can ask whether labour market discrimination is identifiably different from other discrimination in terms of its effect on labour force status?

3. Descriptive analysis – Is labour market discrimination different from other forms of discrimination?

This section uses several descriptive techniques to analyse the distribution of discrimination reported in various domains. In addition to labour market discrimination (more specifically, discrimination when applying for work or when at work), table 1 also documents discrimination in the local neighbourhood; at school; in recreation; within the criminal justice; within the medical system; in receipt of public or other services;

and general discrimination by other members of society (the public). The numbers in the table give the proportion of the population who reported that form of discrimination, calculated for all Indigenous Australians aged 15 to 64 years and then separately by those living in non-remote and remote Australia, followed by males and females.

Table 1 - Proportion of Indigenous Australians who reported that they felt discriminated against due to Indigenous status in the previous 12 months – by remoteness and sex, 2008

| <i>Setting discrimination reported in</i> | <i>All Indigenous</i> | <i>Non-remote</i> | <i>Remote</i> | <i>Male</i> | <i>Female</i> |
|--|-----------------------|-------------------|-------------------|------------------|-------------------|
| Any form of discrimination | 0.282 (0.011) | 0.285 (0.013) | 0.273 (0.016) | 0.286 (0.014) | 0.278 (0.013) |
| Applying for work or when at work (labour market discrimination) | 0.084 (0.005) | 0.089 (0.007) | 0.068† (0.008) | 0.097 (0.008) | 0.072‡ (0.006) |
| At home, by neighbours or at someone else's home | 0.052 (0.004) | 0.058 (0.005) | 0.033† (0.006) | 0.045 (0.006) | 0.058 (0.006) |
| At school, university, training course or other educational setting | 0.039 (0.004) | 0.043 (0.005) | 0.026† (0.004) | 0.028 (0.005) | 0.048‡ (0.005) |
| While doing any sporting, recreational or leisure activities | 0.031 (0.004) | 0.034 (0.004) | 0.022† (0.004) | 0.039 (0.006) | 0.024‡ (0.004) |
| By the police, security people, lawyers or in a court of law | 0.114 (0.007) | 0.119 (0.009) | 0.099 (0.010) | 0.145 (0.011) | 0.085‡ (0.007) |
| By doctors, nurses or other staff at hospitals / surgeries | 0.042 (0.004) | 0.040 (0.004) | 0.046 (0.006) | 0.032 (0.004) | 0.051‡ (0.006) |
| By staff of Government agencies | 0.054 (0.005) | 0.055 (0.006) | 0.049 (0.008) | 0.059 (0.008) | 0.049 (0.005) |
| When seeking any other services | 0.040 (0.003) | 0.041 (0.004) | 0.038 (0.006) | 0.035 (0.005) | 0.045 (0.005) |
| By members of the public | 0.116 (0.008) | 0.120 (0.009) | 0.106 (0.011) | 0.121 (0.011) | 0.112 (0.009) |
| Sample size | 7,342 | 4,891 | 2,451 | 3,176 | 4,166 |

Source: Authors' calculations using the RADL for the 2008 NATSISS.

Note: The numbers in the brackets give the standard errors for the estimates; † indicates proportions in remote areas are significantly different at the 5 per cent level to those in non-remote areas; ‡ indicates proportions for females are significantly different at the 5 per cent level to those for males.

Looking at the first row of table 1, an important observation is how common experiences of discrimination are for Indigenous Australians. Over one quarter of NATSISS respondents reported discrimination in the past 12 months. The prevalence of discrimination overall does not vary significantly by either remoteness or gender.

Labour market discrimination (defined within NATSISS as having felt discriminated against when applying for work or when at work) is reported by just under one tenth of the Indigenous population (8.4 per cent). Given the question in the NATSISS explicitly asks about an individual's experience of discrimination due

to their Indigenous status, there are no directly comparable questions in general surveys of the Australian population against which we could benchmark the NATSISS analysis. Perhaps the most comparable data is from Wave 8 of the Household Income and Labour Dynamics in Australia (HILDA) survey where respondents are asked:

- ‘Thinking of the jobs you have applied for in the past two years, do you think you were ever unsuccessful because the employer discriminated against you?’ and
- ‘Think now of all of the paid jobs you have had in the past two years. Do you feel your employer in any way discriminated against you?’

