

The Jobs Letter

No. 146

8 June 2001

Essential Information on an Essential Issue

KEY

BUDGET 2001

FORESTRY LABOUR

UNPAID WORK AT 39% GDP

VOLUNTEERING

SKILL SHORTAGES

TOURISM 2010 STRATEGY

KNOWLEDGE WAVE

DIARY

11 May 2001

Social Services Minister Steve Maharey opens the first Heartland Service centre in Dargaville. The centre will restore face-to-face government services in the town. Ten Heartland Service centres are budgeted to open in other provincial centres by the end of the year, with more expected the following year.

13 May 2001

Up to 50 new jobs will be created at Massey University as it enrolls 1,000 students from China into its Bachelor of Business Studies programme.

14 May 2001

Winz says it has met nearly all its annual targets within the first nine months of the contract year. This year it has already placed 1,610 more long-term unemployed people into work than its performance contract called for.

16 May 2001

The private shoe manufacturing company that operates partially inside Wanganui Prison says it is dropping its inmate staff from 35 to 15 workers. Stages' director Steve Ellis says the company will expand its Carterton factory to do more of the work. Ellis says that high inmate turnover makes training difficult to do in the prison.

- Budget figures show that there are now **more welfare beneficiaries** than when unemployment reached its peak a decade ago, and numbers are predicted to keep rising. Despite the fact that unemployment is falling with 352,000 more people in paid work now compared to 1991, there are 63,000 more beneficiaries of working age than then.

Unemployment peaked at 10.9% of the workforce in 1991, but the official figures have halved since then. But figures in the Budget predict that there will be **25,000 more working-age beneficiaries by 2005**, taking the total to 382,000.

- *The Dominion* points out that **the cost of welfare is also rising** after being contained for some years by the 1991 benefit cuts and the raising of the age of eligibility for superannuation from 60 to 65.

Ten years ago, all benefits, including superannuation, took \$10.1 billion of \$31.2 billion in government spending. While all government income and spending is forecast to rise, the government is expecting to continue to spend about a third of its expenditure on welfare. This financial year, benefits are expected to take \$12.9 billion of total spending of \$39.4 billion. By 2005, benefits are predicted to take \$14.2 billion of total spending of \$42.8 billion.

- Budget tables predict that the **unemployment rate will fall to 5.1%** by 2005. Treasury predictions for the years 2006-2011 put the unemployment rate at 5.9%. Their "scenarios" for 2006-2051 put the rate at 6%.

GROWING BENEFICIARY NUMBERS

Benefit Type	1991	2001	2005(Forecast)
Domestic Purposes	97,000	110,000	112,000
Unemployment	147,000	155,000	162,000
Invalids	29,000	58,000	72,000
Sickness	21,000	34,000	36,000
Total Working Age Beneficiaries	294,000	357,000	382,000
NZ Superannuation	500,000	449,000	473,000
Total Beneficiaries	794,000	806,000	855,000
Unemployment Rate	10.9%	5.4%	5.1%

Source: Treasury, Budget Tables, The Dominion

- The Budget has announced initiatives aimed at harvesting the East Coast's "wall of wood" and addressing the local **labour shortages in the forestry sector**. Labour and skill shortages were seen as a major issue by the Tairāwhiti Development Taskforce last year, mindful that the number of logs coming on-stream will **double during the next decade**. Industry leaders describe the labour shortages as "disastrous" now, and warn that companies will have to bring in skilled workers from overseas.

The Jobs Letter

DIARY

17 May 2001

The Maori university, Te Wananga-O-Raukawa at Otaki, has 180 voluntary teachers. CEO Whatarangi Winiata says the large number of volunteers meant that less than half of institution's revenue was spent on staff.

18 May 2001

About 45 staff at Tenix Shipbuilding NZ are made redundant as the Whangarei firm's contracts to build sections of the ANZAC frigates have been completed. However, with some re-training, they may find local jobs building yachts. NZ Yachts' Dennis Maconaghie says his yacht building firm will need additional staff in Whangarei to complete their existing contracts.

23 May 2001

Finance Minister Michael Cullen presents the 2001-02 Budget.

The incidence of suicide is more than doubled for unemployed people as it is for those in work. Wellington School of Medicine's Dr Sunny Collings says that an unemployed person is over 2.2 times more likely to suicide than if they were working.

