

The Jobs Letter

No. 103

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Essential Information on an Essential Issue

KEY

ANDERTON ON JOBS

THE MONEY OR THE JOBS

KERR ON FLEXIBILITY

MAYORS BACK CEG

CLINTON POVERTY TOUR

APEC PEOPLES
CONFERENCES

DIARY

25 June 1999

The NZ economy grew 0.7% in the first three months of 1999. WestpacTrust chief economist Bevan Graham says the country is out of recession but the recovery is still fragile with growth predicted to be only 1.5% this year.

27 June 1999

Job losses are expected as Nelson Bays Meat Processors plans to streamline the plant. As many as 100 of the 290 staff will go as the beef chain will be permanently closed.

28 June 1999

Social Services Minister Roger Sowry says the dob-in-a-beneficiary TV ad campaign was a success. Sowry says the uncovering of \$17m in fraudulent benefit overpayment can be attributed to the campaign. He also says the TV ads educated the NZ public so that 94% of NZ'ers now know that benefit fraud is a crime. The minister says that 1,871 fraudulent benefit overpayment cases were detected by the campaign.

WINZ benefit crime manager Joan McQuay reports that 160 of the fraudulent benefit overpayment cases have been referred for prosecution. She says there may be more to follow as all the investigations have not been completed.

- With the strong possibility of a change of government at the end of this year, attention is turning to **what a potential Labour/Alliance coalition will do about jobs**. If a coalition is achieved, Alliance Leader **Jim Anderton** will be a key contributor to economic policies. And action on jobs will be the top priority for the Alliance members of the coalition. In the next few weeks, the Alliance will be announcing details of its economic development policies which will include proposals for an **Economic Development Fund** to fund new job-rich developments in both the private and public sector. Jim Anderton is keen to see the establishment of a new Ministry of Economic Development and Employment ... and wouldn't be surprised if he finds himself as its Minister in a future coalition government. This Ministry would run the economic development fund through Regional Development Agencies similar to Scottish and Irish development models. In this issue of *The Jobs Letter*, we include excerpts of an interview with Jim Anderton on his proposals.
- Trade and Jobs have been in the spotlight this month, with the **Auckland APEC meetings** focusing local debate on tariffs and their effect on income and employment. PM Jenny Shipley told the Auckland's Northern Club that the APEC conference was showing us "how jobs and wealth are genuinely created" here in New Zealand.
- Last month the PM released a study by New Zealand Institute of Economic Research which showed that trade liberalisation has put **more money in people's pockets**. The study, prepared for the Ministry of Foreign Affairs and Trade, showed that the process of tariff removal begun in 1987 has delivered what Shipley calls "...the equivalent of a significant wage increase to New Zealand consumers". The report focused on four consumer goods that were subject to high tariffs — cars, household appliances, clothes and shoes. These items together account for about one-quarter of all household spending.
- The figures: tariff removals have led car prices to drop by 16% since 1987; household appliance prices have fallen by around 9%; clothing prices have fallen by 15%; and shoe prices by 5%. Jenny Shipley says that when we add all this together, typical New Zealand householders have **another \$7.30 a week** in their pockets, thanks to tariff removal in these four items alone. For a three-person household, that's a gain of \$22 a week, or \$1,140 a year. When the PM's economic advisers look forward to the year 2010, the gain for the average consumer is expected to rise to \$14.10 a week. This translates to an extra \$42 a week, or \$2,180 a year.
- Shipley: "In case you listen to the arguments that tariff reductions have meant job losses, let me tell you that during the same period, more than quarter of a million new jobs have been added to the economy. That's in the last decade. Yes there have been job shifts, and sector changes. But overall we've created more than a quarter of a million new jobs for New Zealanders..."

The Jobs Letter : ESSENTIAL INFORMATION and MEDIA WATCH on JOBS

EMPLOYMENT, UNEMPLOYMENT, the FUTURE of WORK, and related EDUCATION and ECONOMIC issues

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The Jobs Letter

DIARY

29 June 1999

Winston Peters says if he becomes government he will amend the Reserve Bank Act to include employment objectives and export growth as part of the policy negotiated between the government and the Governor of the Reserve Bank. Peters took this same issue into the last election but did not succeed in getting it into policy.

30 June 1999

Tegel Foods will close its chicken processing plant in Te Horo, in the Horowhenua, with the loss of 90 jobs. The company is expanding its facilities in Bell Block, New Plymouth, to accommodate for the expanded processing capacity that will be required when the Te Horo plant closes.