Around 12.1 per cent of the HILDA sample (who applied for a job in the last two years) reported that they felt they were unsuccessful due to discrimination. Of those who worked for an employer in the last two years, around 7.9 per cent felt their employer discriminated against them. The Indigenous sample in the HILDA is not representative of the wider Indigenous population due to high rates of sample attrition and underrepresentation of Australians living in remote parts of the country. Nonetheless, it is instructive to note that around 14.8 per cent of the relevant Indigenous sample answered that they felt they were unsuccessful applying for a job, with 12.2 per cent of the relevant Indigenous sample saying that they were discriminated against by their employer. Given the wider time period in the HILDA and the inclusion of discrimination arising from a range of sources (i.e., discrimination not only associated with Indigenous status), a comparison of the two surveys would suggest that the NATSISS covers most, but not all of the labour market discrimination experienced by Indigenous Australians.

While labour market discrimination is a reasonably prevalent form of discrimination, table 1 indicates that Indigenous people are most likely to feel discriminated against within the justice system (police, security people, lawyers or in a court of law) or by members of the public, with around 11 per cent of Indigenous people experiencing discrimination in each of these domains.

Within the labour market domain, there is some systematic difference in the prevalence of discrimination between the sub-groups considered. Non-remote residents and males are more likely to report labour market discrimination than remote and females, respectively. This probably reflects the fact that these groups are the most likely to be engaged in the labour market, thus are more exposed to situations where they could experience labour market discrimination. In contrast, when considering other prevalent forms of discrimination, there is little difference between subgroups with the notable exception that males are around six percentage points more likely than females to report discrimination by the police, security people, and lawyers or in a court of law.

Table 2 shows the prevalence of the various types of non-labour market discrimination by whether or not a respondent reported that they had been discriminated against in the labour market as a first step in ascertaining whether reported discrimination in different settings are correlated.

Table 2 - Proportion of Indigenous Australians who reported that they felt discriminated against due to Indigenous status in the previous 12 months – By labour market discrimination, 2008

| <i>Form of discrimination</i> | <i>No reported labour market discrimination</i> | <i>Reported Labour market discrimination</i> |
|---|---|--|
| At home, by neighbours or at someone else's home | 0.038 (0.004) | 0.199† (0.026) |
| At school, university, training course or other educational setting | 0.029 (0.003) | 0.143† (0.022) |
| While doing any sporting, recreational or leisure activities | 0.023 (0.003) | 0.121† (0.019) |
| By the police, security people, lawyers or in a court of law | 0.090 (0.006) | 0.380† (0.031) |
| By doctors, nurses or other staff at hospitals / surgeries | 0.030 (0.003) | 0.167† (0.025) |
| By staff of Government agencies | 0.039 (0.004) | 0.217† (0.028) |
| When seeking any other services | 0.031 (0.003) | 0.148† (0.022) |
| By members of the public | 0.092 (0.008) | 0.381† (0.031) |
| Sample size | 6,739 | 603 |

Source: Authors' calculations using the RADL for the 2008 NATSISS.

Note: The numbers in the brackets give the standard errors for the estimates

† indicates proportions for those who reported labour market discrimination are significantly different at the 5 per cent level to those who did not report labour market discrimination.

Table 2 suggests that Indigenous people who have experienced labour market discrimination are significantly more likely to experience other forms of discrimination. For example, almost 40 per cent of people who reported labour market discrimination also reported discrimination within the justice system. In contrast, only 10 per cent of those people who did not experience labour market discrimination reported discrimination within the justice system. This observation is consistent with the strong correlation between contact with the criminal justice system and Indigenous employment. Hunter and Borland (1999) provide some evidence that arrest is driving the low levels of Indigenous employment, and table 2 seems to provide indirect evidence that discrimination may also play a role.

In essence, table 2 shows that the various types of discrimination are correlated; certain types of people experience more discrimination, either because they are more exposed to discrimination of all forms and/or more likely to feel discriminated against across all domains of life.

One way to analyse the correlation between discrimination types is to use Principal Component Analysis (PCA), which summarises variation among the different forms of discrimination. PCA creates a set of principal components, which are orthogonal, weighted combinations of the different discrimination types that explain the maximum amount of variance in the data. Once the principal components are calculated, the minimum eigenvalue criterion states that only components with

eigenvalues above one (thus accounting for more variance than had been contributed by one variable) should be retained (Kaiser, 1960). In our case, the eigenvalue for the only retained principal component is 2.7, and each type of discrimination has an equal weighting (around 0.3 for all types). This indicates that there is essentially only one dimension of discrimination across all the settings considered in the NATSISS.

