

The Jobs Letter

No. 109

11 October 1999

Essential Information on an Essential Issue

KEY

LESTER THUROW ON
CAREERS

WINZ STATS

HARDSHIP SURVEY

MANUKAU YOUTH

SIGGY ON THE ROAD

WORKING HOURS

DIARY

16 September 1999

The government commits as many as 1,000 New Zealanders to the United Nations peacekeeping mission in East Timor. About 50 NZ Special Air Services soldiers arrive in Darwin and another 400 army personnel are expected to follow within the week.

Budget advisors throughout NZ are struggling under the increased workload according to the Federation of Family Budgeting Services. President Robyn Evans says their 154 affiliated services have had 40,000 new clients this past year, an increase of 30%. Debts of clients exceed \$56m and Evans says these debts are not large credit card or hire purchase arrears, they are the basic living costs of rent and power. Evans says cases are becoming more and more time-consuming as volunteers become involved in negotiations between clients and creditors, as well as interpreting consumer, tax and social welfare legislation.

The Alliance's tertiary education policy is released. It includes restoring student allowances for all tertiary students 16 years and older to the level of the unemployment benefit. It also includes phasing out tertiary fees over three years, eliminating interest for student loans over the three years as that scheme is wound down, holding an inquiry into how to deal with the existing student debt and appointing a commission to help shape the future of the country's tertiary education system. Jim Anderton says the changes would

• Winz reports that the **numbers of registered unemployed rose 9.4%** in the first nine months of new department's operations. There were 213,760 people registered as jobless with Winz at the end of June, up 18,356 people from October 1st last year.

The number of **long-term unemployed** (over six months) has been one of the key objectives that the government has set for Winz. This figure has risen 8% or 9,100 more people in the nine-month period.

In this time, Winz has also found **unsubsidised work for 11,233 people...** or about 5% of their unemployed "customers".

• At the end of June, there were 9,278 people engaged in **Community Work**. This represents 4.3% of the overall number of people on the Winz register. A total of 25,882 people, or about 12% of the unemployed, have participated in the Community Work programme over the nine-month period.

• Also at the end of June, there were 10,057 people engaged on **subsidised work** (Task Force Green, Enterprise Allowance, Job Connection and Job Plus) ... or 4.7% of the register. In the nine months, Winz found subsidised work for 14,230 people ... or about 6.6% of the register.

• Winz has just **passed its first birthday** after a very challenging year. It's retiring minister, Peter McCardle, has circulated tributes around the press, saying Winz has made solid progress in reaching the targets it was given.

McCardle: "Thousands of unemployed people have taken part in Community Work projects, despite the attempt by the Labour Party to drum up a boycott. There has effectively been no boycott. Close to 5,000 organisations are taking part, and our target in terms of people taking part has been reached. Early figures suggest around 30% of participants are moving into paid employment as a result, but those figures are provisional."

McCardle reports that most Winz offices are now integrated, and the majority of staff have done their training and are now **multi-skilled** in both benefit management and employment support. He concludes: "There have undoubtedly been mistakes over the first year in some areas, but I am convinced Winz is on the right track and fast achieving its big picture goals, especially in employment..."

• Meanwhile, Winz boss **Christine Rankin** has sent an internal memo to her staff criticising the recent *North & South* feature article by David McLoughlin as a **vicious personal attack** (see the last *Jobs Letter*).

In the two-page memo, Rankin says the media has no right to intrude into her private life. Rankin: "I am not elected by the people of New Zealand by popular vote, and my life is not an open book for judgement by people who have never met me..." She says McLoughlin takes "delight in repeating the worst of the personal abuse in other media ... This is vicious and absolutely unacceptable." Rankin had refused what McLoughlin said were "repeated requests" for an interview, saying that she had "nothing further to add to the interviews I had already

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

be financed through a land tax on commercial property. The tax would begin at 1% per year for properties valued at over \$500,000. Exemptions from the tax would be farms, Crown land, Maori customary land and forest reserves.