Some of the 80 staff losing their jobs as Carter Holt Harvey's Henderson tissue manufacturing plant closes may be offered jobs in Kawerau. The factory's general manager Howard Meadows says the tissue manufacturing operation is shifting to Kawerau and that Auckland staff with relevant skills would be offered employment there. Any further vacancies would be offered to locals.

After a week of announced job losses around the country, senior lecturer of labour studies at Massey University Chris Eichbaum is cautious about the statement that NZ has risen out of recession. Eichbaum says the redundancies announced by Solid Energy, British American Tobacco, Gillette, Carter Holt Harvey, Masterton Hospital laundry, Nelson Bays Meat and Tegel Foods, all within a week, must temper optimism about the economy. Eichbaum: "It certainly would suggest that any movement back into growth is extremely fragile."

1 July 1999

Competition for worker accident insurance comes into effect. All employers are to have chosen either a private accident insurer or be assigned one.

5 July 1999

"The evidence is clear. In terms of both jobs and prices, New Zealand is winning from trade liberalisation. This government has every intention of continuing down this path.

"I challenge other parties to get off the fence and say whether they support or oppose our APEC goals. While Mike Moore's position is clear, Helen Clark is still sitting on the fence, and Jim Anderton is trying to turn back the tide ... I challenge them to come clean."

- The Alliance has been quick to take up this challenge. Jim Anderton's view on tariff reductions is that the benefits to consumers in terms of price reductions have come with "**an horrendous human price tag**" for people who once had a job.

The Alliance has released figures that show at least **25,000 New Zealanders lost their jobs** as a direct result of tariff reductions since 1987. In 1987, 58,700 people were employed in making cars, clothes, footwear and associated industries in New Zealand. Now there are only 33,000 people in those industries. Anderton: "Most are likely to lose their jobs as more tariffs are abolished in the next few years ..."

The Alliance also reports that there has been **no gain in jobs for our exporters** by removing tariffs on manufactured goods. Jobs in Agriculture have only increased by 1,900 since 1987, whereas jobs in Manufacturing have decreased by 26,500.

- Anderton says New Zealand has sacrificed its own industries through tariff cuts — cuts which are far in excess of our major trading partners. And New Zealand still faces unfair tariff competition from our major trading partners. His figures:
 - tariffs on beef range from 10% in the USA to 50% in Japan and 70% in China.
 - tariffs on apples range from 18% in Japan, 48% in Korea and between 40 to 100% in China.
 - tariffs on butter and cheese range from 10% to 20% in the USA, 35% in Japan, and 40-95% in Korea.
- The Business Roundtable Executive Director **Roger Kerr** is concerned that if there is a change of government at the end of the year, then the **Employment Contracts legislation** will be repealed. Kerr criticises Labour and the Alliance for "wanting to turn the clock back", and says that the opposition parties seem unwilling to see that their criticisms of the Employment Contracts Act have not been borne out.

According to Kerr, statistics are showing that the number of work days lost through strikes has fallen since the legislation was introduced, and the average weekly earnings has risen from \$564 in May 1991 to \$682 in February 1999. New jobs have been created and unemployment has fallen from 11% to 6% by 1998. Kerr: "It could have been down to 4% by now had NZ maintained the momentum for change..."

"In the labour market we can ill afford to go back down a path of re-regulation and union involvement. It is paradoxical that those who claim to care most about the unemployed and people on low incomes continue to promote policies that keep people out of work and widen income inequalities. NZ has been moving in the right direction and should go further. Unemployment and labour market performance generally, is a matter of choice."

(continued on page five)

FEATURE

JOBS — The No.1 ELECTION ISSUE

In an interview with The Jobs Letter, Alliance leader JIM ANDERTON outlines how he would make a difference on jobs.

ON INVESTING IN EMPLOYMENT

- There needs to be a plan to lift employment levels and that plan will only be designed and implemented or inspired by the Government of the country acting as a catalyst. The private sector doesn't have any individual interest in doing it — even though its for its own good — because no individual on their own can afford to lift everything to the point where it is to their good.

The Government can do lots of things. For example, when Ruth Richardson cut a thousand million dollars out of the incomes to the poorest New

Zealanders in 1991 that flattened the economy stone dead like it had been hit by a sledge hammer. The reason for that was that most of that thousand million dollars was being spent by poor people in their own communities. It was spent on food, clothes, paint, shoes ... and the local community benefited. So that shows you the dramatic impact that Governments can have.