In table 3 we explore the simplified categories of discrimination by partitioning the sample into four groups: those who reported labour market discrimination; those who reported both labour market and other discrimination; those who experienced only other discrimination; and those who reported no discrimination. Table 3 shows a breakdown of these discrimination types by five mutually exclusive labour market categories.

Table 3 - Discrimination in Indigenous population – by labour force status, 2008

| <i>Form of discrimination</i> | <i>Employed (non-CDEP)</i> | <i>CDEP</i> | <i>Unemployed</i> | <i>Marginally Attached</i> | <i>Other NILF</i> |
|-----------------------------------|--------------------------------|------------------|-------------------|--------------------------------|-----------------------|
| Labour Market Discrimination Only | 0.03 (0.004) | 0.026 (0.011) | 0.052 (0.013) | 0.03 (0.013) | 0.003† (0.001) |
| Other Discrimination Only | 0.154 (0.010) | 0.206 (0.025) | 0.223† (0.025) | 0.202 (0.025) | 0.251† (0.016) |
| Both Forms of Discrimination | 0.063 (0.006) | 0.058 (0.015) | 0.138† (0.017) | 0.07 (0.015) | 0.021† (0.006) |
| No Discrimination | 0.753 (0.014) | 0.71 (0.028) | 0.586† (0.028) | 0.698 (0.031) | 0.726 (0.016) |
| Sample size | 3,433 | 497 | 730 | 536 | 2,146 |

Source: Authors' calculations using the RADL for the 2008 NATSISS.

Note: The numbers in the brackets give the standard errors for the estimates; † indicates groups that are significantly different at the 5% level to those who are employed (non-CDEP).

Table 3 shows that the distribution of self-reported discrimination for unemployed Indigenous people is different from those with other labour force status. Over 40 per cent of the NATSISS respondents who were unemployed indicated they had experienced a form of discrimination in the previous 12 months. In comparison, only around 25 per cent of employed Indigenous people in non-CDEP positions and 29 per cent in CDEP positions felt as though they had been discriminated against in some way. The main difference in the unemployed group is that they are more likely to report labour market discrimination, either by itself or in conjunction with other discrimination forms. Being unemployed are, by definition, associated with job search, and it is expected that people would apply for jobs with new employers on a regular basis. These repeated interactions puts one at risk of being discriminated against, as it increases the exposure to employers who are potential discriminators. It is also interesting that the unemployed are the most likely to report both labour and non-labour discrimination. This may reflect intersecting discrimination experiences (i.e. due to being Indigenous and to being unemployed).

Another noteworthy observation from table 3 is that the pattern of labour

market discrimination among the marginally attached (i.e. those not in labour force but who have looked for work in the past 12 months) is similar to most people in the labour force. The marginally attached also report a similar level of other discrimination to the unemployed and CDEP-employed, but slightly more than the non-CDEP employed. Overall, the level of discrimination reported by the marginally attached is not significantly different from that reported by the employed. This suggests the marginally attached are not dissimilar to other labour force participants in terms of their discrimination experiences. If, however, those who are marginally attached did start activity looking for work, thus exposing themselves to more potential discriminators, it could be expected that their level of labour market discrimination would increase.

In terms of those employed, NATSISS respondents who are part of the CDEP scheme are actually more likely to experience any discrimination than other employed (non-CDEP). Although labour market discrimination is similar across the two employment groups, CDEP-employed people are also more likely to experience discrimination in other domains of life; as it is an Indigenous scheme, employment through the CDEP scheme may flag people as being culturally different to non-Indigenous people (potential discriminators).

The most singular group is the 'other, not in labour force' (Other NILF) group, those Indigenous people who do not want to work at all. As a group they experience significantly less labour market discrimination than those in other labour force states; the prevalence rate is only around 10 per cent of the rate experienced by the employed and marginally attached. This is not surprising given that, in the previous 12 months, they have not had experiences in the labour market and thus exposure to situations where they could have been discriminated against. Importantly, however, it could be that this group represents the real discouraged workers who have cut their labour supply, no longer aspiring to be employed because of, at least in part, the adverse (discriminatory) experience that occurred when participating in the labour force.

The above is not possible to test with the data available and highlights the need for longitudinal studies. Ultimately, table 3 indicates that discrimination is a widespread experience among Indigenous people. This means that even if a person has not experienced discrimination themselves they are highly likely to know someone who has. Accordingly, labour market choices and the desire to supply labour are likely to be conditioned by the prospect of a high probability of experiencing discrimination.