All eight NZ universities indicate they will not accept the Budget's funding offer of a 2.6% rise on last year, dependent on a freeze of student fees. Victoria University vice-chancellor Stuart McCutcheon says the Budget's similar funding offer had dealt tertiary institutions a crippling blow.

25 May 2001

Canterbury University vice-chancellor Daryl Le Grew closes the university at 1pm. Over 13,000 students and staff attend speeches in the quad protesting the Budget funding offer.

Michael Cullen warns universities that if they refuse the funding offer, he will give the \$100 million to others in the education sector. Universities say that agreeing to last year's deal of a 2.3% rise (dependent on a student fee freeze) cost them \$17 million.

A Labour Department report for the Wood Processing Strategy Group says that the **labour pool** in the region **is surprisingly small**, and there is a lack of incentives to encourage people to work in the industry. The report identifies issues such as a lack of work skills and discipline, alcohol and drug use, low pay in the industry, and people opting for benefits and seasonal work rather than forestry careers.

The Budget has allocated a package totalling \$700,000 to begin to address these issues. \$120,000 will go towards employing a full-time co-ordinator for 12 months to bring together the government, industry and community efforts in the area. In the pipeline are: literacy, numeracy and silviculture training programmes to prepare job seekers for forestry jobs, working with contractors on how to be good employers, and resourcing local social service providers to work with local problems, including substance abuse.

- The value of productive **unpaid work** by New Zealanders aged 15 years and over was estimated at **\$40 billion in 1999**, according to a report released last month by Statistics NZ. This is equivalent to **39% of gross domestic product (GDP)**.

The report estimates the value of productive unpaid work that falls outside the measures of production found in the national accounts. It is based on the recently-released Time Use Survey which collected data on how New Zealanders spend their time. This information has been combined with a median housekeeper wage rate to derive the unpaid work values. The report **follows similar studies** recently done overseas and the choice of method used to define and value unpaid work is consistent with an emerging international consensus. The report shows — persons aged 15 and over spend, on average, four more hours per week in unpaid work (27.6 hours per week) than in paid work (23.6 hours per week);

— 87% of the estimated value of unpaid work was on activities such as cooking, cleaning, gardening and providing care, which were for the benefit of the same household;

— the remaining 13% of unpaid work was done for other households or for the community;

— if paid for this work (at a median housekeeper wage rate) the average person would receive the equivalent of \$13,820 per year;

— work done by women accounted for 64% of the total value of unpaid work (\$25 billion);

—work done by Maori accounted for 13% of the total value of unpaid work (\$5 billion). This is similar to the proportion of Maori to the total population aged 15 and over.

— NZ'ers devote 247 million hours per year to unpaid volunteer work for community organisations, with an estimated value of \$2 billion;

- *Measuring Unpaid Work in New Zealand 1999*, by Statistics New Zealand can be ordered by email at publications@stats.govt.nz, or can be downloaded from their website at www.stats.govt.nz.

- Plunket Society's national president **Pam Murray** is critical of the "minimal acknowledgement" of the contribution of volunteers in this country, even during this International Year of the Volunteer. Murray argues that NZ's social infrastructure would fall apart **if volunteers withdrew their services**: "There would be no meals on wheels delivery,

(continued on page five)

BUDGET 2001

NO MORE GAPS

MINISTER OF FINANCE Michael Cullen says last year's Budget was characterised by its concern with social issues and the carrying out of pre-election promises. This Budget, according to Cullen, is characterised by a strong commitment to sound fiscal management, and an equally strong commitment to the transformation of the economy. The "Closing the Gaps" catchphrase of the previous Budget was not mentioned in the Finance Minister's speech. And there is little new money in the announcements for action on jobs or for Maori.

Cullen: "Social spending does not have the same prominence in policy terms in this year's Budget as in last year's, but it nevertheless continues to take the lion's share of increased spending." Cullen argues that the key to NZ clawing its way back into the top half of the OECD nations is in "increasing human capital" which means moulding NZ'ers into a more highly skilled and more productive workforce. The Budget emphasizes this in announcing the expansion of industry training and the focusing of the tertiary education sector.

Industry training. The government has budgeted to spend an average of \$14 million more per year for four years to buy 17,400 more industry training places. In the first year, part of the money will go towards a new technology training project to increase employee access to learning through the use of new computer learning technologies. There will also be more youth training placements that emphasize literacy, numeracy and communications skills for young people who have been long-term unemployed.