"Unless you have a development programme that goes with the Employment Ministry, all you're doing is watching..."

— Jim Anderton

The question is: how does a Government get involved more positively in job creation? The first thing is that the Government has to be prepared to invest in jobs.

- The Alliance will create an economic development fund that supports a Ministry of Economic Development and Employment. We want to see a Ministry developed that is associated with a Minister of Employment. The Minister of Employment, at the moment, simply announces the unemployment figures ... basically that's all he or she does. Unless

THE ALLIANCE VIEW

- The Alliance believes that full employment has to be the aim of economic policy. This is not just about any old job, mac job, odd job or dead-end job. It means satisfying and socially useful work at an increasing standard of well-being.

- Moving away from our present dependence on exports of crude commodities gives us the best hope of reaching and maintaining full employment. Slowly and surely, the mobilisation of the renewable resources of the regions by New Zealanders for New Zealanders will transform the New Zealand economy.

- Many ideas for new work opportunities go to waste for lack of assistance, expertise or finance. The Alliance will empower local communities to take back their own economic futures:

- Housing in Northland

- Venture capital for establishing new technology industries in the regions of New Zealand (Scottish Development Agency, Irish Development Agency, European development model)

- Pest eradication in our forests and agricultural-horticultural areas.

- The Alliance will establish an Economic Development Fund through which it will dispense Government backed loans for employment rich, envi-

ronmentally sustainable new development projects either communally or privately owned.

- Community Commissioners for Jobs will be appointed and co-ordinated by Regional Development Agencies to work flexibly with local communities to find and develop employment opportunities. They will motivate, identify opportunities, provide advice and help in the development of suitable projects.

- Local development projects could be proposed and developed by Jobs Commissioners, tribal groups, local authorities, industry groupings or communities.

- Only projects which lead towards full employment and are sustainable will be supported. These will include:

- New technology manufacturing;

- Tourism;

- Added value industries associated with horticulture, agriculture, fishing, forestry;

- Improved social service infrastructure - roads, public transport, schools, hospitals, housing and skills training to improve the level of technical ability in the New Zealand workforce.

Source — Jim Anderton MP, Leader of the Alliance, speaking to the Employers Federation Canterbury Conference, Centra Hotel, Christchurch, 29 June 1999

The Jobs Letter

you have a development programme that goes with the Employment Ministry, all you're doing is watching. So we want a Ministry of Development and Employment and we want resources for that Ministry.

The first resource would be an economic development fund that would be accessible to local communities to develop sustainable jobs on the basis of the nature of their economy, and the opportunities that that economy presents.

So those jobs will be different in various parts of the country. For example, in Northland, one of the potential job opportunities will be training young Maori apprentice carpenters and builders to build the houses that they desperately need up there.

Investment in housing in the North will pay dividends both socially, in terms of the quality of the housing, and you will create jobs at the same time. These jobs would add value and improve the economic base of the community because people are working — they are being paid wages instead of being on the dole.

ON THE LONG-TERM VIEW

- The government has got to invest in New Zealand for the long term because most market investment is for the short-term — it's only to get a return on shareholders funds this year. Only governments can position themselves to invest in the long-term future of the country because they should have a long-term view.
- There needs to be an integrated programme that looks at the infrastructure of New Zealand as an integrated whole in terms of employment opportunities.

Closing down services actually closes down the communities. It makes them less and less viable. Every time you close a service in a small community you make it less viable and you force that community into the large centers, where you have to wait even longer to get into hospital and the crush to get jobs is even greater and the alienation from your roots is deeper.

ON A REGIONAL FOCUS

- There are three elements to this - national, regional, and local. The principle we're basing this new direction on is a European model.

New Zealand has been following a kind of New Right model that comes out of the monetarist schools of Chicago. That's a minimalist government model that elevates the market to the arbiter of everything. What it says is that whatever the market deals you ... that's the best thing. What it says to

regions is that if some region of New Zealand is failing badly, let it fail. Because the market says that's the way it is ... that's life and just get real and get on with it.

- The European model says that where you have weak regions which under the market are left to rot, you actively strengthen the regions. The Europeans believe they cannot have a strong Europe if they have weak regions within Europe. So they have deliberately gone to the weak regions and they have invested heavily in those regions.

" Why would a private sector corporation go and invest in a region that is dying? It's not going to do that. But if the Government says that we're not going to let this region die, and we're going to invest here ... the private sector will follow. ."