Table 4 reports the average age, time employed and time in current job across the different discrimination groups. The working aged population (15-64 years) who report having experienced labour market discrimination tend to be older than those in other discrimination groups. This is consistent with the fact that increased age is often associated with higher rates of employment, due to the generally higher levels of labour market experience of older people (Mincer, 1974). Higher rates of employment lead to more exposure to situations within the labour market where one could be discriminated against. This suggests that it is important to control for the age characteristics of individuals in a multivariate analysis of discrimination.

The NATSISS reports a direct measure of labour market experience: the number of years a respondent has been employed over their lifetime. In a similar pattern to age, those who experience labour market discrimination are likely to have spent more

of their lifetime employed, thus being more exposed to situations where they could be discriminated against at work. It is also consistent with people who spend more time looking for work and having greater contact with employers experiencing labour market discrimination. An interesting observation is that the differential in time employed between those who experience labour market and non-labour market discrimination is almost identical to the corresponding difference in age (around 3.4 years).

Table 4 - Age and employment – by discrimination status, 2008

| <i>Age and employment</i> | <i>Labour Market Discrimination Only</i> | <i>Other Discrimination Only</i> | <i>Both Forms of Discrimination</i> | <i>No Discrimination</i> |
|---------------------------|--|--|---|------------------------------|
| | Mean Age (Years) | | | |
| All people aged 15-64 | 36.364† (1.441) | 33.026 (0.477) | 34.286 (0.865) | 33.447 (0.143) |
| | Mean Time Employed (Years) | | | |
| All people aged 15-64 | 10.621† (1.004) | 7.164† (0.317) | 9.066 (0.591) | 8.278 (0.134) |
| Currently unemployed | 5.588 (1.247) | 4.253 (0.568) | 6.518† (0.821) | 4.272 (0.383) |
| Currently employed | 13.006† (1.169) | 10.083 (0.485) | 11.376 (0.873) | 10.45 (0.189) |
| | Mean Time in Current Job (Months) | | | |
| Currently employed | 45.869 (5.999) | 39.803† (2.831) | 34.833† (4.278) | 46.112 (1.464) |
| Sample size | 195 | 1,483 | 408 | 5,256 |

Source: Authors' calculations using the RADL for the 2008 NATSISS.

Note: The numbers in the brackets give the standard errors for the estimates; † indicates groups that are significantly different at the 5 per cent level to those who did not experience discrimination.

Indigenous people who report only non-labour market discrimination have the least experience of employment compared to other groups. This observation suggests that it is not labour market discrimination that is associated with minimal experience; rather, it is other forms of discrimination. Those who experience other discrimination only may have made choices that avoid contact with the workforce and they have therefore accumulated less employment experience. Conversely, if an individual has not experienced any discrimination then they are less likely to have been discouraged from supplying labour to the market.

Among the NATSISS respondents who are currently unemployed, people who report both forms of discrimination have significantly higher average employment experience. On the other hand, among those who are currently employed, people who have experienced labour market discrimination have the highest average lifetime experience of employment. Given that this group is currently in work, the experience of discrimination has not stopped them from getting work. This suggests that discrimination is not necessarily dissuading people from participating in the labour market in the long run.

Focussing again on those respondents who are currently employed, the average time spent in the current job varies systematically with the experience of discrimination. Indigenous people with no recent experience of discrimination have the highest duration in the current job, although this difference is not significant compared to those who experience labour market discrimination. Hence there is no real evidence that the experience of labour market discrimination is related to lower job duration. Rather, it could be that discrimination is endemic in many Australian workplaces as a known price Indigenous people have to pay in order to be employed and which is not a justification in itself for changing jobs.

However, it appears that people want to change jobs when they become disaffected by discrimination in other domains of life. It is worth noting that longer periods in the current job are associated with a higher level of firm-specific capital, which is often associated with higher wages and better prospects of promotion. Hence, discrimination is likely to play an important role in perpetrating Indigenous disadvantage.

In summary, the results from table 4 seem to suggest that Indigenous people may have to endure labour market discrimination in order to enhance their employment outcomes. Avoiding contact with potential discriminators (i.e. employers) may increase an individual's utility in the short term, but may have adverse effect on long term employment prospects and economic engagement.

4. Multivariate analysis of discrimination

The previous section identified a number of employment related and non-employment related factors that are associated with the experience of discrimination. Some of these variables are likely to interact with each other and hence in this section we employ logistic regression analysis to control for a range of observed confounding factors.

