

Conversations with Eminent Labour Economists: Alison Booth

Boyd Hunter



Boyd Hunter (BH): Thanks for agreeing to be interviewed for the inaugural interview with eminent labour economists for the *Australian Journal of Labour Economists (AJLE)*.

Alison Booth (AB): Thank you, it's a great honour to be invited.

(BH): The idea of this conversation is to provoke researchers and teachers in the discipline to reflect about their place in the academy and society at large, as well as get to know a prominent member of the profession. Speaking of which, I note with interest you have a Wikipedia page in German but not in English.¹ Does that mean you are better known in Germany than Australia?

(AB): Well, I was astonished to learn that I had a Wikipedia page in German, and I think that must originate from the IZA in Bonn.² I certainly had nothing to do with it.

(BH): Perhaps you could give us a brief bio for our readers. I believe that you were born in Australia but spent the majority of your career overseas?

(AB): Yes, I was born in Melbourne, grew up in Sydney, then I went to the London School of Economics in 1979 to do a Masters of Economics and I stayed on to do a PhD with Tony Atkinson (which I finished in January 1984). By then I was working at the University of Bristol.

(BH): What was your doctoral thesis about? Tony Atkinson is, of course, the renowned British economist whose work focusses on income distribution and the measurement of inequality.

(AB): Tony is a renaissance man who has covered a lot of fields. Originally when I started out, I wanted to work on local public goods, and then I gradually shifted on to the microeconomic behaviour of trade unions and membership, which is what my thesis is called. Tony is such a broad man that was fine by him, and he had loads of good suggestions, as his work covers theory as well as empirical work. It was a bit accidental what the research ended up being about, but many people discover this when they embark on their PhD theses.

¹ See http://de.wikipedia.org/wiki/Alison_Booth

² IZA in German is Forschungsinstitut zur Zukunft der Arbeit (see <http://www.iza.org>) – translated into English it is the Institute for the Study of Labour.

(BH): From Bristol you went to Essex?

(AB): No I had some short-term jobs. This was the mid-1980s: I don't know if you are aware of what Britain was like at the time, but Margaret Thatcher was at her best (or worst) and universities were completely starved of funding and there were virtually no jobs; and any job that was available involved a temporary contract. Bristol had me for one year and then I had to move back to London for family reasons, and then I had several jobs and ended up at Birkbeck College, University of London, which I really loved. And then, because my husband was at the University of Essex, when that university asked me to apply for a chair I did so and managed to get the job offer. It was the perfect location for us. Well, what could I say?

(BH): Yes! So then you went on to bigger and better things? You went on to be Editor-in-chief of the journal *Labour Economics*, President of the European Association of Labour Economists from 2006-2008, and headed the ANU's Economics Program RSSS for the period 2008-2009. REPeC now has you entrenched as one of the top 5 per cent of economists in the world; how important was the time overseas for your career?

(AB): Crucial; As a female academic, I didn't want to come back to Australia for many years, as I felt there were few opportunities for women in academia. I am very grateful to Fred Gruen and Bob Gregory for hosting our visits to the Research School of Social Sciences (RSSS) at the Australian National University (ANU). I met Fred Gruen at the Reserve Bank of Australia when I was there on an internship in the 1980s and he was very warm and welcoming. During my visits to the RSSS, I gave the occasional seminar at other universities and couldn't help but notice that there were no women. I remember asking someone why there were no women and a very eminent person at that university told me that it was because they all got better paid in the financial sector. This struck me as a somewhat implausible reason, but anyway I knew then that I did not want to come back to Australia at that stage.

(BH): Fair enough. Would you recommend the overseas path for other up and coming labour economists?

(AB): I don't think that it matters so much now. It was partly a gender issue and I don't think it would have mattered so much if I were a man. Having said that, I really loved the time I spent at British universities.

(BH): We will return to gender issues later but for the moment let's talk about your 1995 book, *The Economics of Trade Union*, which analyses the crucial features of unionized labour markets in industrialized countries, with particular emphasis on Britain and the United States. You weren't tempted to look at Australian situation given our long labour history dating back to the 19th century and our unique industrial relations system?

(AB): No, I did think about it but decided that my comparative advantage did not lie in analysing Australia because there are already some very good accounts of the situation here. Originally, I was going to focus solely on unions in the UK, but as I recall the publisher, Patrick McCartan of Cambridge University Press, thought that I should broaden the analysis to include the US as well. Interestingly, while the history chapter in the book took a long time to complete, the research was started during one three-month visit to RSSS. The ANU libraries had better stuff on Britain and the US than I could find in my home institution.