Tertiary education. The big change for education is the creation of the Tertiary Education Commission. This is a policy departure from the 1980s market-knows-best model of education. The TEC is aimed at ending the competitive era for universities and polytechnics, focusing tertiary education funding on subjects needed in the economy, rather than attending to students'

demand. The commission will oversee, regulate and fund the entire tertiary education sector, and will negotiate charters and profiles with the institutions, make decisions about changes in the institutions' capacity, and co-ordinate their services.

- While the Budget focus was not on social initiatives, Minister of Social Services and Employment Steve Maharey outlined \$44.7 million worth of programmes to "...begin the process of removing some of the barriers to paid employment".

Maharey: "Lack of information about the support available to beneficiaries to move into jobs and uncertainty about the security of their new income is a major barrier to moving from welfare and into work. The Government wants to evolve our welfare system into one which actively and positively works with beneficiaries to boost their skills."

On-going or beefed-up programmes include:

- the streamlining of the administration of Family Support by Winz to ensure beneficiaries do not lose due entitlements when they take up employment opportunities;

- the extension of assistance via the New Employment Transition Grant to couples who have dependent children providing support for new workers not yet eligible for employer-paid leave when they are absent from work due to sickness or because of a breakdown in child care arrangements;

- a new information campaign by Winz and Inland Revenue to inform beneficiaries of the transition-to-work and in-work assistance for which they are eligible;

- an increase (to \$500 a year) in support which can be provided by the Work Start Grant to cover the costs of beneficiaries having to shift house to take up a new job or buying work-related safety equipment, and to bridge the gap between a new worker's last benefit payment and first pay packet;

- the Adult Literacy Strategy to provide basic literacy assistance for up to 2,000 job seekers;

- improved transition-to-work and in-work support for people with disabilities;

- a pilot programme, to run in 2002 and 2003, providing tailored assistance to Sickness and Invalids Benefit recipients to encourage them to participate in paid work and community-based activities;

- an Early Intervention Home Visit Pilot programme, starting this August, to give 4,500 new Domestic Purposes Beneficiaries in six communi-

The Jobs Letter

ties the option of a discussion at home about employment options, financial assistance and relationship issues;

— continued support to assist people in work or training to access subsidised childcare, and out-of-school care during school holidays, up to a maximum of 37 hours per week.

• “Direct Resourcing of Local Level Solutions” is the Budget description of a fund for Maori community initiatives worth \$3 million this year and \$6 million each for the succeeding two years. Minister of Maori Affairs Parekura Horomia and his Associate Minister Tariana Turia say the fund will allow Maori groups to go straight to Te Puni Kokiri with their funding applications, disentangling them from “heavily prescriptive central government contracts”. Other new Maori funding is to help promote regional tourism and to set up a new Maori television station.

• The Community Employment Group gains an extra \$7.2 million (over four years) to further develop community-based employment initiatives. Of this:

— \$3.6 million (over four years) is for “social entrepreneurs” and will be spent investing in skill acquisition or to finance research to enhance the performance and knowledge base of community leaders and innovators;

— \$1.6 million (over four years) is for assistance to communities to identify the needs of Pacific women, emphasizing developing leadership skills in this group;

— \$2 million (over four years) is for an “Ecoworks” programme which will provide grants for community organisations to develop environmental enterprise projects like waste management, recycling, habitat protection, reducing pollution and eco-tourism.

• On Budget Day, Deputy PM and Minister of Economic Development Jim Anderton gave a separate press conference, just after Finance Minister Michael Cullen’s. He outlined economic development programmes (worth \$34 million a year in new spending) which will be directed to individuals, small businesses, high growth industries, local communities and the regions.

— A “brain gain” initiative is being designed to identify and network New Zealanders who are world class thinkers. The government will establish “real and virtual” networks to use existing business connections and NZ’ers overseas to access international markets and promote NZ. This has been allocated \$2.25 million a year to cover project management, advice, and other services.

— \$259,000 has been allocated to developing a series of proposals for retaining talented NZ’ers in this country, maintaining/establishing contacts with those who are currently overseas and attracting talented people to live and work in NZ. (This project was recommended by the Government-Business forums).

— \$2 million a year has been allocated to promote “a culture of enterprise” and increase the number of New Zealanders willing to turn their ideas into commercial ventures. This initiative will build on programmes such as the Great New Zealand Business Venture, the Young Enterprise Scheme, and outreach programmes of the Ministry of Research Science and Technology, and Trade NZ.