One of main limitations in analysing the relationship between reported discrimination and labour market outcomes of Indigenous people is that the factors that are associated with the experience of discrimination are also likely to be affected by discrimination (i.e. a bi-directional relationship). For example, the experience of arrest puts one in the position to experience more discrimination in the criminal justice system but the discrimination within that system are widely used to explain the disproportionately high rates of arrest. The following is a descriptive analysis which cannot hope to resolve this endemic problem of joint endogeneity. However, documenting factors associated with the risk of exposure to labour market and non-labour market discrimination will inform future research with a view to understanding these complex relationships. This future work might employ other techniques or datasets along the lines of those identified in the concluding section of this paper.

Given that we are particularly interested in the role of discrimination on labour market outcome we include a range of potentially confounding explanatory factors that are commonly found in any human capital model of labour force status (Stephens 2010). However, the specification also includes a number of variables that we anticipate are likely to be associated with an increased risk of exposure to labour market discrimination through longer job searching and new working environments as well as potential employers who may have discriminatory behaviours and attitudes.

The specification for other discrimination is kept similar to that for labour market discrimination to maintain symmetry. Given that adverse interactions with the criminal justice system is one of the major reasons given for reporting non-labour market discrimination, it is theoretically possible that the effect of arrest is even stronger on that form of discrimination than its effect on labour market discrimination because the correlation is direct rather than being mediated through employment and job search experiences.

Table 5 - Summary statistics for regression analysis

| | Mean | (Standard deviation) |
|--|-------|----------------------|
| Dependent Variables | | |
| Labour Market Discrimination | 0.082 | (0.275) |
| Any form of Discrimination | 0.291 | (0.454) |
| Explanatory Variables | | |
| Male | 0.429 | (0.495) |
| Aged 15 to 24 | 0.266 | (0.442) |
| Aged 25 to 34 | 0.246 | (0.431) |
| Aged 55 plus | 0.063 | (0.243) |
| Lives in a remote area | 0.342 | (0.474) |
| Lives in a household with non-Indigenous usual residents | 0.362 | (0.481) |
| Speaks a language other than English at home | 0.148 | (0.355) |
| Has not changed usual residence in the previous 5 years | 0.378 | (0.485) |
| Not in the labour force – Marginally attached | 0.297 | (0.457) |
| Not in the labour force – Other | 0.072 | (0.259) |
| Unemployed | 0.099 | (0.298) |
| Occupation – Sales Workers | 0.032 | (0.176) |
| Occupation – Technicians & Trades Workers ; Machinery Operators & Drivers; Labourers | 0.232 | (0.422) |
| Main job is not CDEP scheme | 0.463 | (0.499) |
| Has been employed in the same organisation for 12 months or more | 0.373 | (0.484) |
| Employed part-time | 0.201 | (0.401) |
| Employed part-time and would like to work more hours (underemployed) | 0.117 | (0.321) |
| Has completed Year 12 | 0.202 | (0.401) |
| Has completed Year 10 or Year 11 | 0.463 | (0.499) |
| Has a Bachelor's degree or higher | 0.053 | (0.225) |
| Has a Diploma as highest post-school qualification | 0.048 | (0.213) |
| Has a Certificate as highest post-school qualification | 0.230 | (0.421) |
| Current student | 0.175 | (0.380) |
| Most Friends are Indigenous | 0.208 | (0.406) |
| Half of Friends are Indigenous | 0.147 | (0.355) |
| Few Friends are Indigenous | 0.238 | (0.426) |
| No Friends are Indigenous | 0.187 | (0.390) |
| Arrested in last 5 years | 0.161 | (0.368) |
| Core disability | 0.076 | (0.265) |
| Number of observations | 6,838 | |

Source: Authors' calculations using the RADL for the 2008 NATSISS.

Note: The numbers in the brackets give the standard errors for the estimates. Note. The base category for the regression is: Female; aged 35 to 54; non-remote; Indigenous only household; speaks English at home; did not change usual residence in the previous five years; employed full-time as a white collar worker (but main job is not as part of CDEP scheme) and has been employed in an organisation for more than 12 months; Has completed Year 9 or less education; not currently a student; all friends are Indigenous; has not been arrested in the previous five years; and does not have a severe or profound disability (i.e. a 'core' disability).