(BH): Just backtracking a bit, what got you interested in writing about the *Economics of Trade Union*?

(AB): This goes back to inequality. Trade Unions have always dealt with some aspect of inequality with people fighting to be paid appropriately. The theoretical approaches deal with rent sharing and how workers manage to extract some share of surplus from the employment relationship. From an historical perspective, I got interested in how trade unions emerged, and this made me appreciate the importance of trade union membership. Indeed, my first theoretical piece focussed on the social custom theory of union membership and subsequently I analysed the role of union membership and density on wages and employment.

(BH): The book clearly emphasises the connection between theoretical modelling and empirical testing of those theories. From my perspective it seems as though there has been growing schism between theory and empirical studies. Does it matter if there is increasing specialisation in the discipline?

(AB): The link between theory and evidence is central to the discipline. The issue of the schism is important and as labour economics becomes more complex and technical we need people who are specialists in econometrics, theory or whatever. But we are also a discipline where we work with one another, so there is no reason why you can't have a small team of people working together towards a good publication. I do think that having a theoretical framework, be it in maths or in words, is what we are good at in economics and it would be a shame to lose this. Sometimes in labour economics I think we lose sight of the importance of having an analytical framework.

(BH): Yes these are particularly important observations in the Australian context. With respect to the need to work in teams, can you give some examples of how you've worked in an effective team with other economists or even people from other disciplines?

(AB): Sure. I typically work with either economists or econometricians, and sometimes both. You'd like some examples? I've worked on a number of papers with Wiji Arulampalam, who is an applied econometrician from the University of Warwick. I know you're interested in unemployment, so let me mention Arulampalam,

Booth, and Taylor (2000), who used panel data analysis to analyse whether or not there is state dependence in unemployment and found some evidence consistent with the scarring theory of unemployment. Microeconomic analyses such as these can be used to speculate about macroeconomic phenomenon like the natural rate of unemployment, and indeed that paper contains some reflections on such issues. Another example is the collaboration with Marco Francesconi (Essex University) and Jeff Frank (Royal Holloway, University of London), which has produced a number of papers on, for instance, promotions and also on temporary work. In all these examples we worked well as a team, and the sum has been greater than the parts. I've also worked with PhD students when asked, and indeed, I think that writing a collaborative paper with a PhD student is a good training experience. Sometimes for the supervisor as well as the supervisee!

(BH): Thanks. The promotional material for *The Economics of Trade Union* indicates that is directed to third-year undergraduates and to masters' students in economics or industrial relations. What do you think of the state of teaching of Labour Economics in universities?

(AB): It depends on who is doing the teaching. One observation is that it is vital to have a broad reading list that includes influential contributions in the literature.

(BH): Do you think that labour economics can be viewed as a distinct sub-discipline of Economics? If so, what distinguishes it from other economic analyses?

(AB): Yes it is, and should be a distinct sub-discipline. There are several reasons why labour is not like other factors of production, and these are nicely characterised by Marshall (1948). The first is that the worker retains the ownership of his or her human capital (in the absence of slavery). This is a really important point as anyone can own a machine but, in the case of a worker, the human capital is embodied in the individual. That means workers can exercise some control over the use of these skills, and this can affect rent sharing. The second distinguishing characteristic is that – at least up until now – the worker has had to be present in the workplace to deliver the skills. This means the worker has to live reasonably close, which can constrain the opportunities of other family members, making them vulnerable to monopsonistic behaviour. This may not necessarily be happening to the same degree now as in the past, since in some industries and occupations people can work from home, but for factories and the like you have to be physically present to deliver the skills. That means that social relations can come into play, so that disputes and joining a trade union are much easier to manage at a workplace than for homeworkers who traditionally are not unionised.

(BH): Well speaking of the importance of social relations do you think that there should be a stronger link between the disciplines of labour economics and Industrial relations? For example, the greater availability of linked employer-employee datasets should allow a deeper analysis of how firm level attributes, including those on Industrial relations matters, is driving outcomes at the level of the individual workers.

(AB): In the late 1980s I found some people working on industrial relations in Britain to be hostile to the style of analysis of labour economists. There were of course clear exceptions to this. I expect things have moved on from there now.

(BH): Perhaps there is a need to build bridges with the industrial relations discipline. We may have a different theoretical perspective and empirical toolkit but the greater use of linked employer-employee data may open an opportunity for some dialogue, although the inherent ‘competition’ between the disciplines is unlikely to go away.

(AB): Yes. I agree that linked employer-employee data represent fantastic opportunities.