— Jim Anderton

- So the regional approach also means intervention, and that means that the government invests. It's not a matter of picking winners it's a matter of planning for winners. And you have to do it with the private sector, because the private sector is important — there's a partnership here.

We've got a mixed economy — the public sector won't do it on its own — but the private sector won't do it unless the public sector shows some interest. Why would a private sector corporation go and invest in a region that is dying? It's not going to do that. But if the Government says that we're not going to let this region die, and we're going to invest here ... the private sector will follow.

ON THE DELIVERY MECHANISM

- The economic development fund would have, as its administrative arm, a "peoples-bank". we would re-establish the Postbank through the Post Office. Funds would be allocated on an approved basis via employment/economic development fund commissioners or representatives of each region. These people would be responsible for assessing what's happening in their own regions and working with their communities to bring forward the potential projects that were to be funded.
- From that capital budget will come investment in all the areas of education, health, pest eradication and all that starts to build the base of New Zealand from the local community level. But you have to invest in it to make it happen. Just wishing it will happen won't be enough.

The Jobs Letter

DIARY

There is great potential for community groups to create jobs through waste minimisation programmes, according to Cliff Colquhoun. As manager of the Kaitaia-based Community Business and Environment Centre, Colquhoun says the mounting cost of waste disposal means there are jobs waiting to be developed in recycling, running education programmes and in new industries using waste materials. He encourages community groups to take on community education programmes, train "waste minimisation missionaries" and help job-seekers learn the teaching and selling techniques to promote waste recycling.

6 July 1999

As the Youth Corps programmes shift from the Ministry of Youth Affairs to WINZ today, all new participants on youth corps programmes will come under WINZ community wage rules. This means new participants who are 16 and 17 years old will now not be eligible for the \$95 per week allowance unless they are estranged from their family.

Labour's youth affairs spokesperson Lianne Dalziel says that the Ministry of Youth Affairs had not discussed the ramifications of this change in entitlement with WINZ and that there had been no discussion or consultation on the issue.

7 July 1999

Labour's Steve Maharey questions whether WINZ is placing greater focus on promotion of the agency itself and neglecting core activities like providing computerised job search services in all centres and knowing how many vacancies were listed.

9 July 1999

China. A further three million state sector jobs are to be lost this year according to Chinese Labour Minister Zhang Xinhua. It is estimated that six to seven million people have already lost state sector employment. China does have welfare assistance that is intended to give basic living expenses to those laid-off, but media reports indicate that the fund is not large enough to cover the need.

Maori will be well represented in the training for casual work at the new

- Roger Kerr told a Wellington Chamber of Commerce meeting that the belief that full employment is a thing of the past and unlikely to be achieved again "... is nonsense, as the US is showing us today."

Kerr: "There is no reason why we should not be looking back in a few years time on the high unemployment rates of the 1980s and 1990s as an aberration, just as the high inflation years of the 1970s and the 1980s are rightly seen as an aberration today. To boost productivity and employment prospects, the key step is to establish full freedom of contract in the labour market..."

Kerr sees the key factor in unemployment as one of employers being **reluctant to employ** during an economic recovery because of the inclusion of **personal grievance provisions** in contracts. He wants these to be made a matter of voluntary negotiation: "Open labour markets allowing workers to quit unsatisfactory jobs and employers to fire unsatisfactory workers are the greatest protection for both parties against individual injustice. Other protections can be negotiated by contract, if both parties wish ..."

- *Statistics That Matter: The TAUPO electorate* contains 21,837 households, of which 44% have household incomes below \$30,000 per year before tax. That 44% is equal the rate for the country as a whole. There are 33,675 adults aged 20-59 in the Taupo electorate, of whom 58% are in paid, full-time work. Another 12% are in part-time work. Unemployment in the electorate is 4% above the national average.

Localities in the Taupo electorate which have high levels of deprivation are: Rangipo, Taupo East, Mangakino, Tokoroa: Central, Stanley Park, Parkdale, Matarawa, Strathmore. Turangi, Wairakei-Aratiatia, Raetihi and National Park.

- Mayors from around the country have joined to support Labour's disapproval at Work and Income New Zealand's plans to restructure the operations of the **Community Employment Group**. Labour spokesperson on employment **Steve Maharey** wrote to mayors last month to draw their attention to the WINZ review of CEG. He has received responses from over a dozen mayors — and reports that the majority have written in support of CEG and its work.