Table 6 - Logistic Regressions (expressed as odds ratios): factors associated with reporting employment related discrimination or non-employment discrimination, 2008

| <i>Explanatory variables</i> | <i>Labour Market discrimination Model 1</i> | | <i>Any form of discrimination Model 2</i> | |
|--|---|---------|---|---------|
| Male | 1.173 | (0.120) | 1.023 | (0.065) |
| Aged 15 to 24 | 0.568 † | (0.076) | 0.753 † | (0.060) |
| Aged 25 to 34 | 0.792 † | (0.092) | 1.056 | (0.077) |
| Aged 55 plus | 1.397 | (0.284) | 1.038 | (0.128) |
| Lives in a remote area | 0.662 † | (0.084) | 0.722 † | (0.056) |
| Lives in a household with non-Indigenous usual residents | 0.734 † | (0.082) | 0.630 † | (0.044) |
| Speaks a language other than English at home | 0.802 | (0.138) | 0.830 | (0.081) |
| Has not changed usual residence in the previous 5 years | 0.856 | (0.087) | 0.799 † | (0.049) |
| Not in the labour force – Marginally attached | 0.672 | (0.141) | 0.797 | (0.112) |
| Not in the labour force – Other | 0.130 † | (0.028) | 0.652 † | (0.074) |
| Unemployed | 1.309 | (0.229) | 1.011 | (0.129) |
| Occupation – Sales Workers | 0.474 † | (0.171) | 0.570 † | (0.108) |
| Occupation – Technicians and Trades Workers; Machinery Operators and Drivers; Labourers | 0.729 † | (0.101) | 0.544 † | (0.050) |
| Main job is in the CDEP scheme | 1.137 | (0.241) | 1.107 | (0.148) |
| Has been employed in the same organisation for 12 months or more | 0.605 † | (0.077) | 0.779 † | (0.068) |
| Employed part-time | 0.715 † | (0.102) | 0.967 | (0.089) |
| Employed part-time and would like to work more hours (underemployed) | 1.431 † | (0.210) | 1.261 † | (0.126) |
| Has completed Year 12 | 1.502 † | (0.219) | 1.076 | (0.097) |
| Has completed Year 10 or Year 11 | 1.389 † | (0.163) | 1.115 | (0.075) |
| Has a Bachelor's degree or higher | 2.194 † | (0.395) | 1.799 † | (0.236) |
| Has a Diploma as highest post-school qualification | 1.204 | (0.243) | 1.236 | (0.166) |
| Has a Certificate as highest post-school qualification | 1.203 | (0.135) | 1.166 † | (0.084) |
| Current student | 1.068 | (0.138) | 1.375 † | (0.109) |
| Most friends are Indigenous | 1.265 | (0.190) | 1.371 † | (0.121) |
| Half of friends are Indigenous | 1.299 | (0.217) | 1.235 † | (0.126) |
| Few friends are Indigenous | 0.604 † | (0.110) | 0.638 † | (0.067) |
| No friends are Indigenous | 0.558 † | (0.109) | 0.480 † | (0.054) |
| Arrested in last 5 years | 2.245 † | (0.255) | 2.345 † | (0.176) |
| Core disability | 1.572 † | (0.285) | 1.668 † | (0.172) |
| Number of observations | 6,838 | | 6,838 | |
| Pseudo R-Squared | 0.125 | | 0.081 | |

Source: Authors' calculations using the RADL for the 2008 NATSISS.

Note: The numbers in the brackets give the standard errors for the estimates; † indicates odds ratios are significantly different to one at the five per cent level.

Given that the reason for non-labour market discrimination also includes interaction with the health system and other services, the general accessibility to services is controlled for by the remoteness variable, while exposure to health services is proxied for by the existence of a core disability. We considered using self-reported health status but there are additional issues of endogeneity between such health status and labour force status that further complicates our analysis (Ross, 2006).

All these regressors can be understood as providing information on the level

of exposure to the risk situations where discrimination might occur. One cluster of variables available on the NATSISS is the social capital variables related to the proportion of friends who are Indigenous. The converse of this is the proportion of a respondent's social contacts who are non-Indigenous. As will be seen below in the results, the interpretation of this variable in terms of potential exposure to discrimination is complex. The limited research to date suggests that while discrimination experienced by Indigenous people is predominately perpetrated by non-Indigenous people, it is also clear that 'lateral violence' (i.e. racism perpetrated by Indigenous people against other Indigenous people) also occurs (Paradies and Cunningham, 2009).