(BH): Some of the major themes of your research seem to be gender, racial discrimination and the glass ceiling. How important are such factors in the labour market? What can policy-makers do to address the issues?

(AB): These are things that I have worked on recently. I wasn’t going to work on gender at all, until I moved to the University of Essex, as it seemed to me that it was a bit of a ghetto in those days and one should work on other things first. Then I became very interested in those issues when I got involved with the British Household Panel Survey (BHPS), which has lovely questions (like HILDA that is modelled on the BHPS). In addition to the usual demographics and labour supply stuff, it had questions that could relate to the workplace and payment mechanisms like: ‘are you on performance-related pay?’ and ‘when were you promoted?’ etc. That meant researchers could construct a history of payment mechanisms and promotion patterns (which we used in, for example, Booth, Francesconi and Frank 2002, 2003). Working in the institution that was responsible for collecting those data, the Institute for Social and Economic Research at the University of Essex, I had some unique research opportunities. I was responsible for adding the module on work-related training to the BHPS, which then allowed me to change the direction of my research in that field (e.g., Booth and Bryan 2005). A broadly similar module was later added to HILDA, and Pamela Katic and I published a paper in the Economic Record using these data.

Discrimination is a difficult area to get a handle on and the field experiments with Andrew Leigh and Elena Varganova represent my first foray. That research seemed to confirm one’s worst priors about what life is like for recent immigrants in Australia compared to the older immigrants. However, there was some good news in that the older established immigrants like the Italians were doing alright. The data also showed that the Indigenous Australian jobseekers were not doing as badly as the Middle Eastern and Chinese ethnic groups. I do not think that policy makers can do much directly about discrimination, now that the anti-discrimination legislation is in place. What they can do though is to work on employers and their attitudes. One example is to build on the existing reporting requirements for gender where companies are obliged to give information on the composition of their workforce. I think this

is important because the compilation and giving of this information must make employers more conscious about their profile and performance in this regard. This could be potentially done for ethnicity. Indeed, some companies are doing some such thing for Indigenous people as well.

(BH): Yes, the Reconciliation Action Plans (RAPs) promoted by Reconciliation Australia have encouraged many employers to formalise their goals and priorities with respect to Indigenous Australians, especially their Indigenous workforce. However, from my casual observation, RAPs are concentrated and larger firms.

(AB): And this means that small firms may still be free to discriminate as they will?

(BH): Quite possibly, and that may explain why my recent research is showing that Indigenous employment is disproportionately concentrated in larger businesses and workplaces. One of your listed areas of expertise on the ANU web site is experimental economics and behavioural economics. What is your main contribution in those areas?

(AB): Well, the behavioural economics listing relates to research looking at how individuals respond to incentives and the like, and whether or not this varies with psychological factors. With regard to experimental economics, in addition to the Leigh-Varganova paper, I've done a series of experiments with Patrick Nolen looking at the *formation* of preferences.

(BH): So what in your opinion are your major contributions to the Labour Economics literature (or 'top hits')?

(AB): *The Economics of Trade Union* is my most cited work and I am very pleased with that book. When I wrote the book, I got a grant from the Nuffield Foundation to buy out my teaching obligations, but my head of Department encouraged me to keep writing journal articles at the same time, because the emphasis of the UK Research Assessment Exercise is on that mode of research dissemination. In a sense writing a book was a 'luxury' but it gave me the time and space to put all my thoughts into one publication, which I could refer back to in later years. Any economist who is tempted to write a book should do it if they feel passionate about the subject. But the incentives are all weighted to writing journal articles rather than a longer more considered and integrated work like a book.

(BH): That reminds me of Steve Dowrick who once told me that economic historians write books, while economists write articles. Perhaps we have something to learn from the economic historians. Are there any other highlights of your career (so far) that you wish to mention?

(AB): The experimental economics papers with Patrick Nolen on preferences are getting lots of citations. That research seems to have addressed a niche – or to have 'hit' a particular spot – for some reason.

(BH): What were the major influences informing your research agenda, and the way you approach that agenda? By influences I am referring to either ideas or even important people that may have shaped the way you conduct research.

(AB): I've always been interested in the notion of imperfect competition, as that seems to mirror what goes on in the real world or economy. Political economy, rent sharing, public goods and externalities have also figured prominently in generating my research. My 2010 paper with Melvyn Coles, in the *Journal of the European Economic Association* and entitled 'Education, Matching, and the Allocative Value of Romance', was initially inspired by our reading of the nineteenth century political economist, John Stuart Mill.