Maharey: "It is clear that WINZ is proposing changes which will see the end of CEG as a stand alone organisation focused on community economic development. It appears CEG will be merged into WINZ and focused on helping individuals find community wage work. Such a change would be very short-sighted as community development has a significant impact on long-term development within regions. It is time for WINZ to listen to the communities it is there to support. Its track record of managing change has been disastrous, so why risk a programme that is accepted as having positive benefits?"

- **US President Bill Clinton** last week embarked on a week-long **tour of impoverished areas of the US**, including the first visit of a US president to an American Indian reservation this century. His visits were to highlight the plight of the nation's estimated 36m poor people, and to promote to business leaders that depressed areas do offer commercial opportunities.

Clinton highlighted a Department of Housing and Urban development study that found that inner city neighborhoods have \$US 330 billion in

The Jobs Letter

DIARY

Wellington regional stadium. WINZ acting regional commissioner Pat Houston says the agency has been asked to find as many as 800 people, mostly long-term unemployed, to be trained as ushers, guards and other casual jobs. She says Maori represents a high proportion of the long-term unemployed and they would be targeted to fill those training positions.

11 July 1999

Treasurer Bill English outlines the government's proposed changes to the income tax rate. The new structure would abolish the low-income rebate and take the earnings threshold for the highest rate of tax from \$38,000 to \$40,000.

The proposed tax rates are 15% on the first \$9,500, 20% on \$9,500 to \$40,000 and 33% on all income over \$40,000. All people earning more than \$40,000 will get the maximum of \$10.50 tax cut per week. Those earning \$35,000 will get a \$5 tax cut, and those earning \$30,000 will get \$4. English: "For those on lower incomes, this sends a really important message, and that is that improving your situation and getting into work is worth it."

12 July 1999

Labour Leader Helen Clark says her government will scrap any tax cut legislation immediately on taking office.

Editor

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purchasing power. Much of this however was not spent in the inner cities because so few businesses are willing to locate there.

Clinton used the poverty tour to promote his **"new markets" initiative** involving tax credits and loan guarantees for businesses that invest in distressed areas. The new tax credit would be given for up to 25% of the money a firm invests in poor areas. According to the Reuters news service, this is expected to generate \$6 billion in new equity capital into the areas, while costing the federal government only about \$980 million over five years.

At every stage of the tour the president was accompanied by company executives and bankers. He told the coal-mining town of Hazard, Kentucky: "I came here in the hope that we can say to every corporate leader: Take a look at investing in rural and inner-city America ... It's good for business, good for America's growth and it's the right thing to do..."

- **"Community Banking"** is the theme for this year's COMMACT annual conference to be held in Wellington on 3 August. Special guest at the seminar will be Russell Jenkins from the Bendigo Bank in Australia. For more information, contact COMMACT at P.O.Box 423, Auckland phone 09 302 2496 fax 09 377 4804.
- There are two **APEC "peoples" conferences** being held in Auckland just before the Leaders Summit on September 12-13.

"Reclaiming APEC" is a conference being held at the Auckland University from Tuesday 7th to Thursday 9th September. The conference is supported by Proutist Universal, the Sustainable Futures Trust, the Pacific Institute of Resource Management, the Aotearoa New Zealand Environment Trust, and Native Forest Action. Guest speakers will include Walden Bello, Hazel Henderson, Sir Paul Reeves, Pita Sharples, Sukhi Turner, Marilyn Waring, Jeanette Fitzsimons, Sohail Inayatullah, and Marion Wood.

The conference flyer describes the gathering as a chance to critique APEC's "misguided direction" and to develop positive models for people and earth-centred development. For more information contact bdyer@prout.org.nz or the conference website at www.prout.org/apec

- The **"Alternatives To The APEC Agenda"** Conference will be held in Auckland on Friday 10th to Sunday 12th September. It is organised by the Aotearoa/New Zealand APEC Monitoring Group and sponsored by GATT Watchdog, CAFCA and the NZ Trade Union Federation. Speakers here include: Antonio Tujan, Executive Director of the IBON Databank in the Philippines; Moses Havini, of the Bougainville Freedom Movement; Sunera Thobani, of the Simon Fraser University in Canada; Crispin Beltran, the Chairman of Kilusang Mayo Uno (KMU) in the Philippines; and New Zealanders Dr Jane Kelsey, Moana Jackson, Annette Sykes, Robert Reid, Radha D'Souza, and Aziz Choudry.

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