— Just over \$2 million a year has been allocated for developing strategies in job-rich, high-skill, high-value industries with the potential for growth. The first group will include wood processing, manufacturing, fashion, apparel and textiles, tourism and creative industries (particularly film and music). Further scoping work will include aquaculture/fishing, light alloys and casting, and biotechnology.

— The Government will “engage more fully” with regions with acute needs, including Tairāwhiti, Northland, Eastern Bay of Plenty and South Waikato. Initiatives for acute regions announced in Budget 2001 include:

Northland — a soil climate survey (\$200,000), grant to assist economic development by opening up access to the Kaipara Harbour (\$100,000), and an integrated transport study.

Eastern Bay of Plenty — the Opotiki Development Project to participate in the Regional Partnerships Programme (\$10,000), and research into aquaculture and marine farming (\$25,000).

Tairāwhiti — economic analysis of integrated transport solutions (\$75,000).

Far North and Southland — “Digital Divide” initiatives to improve the level of Information and Computer Technology Services (\$100,000).

— Details of a “Jobs for Students” campaign will be announced in July. The campaign will seek to improve business understanding of options and the benefits from employing students; create better links between student job search and Industry NZ; and pilot programmes to match students in selected regions, industries and specific business projects.

Budget documents with further details can be downloaded from the Treasury website at <http://www.treasury.govt.nz/budget2001/>

The Jobs Letter

DIARY

30 May 2001

Winz CEO Christine Rankin attends a hearing to determine which court her personal grievance case will be heard in and afterwards meets with the media. Rankin: "I have a story to tell that most New Zealanders will be shocked and horrified by and I intend, somehow, to find a way to tell that story."

Paid parental leave is expected to cost \$96 million according to research by the Ministry of Women's Affairs.

A Maori summit calls for the reintroduction of the Family Benefit. Brenda Lowe-Johnson of the Christchurch Methodist Mission says the restoration of the Family Benefit would halt Maori poverty and give all children equality. She says it would keep children in school longer and help the government keep track of them.

no school trips, no remedial reading in schools, no lives saved at beaches and no drivers for cancer treatment patients — the list is never-ending..."

The value of volunteering is clearly evident to Plunket, which provides Well Child services to children and young parents. A visiting professor from Georgetown University has estimated the value of the 8,000 Plunket volunteers at about \$46.8 million. The volunteers also raise more than \$5 million each year to bridge the gap between government funding and what is required to deliver their services.

- The latest NZ Institute of Economic Research (NZIER) quarterly survey of business opinion shows a net 44% of businesses are finding it **difficult to get skilled labour**, and a net 11% say that unskilled labour is hard to find. This is the highest reading since 1995, when the economy was growing at 4%, and *New Zealand Herald* financial writer Craig Howie says this suggests that any pick-up in the economy would **aggravate the skills shortage problem**.

BNZ Chief economist Tony Alexander comments the survey has several implications for the economy: employment costs would escalate; work standards may deteriorate when workers realise there are more jobs out there; labour turnover would accelerate, imposing added staff training costs; and businesses will put extra investment in labour savings technology.

VOICES

on the BUDGET

"Crumbs, it's the Budget"

— headline in *The Dominion*

"The outlook is for a more balanced and stable economy. It is for steady growth, low inflation, low interest rates, falling unemployment, good returns to exporters and an improving current account position ..."

— Michael Cullen, Minister of Finance

"The largest single increase in this year's budget that did not get a mention is welfare expenditure. Welfare expenditure is \$585 million more this year than last. The 3.9% indexation of benefits alone cost \$500 million. Welfare now takes nearly 40% of the Budget ..."

— Richard Prebble, ACT Party leader

"The security and opportunity package in Budget 2001 shows that the Alliance has contributed good ideas. They have been achieved within a fiscally responsible budget which will produce more jobs and rising incomes ..."

— Jim Anderton, Deputy PM and Alliance leader

"The welfare system is full of anomalies that lock people out of the workforce because the financial gains of being in work often do not stack up. The Government is working to shift the emphasis on to lifting people's capacity to get a job and to making sure that being in work will always pay ..."

— Steve Maharey, Minister for Social Services and Employment

"The admittedly tiny sums being allocated to economic development initiatives can help only a limited number of projects, which on past form will go away when the subsidies run out. The challenge is to create an economic climate where all business flourish, not a chosen few ..."