Table 5 provides the descriptive statistics for the sample used in the regression analysis that is again constrained to the working aged population aged 15 to 64. Results in table 6 are presented as odds ratios or the ratio of the odds of reported discrimination for a person with the particular characteristic, relative to someone with the base case characteristic (as documented in table 5). Note that odds ratio of over one means that that factor increases the probability of self-reported discrimination. Conversely, an odds ratio of less than one means that a factor is associated with reduced reporting of discrimination. We structure our discussion of the results in table 6 by variable cluster.

Human Capital

The chance of experiencing labour market discrimination increases with age and education, and with residence in non-remote areas. Education is particularly strongly associated with labour market discrimination as opposed to any form of discrimination. For example, the odds of Indigenous people with a bachelor's degree (or higher) experiencing labour market discrimination are more than twice the odds of people with no post-school qualifications, holding everything else constant. A similar result was also found in an unpublished descriptive analysis of the HILDA survey (for the total population) with those with a bachelor degree or higher being significantly more likely to have reported discrimination in their current job than those without a degree.

These observations are largely consistent with a human capital model which predicts that education and training play a major role in enhancing employment outcomes. In general, the higher the prospect of employment, the more likely the experience of labour market discrimination. Labour market discrimination is associated with employment and job search situations where the individual is likely to be treated unfairly compared to non-Indigenous Australians. Increased exposure to these situations increases the chance of discrimination. A second potential explanation is that those individuals with relatively high levels of education participate in labour markets with relatively few Indigenous Australians. Finally, it may be that education directly impacts on people's knowledge of their individual rights and makes it more likely that they are able to identify the discrimination that does occur.

Indigenous people who live in a household with non-Indigenous people are less likely to experience labour market discrimination, even though this factor is usually associated with increased exposure to the labour market. This effect may suggest positive implications for one's experience at work with a greater exposure to non-Indigenous culture at home. More specifically, it may indicate greater access to social capital available in the broader society with the indigenous job seeker being more likely to be known within employer networks (Hasmath, 2012).

Labour Force Status and Job Situation

Even after controlling for factors that usually explain labour force status, the association between labour force status and discrimination is, for the most part, significant. There is evidence to suggest that unemployed people are more likely to experience labour market discrimination. Unemployed people have constant, reoccurring contact with potential employers (some of whom are potential discriminators), leading them to experience higher rates of labour market discrimination. On the other hand, the marginally attached are less likely to report labour market discrimination.

Indigenous people who work in blue collar occupations and in sales are less likely to experience discrimination compared to those in other white collar jobs (such as managers and professionals). This may reflect the ethnic composition of respective professions – white collar workers are more likely to work with a higher proportion of non-Indigenous people, who are the main source of potential discriminators. Prevailing stereotypes that Indigenous work (or should work) in blue collar jobs (Bretherton, Balvin *et al.* 2011) may also lead to increased discrimination against those who disconfirm this stereotype through employment in white collar jobs.

Those who have been employed at the same organisation for more than a year are less likely to experience labour market discrimination. This is not surprising, for if an individual was unhappy in their current job due to the existence of discrimination it is unlikely that they would stay in that job for any substantial period of time.

Part-time workers experience less labour market discrimination than those who work full-time, most likely because they have fewer experiences in which work-related discrimination can occur. The underemployed are more likely to report discrimination than both those employed full-time and those employed part-time but who do not want to work more hours.

Results in table 6, which control for the confounding effect of variables such as age, can be compared to the initial observations made about table 3. There is some evidence that the associations of labour market and other discrimination noted in table 3 for unemployed people still hold. However, after controlling for human capital variables, the marginally attached people are actually less likely than non-CDEP employed to report labour market and other discrimination. This suggests that marginally attached are avoiding circumstances where they might experience discrimination (i.e. not actively seeking work).

Social Capital

Perhaps the most interesting observation from table 6 is that the social capital variables tend to have a ‘non-linear’ relationship with both types of discrimination. Compared to the base category of having all Indigenous friends, people whose friends are mostly Indigenous are significantly more likely to report discrimination while Indigenous people who only have non-Indigenous friends are significantly less likely to experience discrimination. It is possible that those with only non-Indigenous friends have a less salient Indigenous identity (through reduced ‘visibility’ and/or more acculturation) and are thus less at risk of exposure to discrimination while the risk of discrimination may be heightened social environments with a mix of both Indigenous and non-Indigenous people. This finding should be further explored in future research.