17 September 1999

Fewer students from low-decile schools are going on to tertiary institutions. In just four years the number of students going to university from schools ranked in the 1 – 3 decile range has declined by 23% and polytechs have had a decrease of 17%. Figures for students from wealthy areas have increased at universities by 25%.

19 September 1999

John Whitcombe 1943—1999.

Post Shops are being replaced by about 30 Books and More retail outlets. NZ Post says it means to redeploy and relocate their people but their union says few have jobs in the new shops. Union secretary Rex Jones says about 100 of the Post Shop staff are already aware they are losing their jobs.

21 September 1999

Tertiary Education Minister Max Bradford says the Alliance's commercial land tax will cost jobs. Bradford says escalating costs would make businesses unable to employ more staff.

More job growth is expected in the Western Bay of Plenty. A Waikato University Department of Economics report says BOP growth is expected to be three times higher than the national average and Dr Warren Hughes says job growth there will jump 10.2%. Tauranga Economic Development Agency chief executive Ian Madden, whose agency commissioned the report, says the research contradicts recent trends. Madden says that the region grew 9% each year over the last three years and yet unemployment is at 11.3% in the region, substantially higher than the national average.

23 September 1999

NZ's current account deficit for the year to the end of June is the worst in 13 years. The country has imported \$6.3 billion more than it exported over the last year.

done..." She denies the allegation that Winz has erected a "fortress of silence" around itself since July, saying that she has given a "significant number" of interviews and answered a large number of official information applications.

- Another pre-election "wake-up" call has come with the release of a study on the **living conditions of the poorest New Zealanders**. The study was done by the social policy research unit of the Anglican Family Centre in Lower Hutt. It interviewed 400 randomly-selected low-income households in Auckland, Hamilton, Tauranga, Napier, Hastings Palmerston North, Wellington, Christchurch, Dunedin and Invercargill.

The survey tried to identify the main sources of financial drain on these poor households. The main culprit: **the costs of housing**. It found that a quarter of these households pay 50% or more of their net income on rent or mortgage. Almost 45% pay more than 40% of their income, and 73% pay more than 30% on housing costs.

The Anglican Centre says that the general rule of thumb is that no more than 30% of the household income should be committed to rent or the mortgage. (The study also found that housing for these poorest NZ'ers is now fairly evenly spread between Housing NZ and private rentals).

- Other findings from the survey:
 - 64% of these households were in debt
 - 36% had debts of \$1,000 or more, and 20% had debts of \$2,500 or more
 - 49% had been unable to provide a meal for their families at least once in the previous three months, because they could not afford it. 28% had not been able to provide four or more meals in the same time period
 - 47% had at least one member of their household who suffered from a chronic illness
 - 56% had household members who did not visit the doctor when they needed to because they could not afford it
 - 56% had members who could not afford to pay for medicine or a prescription at least once in the previous year
 - 40% were living in over-crowded houses
 - 42% received support from their families
 - 24% used foodbanks and other community support.
- The **Rev Charles Waldegrave**, one of the authors of the report, says that the findings raise "serious questions about the effectiveness of social policy outputs in New Zealand." He also says that stereotypes of low-income householders as profligate drinkers, smokers and gamblers were not supported in the survey.
- The polling company ACNielsen was contracted to select the population sample and help administer the questionnaire. Households participating in the survey had to fall below the poverty line set five years ago by the **New Zealand Poverty Measurement Project**. Households had to have no more than 60% of the average disposable income, depending on household type and number of adults and children. A household of one adult and one child was considered under the poverty line if the disposable income, after housing costs, was no more than \$17,000 a year. A household of two adults and two children would be under this poverty line if their disposable income was no more than \$26,000. The Poverty Measurement Project has estimated that 18-20% of NZ'ers are living below this line.

(continued on page five)

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To develop and distribute information that will help our communities create more jobs and reduce unemployment and poverty in New Zealand.

TRENDS

LESTER THUROW on SKILLS and CAREERS

LESTER THUROW argues that the biggest unknown for the individual within the “knowledge-based” economy is how to have a career in a system where there are no careers.