— Jim Eagles, NZ Herald columnist

"It is an academic government and, in its heart, it does not believe students know what is good for them. Tertiary funding will no longer all go to the courses students choose. It will be allocated to universities, polytechnic, private tertiary course and others, through a bureaucratic suprema to be named the Tertiary Education Coaliton ..."

— John Roughan, New Zealand Herald assistant editor

"There is no good news for Maori in this Budget. We have more Maori MPs than ever before, yet any hopes we had are dashed. This is a Budget for bludgers and not for battlers, and that is a shameful message to give Maori youth. By aiming money at the tertiary sector at the expense of our youngest children, Labour's message is that kids do not count until they have grown up and can vote ..."

— Donna Awatere Huata, ACT Party spokesperson on Maori Affairs

"There's not much in it for Maori, they'll be disappointed. I think it's insulting for Maori people as it suggests that the way forward is through government contracts ..."

— Georgina te Heuheu, National Party spokesperson on Maori Affairs

The Jobs Letter

DIARY

31 May 2001

Employment Court chief justice Tom Goddard says that Christine Rankin's case against the State Services Commission will be heard in the Employment Court, rather than in the High Court. This means that the case will be argued on the basis of the Employment Relations Act.

Electrical products manufacturer PDL Holdings announces it is shifting its plant to southern China. About 300 people work for PDL in Christchurch but the company has not yet said how many of these will be made redundant.

5 June 2001

Cook Islands officials say that unemployment does not exist in the islands, which is experiencing a labour shortage. The Cook Island government is appealing to the 47,000 strong Cook Island community in NZ to return to the islands to take up job opportunities as tourism is booming there.

Electricity is being disconnected from the houses of low-income people in the Far North at a record number of 100 per week. The alternative use of candles and fires for lighting and heating is associated with recent house fires in the district.

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The Diary is sourced from our media watch of New Zealand daily and weekly newspapers.

Research sources for the main items in The Jobs Letter are available in our internet edition at www.jobsletter.org.nz

Alexander: "Since the late 1960s and early 1970s in NZ, the balance of power had been in favour of the employer. But three or four years ago, we started to see that changing with skill shortages in some areas such as accounting and legal work. It's now much more widespread..."

- **A national tourism strategy** has been released which sets aggressive performance targets for the sector, and a range of challenges for industry leaders, tourism operators and politicians. If its recommendations are adopted, it says the tourism sector could provide **an extra 100,000 jobs in the next ten years** — and more than a fifth of them could be expected to be amongst Maori.

The strategy forecasts spending by overseas tourists will jump to \$9.4 billion by 2010. It highlights the need to help tourists who come here to spend more, rather than simply aiming to boost tourist numbers. Example: a 1% increase in tourist spending brings the same economic benefit — \$1 billion more revenue — as a 12% growth in tourist numbers.

- The strategy warns that its growth plan **could easily stumble** because of skill shortages in this country. And it is blunt in its assessment of the existing skills and training frameworks facing the tourism sector. The report: "People are the key to the success of NZ tourism, but at present there is no process for identifying current and future workforce needs and aligning tourism training to meet those needs..."

The report argues that tourism's share of industry training is disproportionately low when compared to its contribution to the economy. It says that Skill NZ has not seen tourism as a priority area for training. Last year it allocated just 1.1% of funding for industry training to aviation, tourism, travel and hospitality, compared with 10.1% for agriculture and 9.1% for forestry.

The report also comments that the remuneration structure and perceptions about low skill level, low status, lack of career paths and seasonality of many jobs have all resulted in tourism not being seen as an attractive long-term prospect for employment.

— The *Tourism 2010* report can be downloaded from the Tourism NZ website at www.tourisminfo.govt.nz

- The **Catching the Knowledge Wave conference** is aimed at transforming NZ into a high-technology, "upmarket" economy. PM Helen Clark says the conference would build on themes of innovation and the knowledge society. Key speakers will be Sean Dorgan, CEO of the Industry Development Agency behind **the "jobs machine" in Ireland**, and George Yeo, Singapore's Minister of Trade and Industry. Economic case studies from overseas will be presented to over 450 politicians, senior bureaucrats, academics, business leaders, trade workers and community leaders.

The conference will be run in August and is a joint effort between the government and Auckland University.

For more information contact www.knowledgewave.org.nz

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