Other variables

Table 6 shows that both the experience of arrest and presence of a core disability are strongly correlated with both labour market and non-labour market discrimination (as was also found in the HILDA survey). In addition, the odds ratios for labour market and other discrimination are not significantly different (i.e. these factors are associated with both forms of discrimination to the same extent). This result seems to differ from the expectation that arrest and core disability would have a stronger association with non-labour market discrimination. However, while experience of arrest and core disability are directly associated with increased experiences of discrimination, both factors are also associated with negative labour market outcomes. This means labour market discrimination will be reinforced by poor labour market outcomes and the inclusion of labour force status in model 2 may lead to a spurious correlation between labour market and other discrimination.

Labour Market Discrimination versus Any Discrimination

Comparing the two models reported in table 6, there is a very similar pattern of significance for those who report labour discrimination and those who report any form of discrimination. This observation aligns with evidence presented in the previous section which suggested that these experiences of discrimination are correlated.

The most notable difference in odds ratios between the two models is for those who are marginally attached. While the marginally attached are less likely to experience both labour and other forms of discrimination compared to those employed in white collar jobs, the difference in discrimination experience between the two groups is more pronounced in the labour market setting. The marginally attached may choose not to be exposed to potential discriminators in the labour market setting; however this choice is not effective in reducing discrimination in other life domains.

While the sign and patterns of significance of factors often used in human capital models are similar to the regressions for labour market and non-labour market discrimination, the effects tend to be higher for the former. It is arguable that the association of other discrimination and human capital variables is weaker because the enhancing effect of labour force status on discrimination is absent.

5. Discussion

This paper has shown that the main process that drives the reporting of discrimination by Indigenous Australians is the extent to which an individual is exposed to situations in which they can interact with potential discriminators. This finding is apparent in both the descriptive cross-tabulations and the regression analysis.

The main mechanism by which discrimination would appear to affect Indigenous labour market experience is through its impact on the willingness to engage in job search or to attach oneself to the labour market. However, the previous section introduced the potential for endogeneity between various forms of discrimination and labour market outcomes. Unfortunately, there is no longitudinal database with a significant number of Indigenous Australians that could be used to tease out the causal mechanisms. In the absence of such data, there is a need for researchers to articulate theoretical models that build upon empirical research in other contexts and

to creatively design experiments in both the laboratory or in the field that will shed light on Indigenous exposure to discrimination.

Given that discrimination based on race is already illegal in Australia, an important question to ask is why does it continue to exist in the workplace? De Plevitz's (2000) doctoral thesis examined all Australian cases involving labour market discrimination since 1975 only to find that very few of the cases were precipitated by Indigenous complainants. Since 90 per cent of complaints were settled out of court, there was limited public recognition of systemic discrimination. Indirect discrimination is unlikely to be rooted out unless it is fully exposed to public scrutiny. Moreover, the few remedies that were ordered tended to be based on compensation, often providing inadequate compensation, rather than address changes to recruitment policy that might reduce future incidences of discrimination. Thus existing anti-discrimination provisions appear to have little effect on institutionalised racism in the workplace (Hunter 2005). The introduction of 'positive duties' through the Victorian Equal Opportunities Act 2010, which requires government, business, employers and service providers to take reasonable and proportionate measures to eliminate discrimination, increases the potential of legislation in addressing discrimination. In addition, the Commonwealth Government is harmonising federal anti-discrimination legislation into a single Act with a proposal to reduce the burden of proof for complainants (a draft Bill is scheduled for release in September 2012).¹

However, much more than legislation is required. There is a need for public investment and mandated action to educate employers and support the implementation of workplace anti-discrimination programs. Given that, for most employers, Indigenous people are a small fraction of the workforce and customers such programs will need to draw more broadly on existing research, policy and practice (Trenerry, Franklin *et al.* 2012; Trenerry and Paradies, 2012), making a 'business case' for reducing racial discrimination in the context of a very diverse Australian workforce.

Notwithstanding, it is important to be realistic about the viability of anti-discrimination policy and practice options. This paper suggests that if Indigenous people can endure discriminatory workplaces in the short-term, then they are likely to reap the long-term economic (and associated social) benefits of engagement in employment. While continued and renewed efforts are required to address discrimination against Indigenous employees, how people deal with discrimination can be just as important. A challenge for researchers and policy-makers is to better understand how Indigenous people can effectively respond to discrimination. We suggest that further research that builds on existing scholarship (Lamont, Welburn *et al.* 2012) should inform the development and evaluation of programs aimed at enhancing the resilience of individuals in the face of ongoing discrimination.

¹ <http://www.workplaceinfo.com.au/legislation/discrimination/will-eeo-legislation-be-harmonised-next>.

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