In his new book “Building Wealth”, Thurow describes how the new economy is dismantling the old foundations of personal, business and national success. For the individual, this has meant that the old career ladders are disappearing. And just what they are being replaced by ... is still very unclear.

The individual hears the constant words of advice on what they will need for the “information age”: skills, skills, skills. But, to Thurow, if our nations do not also re-organise themselves amidst this new economic landscape ... then people will be unable to make rational choices on what skills to invest in.

In this special feature, *The Jobs Letter* presents Thurow’s views on how skills and careers are faring in the new “knowledge” economy.

ON EDUCATION AS AN INVESTMENT

- Education has always been a high-risk investment for the individual. More than 20 percent of all college graduates will end up making less than the average high school graduate. They invested and it did not pay off. But recently it has become even riskier. How does one plan the investments necessary to have a career in the face of corporate downsizings at profitable firms?
- For my generation of high school graduates, the concept of a career had meaning. During the 1950s in Montana, where I went to high school, many high school graduates started as laborers in the copper mines. Starting wages were good, and one could count on annual raises of two or three percent.

There was a skill ladder. Laborers moved up to operating underground trains or other kinds of heavy equipment, learning the necessary skills by working as assistants to the operators. Someone who demonstrated intelligence and judgment could be given responsibility for setting off underground explosions. Each promotion meant higher hourly wages.

When a worker reached his mid-thirties, he could expect to take the last step on the earnings ladder and become a contract miner, who was paid for each foot of

tunnel dug rather than by the hour. He was no longer a wage slave. On this career ladder high school graduates could match college graduates in earnings.

But that’s all gone now. Those mines were shut down. The thousands of people who worked there were laid off.

- What used to be true only in declining industries — that skills suddenly become valueless — is now true everywhere. Downsizing is a way of life even in good times. In a global economy, if skills are cheaper somewhere else in the world, companies will move there to lower production costs. They aren’t tied to any particular set of workers. When new knowledge makes old skills obsolete, firms want to employ workers who already have that knowledge.

- Something is happening in the 1990s that has never happened before, and it’s part of this knowledge economy. In the past, if a company was going broke, it always laid people off — that’s the American way. But we didn’t have people laid off and downsized in profitable companies until the 1990s. Today, about 800,000 Americans a year lose their jobs despite the fact that their companies are profitable and they personally are doing good jobs.

Now that’s a brand new world, and it makes it very tough to have a career, because what happens to you when you are laid off at 35, 45 or 55? How do you get back onto some reasonable career ladder?

“With career ladders in place, the ambitious worker of the 1950s or 1960s could figure out what skills were needed for advancement. But without career ladders, how does anyone rationally plan an educational investment?”

— Lester Thurow

ON CAREER LADDERS

- If career ladders don’t exist within any one company, maybe they exist across different companies. This would mean that a good initial performance at Company A would lead to training opportunities, a better job, and higher wages at Company B. But the world doesn’t work that way for most employees.

Companies don’t tell other companies who their good employees are — even if they have no promotion opportunities to offer those employees. They don’t want to lose them. Similarly, they don’t tell other companies about their bad employees. They don’t want to open themselves up to lawsuits. If asked, and they seldom are, companies are willing to tell other companies just one thing about a worker seeking a new job: Yes, that person did work for us.

In this context a good performance at Company A doesn’t matter, because it does not lead to opportunities for training and promotion at Company B. When workers move from one company to another, they simply start over at another entry-level job; there is no progress up a career ladder.

The rational strategy is to keep moving until one finds a company that still has internal career ladders. But as such companies become fewer, the number of high school graduates with real career opportunities ahead of them declines to the vanishing point.

ON FALLING EARNINGS

- The issue is not jobs. It is high wages and careers. If wages fall to be commensurate with skills, jobs are always available. That is what the American experience proves. Jobs have never been more plentiful than they are in the 1990s, yet wages have been falling for more than half of the work force. In contrast with jobs, careers are in very short supply in America.