(BH): I am particularly impressed by the diversity of your writing ... You have written several novels including the exceptionally well-received, *Stillwater Creek*, the first in your series (which I personally enjoyed reading by the way). What is your favourite book of fiction, work of art or music?

(AB): Thank you ... Probably my favourite is Patrick White's novel, *The Vivisector*, about an artist. But I read widely and eclectically.

(BH): That is telling? Apart from letting the reader know something about yourself, I want to get a sense of how important your career as an author of fiction is for your career. Indeed, on the ANU web site your 'area of expertise' includes 'Performing Arts And Creative Writing' (Australian and New Zealand Standard Research Classification code 1904) along with those alluded to above (Public Economics Taxation And Revenue, 140215; Labour Economics, 14021; Economics Of Education, 140204; and Applied Economics, 1402).

(AB): Writing fiction is an important part of my life. One of the things about writing economics is that it is quite formal. This is good because we are very disciplined in economics and we like to write with a logical approach. While academic economists are creative people, it is inherently difficult to combine that with a different creative endeavour such as fiction. It was a hard transition to make and for many years I confined myself to writing short stories, as a way to work up to a longer work. (Eventually a friend said, just write a long short story and see what happens. That's what I did.) And although fiction and economics represent such different ways of writing, I think that they can feed into one another. Now I am much more conscious of how I write in economics. As an aside, a very good exercise for economists is to go through a piece and try knocking out all of the surplus words. It makes you see what is important and what is not important.

(BH): When I started out in economics, my supervisor Bob Gregory emphasised the importance of telling a 'story' when writing economic analysis. Do you think that your skills as a story-teller have contributed to your success as an economic analyst?

(AB): Possibly. And I agree whole-heartedly with Bob Gregory that the 'story' is all important in effectively arguing a case and communicating a message. I would also add that you shouldn't have too many stories in an article. Ideally you should ensure that each paper has one strong story.

(BH): That is a point of contrast with fiction where it is common to have many narratives and complex 'points of view' woven into one story to make it interesting.

(AB): Yes. I like to do that, in part because it is a contrast with the economics papers I write, but also because it's fun trying to get into different people's heads. *Stillwater Creek* has its overall narrative told from six viewpoints (and each of these characters had their own story). The second novel, *The Indigo Sky*, has five narratives, and the last *A Distant Land* has three. But not all authors of fiction like to do that. I was reading a novel at the weekend that was told solely from the present tense, first person perspective; it makes for a slightly claustrophobic world but it can be effective and utterly engrossing.

(BH): An antidote to post-modernism, like economics itself? Now, what is the best way for economists to engage policy-makers in a constructive debate? Obviously, focusing your story on one strong narrative is one strategy, but do you have any other hints for labour economists and readers of the journal?

(AB): It would be a good start to make the story you're telling comprehensible to someone who is not an economist. Dissemination is also important, writing op-eds or giving media interviews. Perhaps op-eds are preferable as they give you more control over what is being said. And having an ongoing dialogue with policy makers is important as it builds a relationship that means that pilots, quality evaluations or even experiments may be possible.

(BH): Do you have any advice for people thinking of starting a career as a labour economist?

(AB): My advice is to read widely and not just stay in a narrow silo. Get out, go to conferences, and give plenty of seminars to get peer review. Even though it is costly in terms of time (especially for those with young families), it is really important to get out to network – and to learn. It is crucial to read outside a narrow area of economics, because who knows, you might get a brilliant idea from reading what they are doing in other sub-disciplines of economics.

(BH): Perhaps even fiction?

(AB): Well ... I am not so sure about that. Although Richard Cornes recently told me of a new book that relates Jane Austen's novels to game theory (Chwe 2013).

(BH): That would have to be classified as highly speculative (anachronistic historical) fiction in the library? Finally, as the former Editor of *Labour Economics*, do you have any suggestions for the future directions of the *AJLE*?

(AB): Perhaps one constructive strategy is to look to increase the engagement with the Asia-Pacific region much like the Australian Economic History Review has done recently.

(BH): That is a good hint. Certainly, during my time as Managing Editor of the AJLE we sought to increase our international contribution and audience with some success. Of course we have always had a substantial number of papers from New Zealand, but only published one paper from the Pacific (New Caledonia) and one from Asia (Japan) in the last five years. Increasing the international/external focus is important for the journal if we are to transcend the risk of parochialism that besets some national, policy-focused journals. All that is left to do is to thank you for your time Alison.

(AB): It was a pleasure, Boyd.

Citations to Alison's work can be viewed in Google Scholar at http://scholar.google.com.au/scholar?hl=en&q=al+booth+&btnG=&as_sdt=1%2C5&as_sdt=1

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