With career ladders in place, the ambitious worker of the 1950s or the 1960s could figure out what skills were needed for advancement. He or she knew what to take in night school. But without career ladders, how does anyone rationally plan an educational investment? What skills will pay off? No one wants to waste investment funds on skills that will go unused.

- The lack of career opportunities is dramatically visible in earnings data. The gains in real annual earnings of high school graduates aged twenty to forty are much smaller than they used to be. There are lots of jobs, and unemployment is low, but opportunities to acquire skills and the higher wages that go with them don't exist. As a result, earnings profiles are flatter. The lack of on-the-job opportunities to acquire new skills is another reason that the wage gap between high school graduates and college graduates has gotten much bigger in recent years.

Real wages have also been falling for most of the labour force. At the same time, wage gains for those in the top 20 percent of the work force have never been larger. The widening disparity in earnings and wealth doesn't create problems for the economy (it simply produces more luxury goods and fewer middle-class goods), but it probably does create long-run political problems in a democracy. How does one preach political equality in an economy of ever-growing inequality?

ON TRAINING ON-THE-JOB

- Historically, on-the-job training has been central to skills acquisition for much of the population. But with downsizing, the days of extensive on-the-job training have ended. What replaces it? In economics textbooks workers start to pay employers for the training they used to get free, when they were expected to be lifetime employees, by working for wages below what they could get from an employer who was not providing training. This has not happened. Judging what skills to buy from one's employer is no simpler than judging what skills to buy from an outside institution.

- Paradoxically, just when one would think that firms would be building closer relationships with their key knowledge workers, in order to keep them committed to the firm, they are smashing the implicit social contract with these workers.

Knowledge workers, like other workers, are now fired when not needed or when their skills become obsolete. They, too, see a reduction in their real wages when cheaper alternatives are found elsewhere in the world.

Firms invest less in on-the-job training for knowledge workers even when they want them to stay around, because they know that in the future fewer of them will stay around. If workers are laid off when not needed, the smart ones know that they should leave whenever an even marginally better job opportunity presents itself.

- As job uncertainty rises, the numbers of those with a strong interest in the success of their current employers dwindle. Surveys show that although attachment to their occupations has remained constant for American workers over the past two decades, the number of those with a strong attachment to their employers has gone down by a fifth. The system is evolving toward less commitment and less investment in skills just as it should be moving in the opposite direction.

"The system is evolving toward less commitment and less investment in skills just as it should be moving in the opposite direction ..."

— Lester Thurow

- The basic problem is that every employer wants a free ride in the training system: "You train, I'll hire". Whenever unemployment is low, employers who themselves do no training bitterly complain about the shortage of trained workers. They see nothing strange about their complaints.

As for the employees, without career ladders they cannot intelligently acquire the right skills on their own. Since they will be switching employers frequently, they don't know what skills they will need or how long those skills will be relevant to their earning opportunities. As a result — rationally — they don't invest in skills.

- When it is clear that something must be done but rational individuals and companies won't do it, society has to reorganize itself to make what is individually irrational into something that is individually rational.

There is a simple solution. For example, France levies a training tax of 1.5 percent of payroll. The purpose is not to collect taxes but to make it rational for every employer to train. Employers can deduct their expenditures for training from that 1.5 percent tax. Thus if they spend 1.5 percent of their sales on training their work force, they pay no tax. Since the money will be taken away from them if they don't train, training becomes a free good as far as the firm is concerned.

No one tells employers what skills to teach their workers, but they are effectively being told that they must teach some skills.

Such a system aids everyone. It makes employers invest as if there were career ladders even when these have been abolished. If all employers have to invest, no one gets a free ride.



Building Wealth

— The new Rules for Individuals, Companies and Nations in a Knowledge-Based Economy by Lester C. Thurow (pub 1999 by Harpercollins) ISBN 0-887-3051-8

The Jobs Letter

DIARY

24 September 1999

Economic activity drops -0.3% during the last quarter. While economists are clearly surprised by the decline, most say NZ is not heading back into recession. A survey of economists says they expect the annual rise in GDP to 2.4% by March 2000.

Redundancies hit Rotorua as the Forest Research Institute management tells staff it will cut numbers by 10% or 40 people.

26 September 1999

The government announces the next election will be held on the 27th November.

27 September 1999

Fletcher Challenge's annual report says that the company's staff dropped 20% over the last year. The company now employs 16,000 people.

28 September 1999

Plans to relieve some of the debt of the world's poorest countries may unravel according to Oxfam International. In June, the G7 nations agreed to cancel approximately one-third of the total \$US214 billion debt to the world's 20 heavily indebted poorest countries. But these financial commitments are not secured and there is dissension about the way the burden will be born. France and Japan, who are the most exposed of the creditor countries, stress that the debt relief programme must be shared out fairly, rather than them being landed with the main burden.

29 September 1999

Labour announces its tertiary education programme that would see changes to the student loan scheme, borrowing entitlements for course costs increased and the bringing back of compulsory student association membership. Under the policy, there would be no interest accrued on student loans until the person finished studying, repayments would not begin until they earned \$25,000 per year and market interest rates would not apply to their loans until they begin earning over \$30,000.

3 October 1999

NZ First leader Winston Peters says his party's top priority would be to amend the Reserve Bank Act to include employment and export growth. Other NZ First policies include tax breaks for

- A report for the Manukau Employment Consortium has found that **youth unemployment** is costing South Auckland more than \$223m a year.

The report, entitled *The Costs of Youth Unemployment in Manukau*, was produced late last year by the accountancy firm Ernst and Young ... but has only just been released to the public. It calculates that the direct and indirect costs of each unemployed person under 25 years of age in the region **amount to \$58,760**.

- The Employment Consortium is a collection of government and community agencies in Manukau which was formed in 1997 to tackle youth unemployment in the region. They commissioned the Ernst and Young report in order to highlight the extent of the problem in South Auckland. The consortium has also piloted a **mentor scheme** aimed at the one quarter of the region's youth who leave school without a qualification. The scheme is designed to help give students the message that education is the key to a job.
- Young NZ'ers, particularly school-leavers, have the highest rate of unemployment compared to other age groups. The unemployment rate for people under 25 years was 14.7% at the end of June 1999, **more than twice the national average**.

The Manukau region has one of the youngest populations in the country, with 35% of the population under the age of 20 years. Stella Ford of Skill NZ, and a consortium member, remarks: "The youth population here is going to grow ... so youth unemployment is going to become more of an issue in the future ..."

- **Leah McBey**, Dunedin City Councillor and community economics activist, has just returned from a five-week study tour of **alternative currencies** in Europe and the US. She reports a surge of interest in complementary currencies in the Northern Hemisphere (see also *Hazel Henderson* interview, last issue).

Her research centred in on four types of alternative currency: corporate scrip and associated e-currencies; a new commodity-backed global currency called TERRA, which will be launched within 5 years; market-based currencies such as green dollars, Barataria and Ithaca Hours; and non-market currencies such as Time Dollars.

Time Dollars in the US is a simple, tax exempt currency which promotes itself as rebuilding "social capital". The Time Dollar schemes have been running for 13 years now, and it can be used in health insurance payments, payments for the Youth Court, peer tutoring, local authority housing rentals and employment agencies.

McBey reports that there was not yet much evidence of these schemes directly influencing job creation in the marketplace: "But I saw abundant evidence that complementary currencies are powerful tools in rebuilding neighbourhoods, reclaiming citizenship and redressing the multiple problems individuals experience when socially excluded..."

McBey believes that now is the right time to be presenting models for the new economy which include complementary currencies. Her recent booklet, entitled *Leah McBey's Town Plan for Dunedin: An Economic Anti-Depressant* includes many examples of the use of different currencies. It is available from Otakou Community Enterprises, c/- Colin White, RD2 Otakou, Dunedin, or contact Leah McBey at the Dunedin YWCA ywca@earthlight.co.nz.

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exporters, suspensory loans for new companies that create jobs in the provinces and mortgage guarantees for farmers.

A Japanese communications equipment company, Allied Telesis KK, plans to extend its Christchurch lab. The company, which now has 25 engineers, expects to have 100 by the end of 2000, and intends to have a total of 200 engineers within three years. Allied's Keith MacFarlane says the firm is looking for PhD level software and hardware graduates and that the company is likely to have to recruit overseas to fill these vacancies. He also suggests the expansion of Allied Telesis KK is likely to push up wages in that industry.

5 October 1999

Canterbury University students occupy the university registry office in protest of anticipated fee increases.

6 October 1999

A new study of NZ values says that an overwhelming number of NZ'ers want greater government spending in service areas. Of the 1,200 people questioned in the *New Zealand Politics at the Turn of the Millennium*, 93% support more money spent on health, 90% support further spending on education, 63% support more money for training for unemployed and 60% want more money for pensioners.

About 100 Victoria University students occupy the registry there in protest of higher fees and in support of university staff who strike tomorrow. Victoria's vice-chancellor Michael Irving says the government's decision to cut student funding requires the institutions to raise fees, and salary demands of staff would cost another \$3m. He says the university is continuing to make representations to government about the rising cost of tertiary education.

Editor

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- Taranaki long-distance runner Siegfried Bauer is halfway through his 454km **"right to work"run** from Wanganui to Auckland. Siggy, who is an internationally renowned athlete, has come out of retirement to make this run and ensure that job creation becomes an election issue.

He says his journey will highlight the 200,000 people who are jobless in New Zealand: If you stood these people in a line with two metres separating each of them, then this line of jobless would reach from Wanganui to Auckland. Bauer: "It's not just unemployment I want to highlight. It's the fact that a lot of the jobless figures are hidden and manipulated by the government. People working in very small part-time jobs, work schemes and in training don't show up in the unemployment figures..."

Bauer will reach Auckland on October 16th.

- A **new resource for schools** entitled *"The Changing World of Work"* has been produced by **Lesley Taylor** of the careers consultancy Workshape. It is a NZ-based resource which aims to give students a straightforward and accurate overview of what's happening to jobs.

The booklet is 30 pages long — full of charts and illustrations — and aimed primarily at secondary school students for use in social studies and careers guidance. It contains a historical look at work in NZ and in other countries, changes in gender roles around work, the kinds of jobs available in the three main employment sectors, and the impact of technology and globalisation on work today. Lesley Taylor: "This book encourages students to think about the values we place in our work, and investigates alternatives to the way in which paid work is now carried out. Many of the activities have been designed to help students think creatively and entrepreneurially about new possibilities and the skills they will need in the future..."

Sample or bulk copies can be obtained from New House Publishers, P.O.Box 33-376, Takapuna, Auckland, or visit their website www.newhouse.co.nz.

- Lesley Taylor is also the editor of *Labour Market News*, a subscription-based monthly letter which, in each issue, discusses jobs and labour market trends in a particular sector. For more information contact Workshape 07-543-1360 email workshape@extra.co.nz
- Few people now doubt that there are limits to what the land can sustainably produce in the face of modern industrial farming methods. Critics of industrial farming methods say that the methods may boost profitability in the short-term ... but they come at the expense of longer-term damage. A new Joseph Roundtree Foundation report from Britain shows that what is true for the environment may also be true for people.

The report finds "ominous" **long-term problems** associated with **increasing the working hours** of British workers (see *The Jobs Letter No.107*). It says that a system that relies on people working long hours "may be on the road to ruin if the result is de-motivation, stress, ill-health, and strain on families..."

The report concludes that intensifying work may increase efficiency in the short-term, but has worrying implications for Britain's long-term growth rates and the health of its "social environment". It recommends the development of family-friendly working patterns and stronger trade unions. Roundtree: "... In 20 years' time, society may look back on the obsession with increasing the yield from labour with the same degree of incomprehension as the torching of the Amazon rainforest."

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