

The Jobs Letter

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Essential Information on an Essential Issue

KEY

THE COST OF NOT BEING IN EMPLOYMENT OR TRAINING.

SKILL NZ BRIEFING

FRENCH BACKTRACK ON 35 HRS

THE END OF SUMMITS

DIARY

9 September 2002

Carter Holt Harvey says it is to lay-off 120 production, stores and management staff. These are on top of the 381 maintenance jobs the company has said it would like to cut from its payroll.

It will cost the government nearly \$50 million to bring Family Support payments up to the level recommended by the Ministry of Social Development. The level of Family Support has not been increased since 1998.

As many as 3 million illegal foreigners are working in Western Europe according to *The Washington Post*. These people have no government workplace protection or social security and are paid less than the legal wage.

10 September 2002

The ANZ job ads survey reports that ad numbers rose by 1.6% last month. The ANZ predicts unemployment will soon fall to below 5%.

Predictions on where the NZ economy is going vary considerably. BERL predicts 3.5% growth this year and rising for the next few years, NZIER predicts 2.9 % growth this year then dropping slightly the next year, and IES predicts 1% growth this year and then two years of recession. They all expect the unemployment rate to reduce and the number of people in the workforce to increase.

- New research from Britain estimates the additional long-term financial cost of **young people not being in education, employment or training comes to £97,000** for every individual young person.

The research, commissioned by the UK Department for Education and Skills (DfES), estimates that for the 157,000 British 16-18 yr olds “not in education, employment or training”, the total costs come to £15.1 billion.

The bulk of these costs are not borne immediately, but emerge in the medium term as the lack of qualifications held by this group leads them to be overly represented in unemployment statistics or trapped in low-wage jobs. The researchers also say that a lack of data on health and crime costs associated with unemployment lead them to conclude that these figures are an under-estimate of the overall costs incurred.

The research estimates that **for every 10,000 young people** re-engaged with education, employment or training, the long-term **savings to government, the individuals and their communities would be £970 million.**

— “Estimating the cost of being 'not in education, employment or training' at age 16-18” by Godfrey, C., Hutton, S., Bradshaw, J., Coles, B., Craig, G. and Johnson, J. (June 2002) , Research Report 346, for the UK Department for Education and Skills. Full report (88 pg, 430KB) can be downloaded from www.dfes.gov.uk/research/data/uploadfiles/RR346.pdf; Research Summary (4 pg, 280KB) www.dfes.gov.uk/research/data/uploadfiles/RB346.pdf; also see www.york.ac.uk/inst/spru/research/summs/pov16-18.htm

- These British figures have particular relevance to politicians and policy-makers here in New Zealand. The government estimates that there may be up to 10,000 young people not presently in the labour force or at school. If the downstream financial benefits of having these people in education, employment or training were calculated along the lines of the British research ... then it would equate to **long-term savings for the NZ taxpayer of in excess of \$1 billion** in terms of income support, health care, loss of tax revenue and other costs.

Employment and Social Services Minister Steve Maharey says that despite having the lowest unemployment rate for 13 years, NZ still has **far to many young people out of work.** Maharey: “The British research tells us that investing in young people at the start of their lives saves the taxpayer considerable sums over the course of their lives. It is vital that we ensure all young people get a good start and build their skills so that they can find meaningful employment...”

During the next three years, Maharey plans to introduce **an Education and Training Leaving Age strategy** which targets this group of young people. The school leaving age will remain at 16 years, but the government plans to create a variety of “pathways” that will see **all 15-19 year olds engaged in education, training or employment by 2007.** These measures will also involve expanding programmes like Modern Apprenticeships, Gateway (school to work transition) and Youth Training.

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The fact that the rate of unemployment among aboriginal Australians is five times greater than that of the national rate is the focus of a conference in Brisbane. Former Victoria premier Joan Kirner says Australians have to stop treating indigenous people as second-class citizens and give them a job.

Long-term unemployment in the US has risen more than 50% over the last year. See story *this issue*.

11 September 2002

The Economist predicts Australia will continue to be the fastest growing economy in the industrialised world in the coming year. In contrast, the Australian Department of Employment says employment indicators were negative for the first time in twelve months.

Canadian IT hardware manufacturer Nortel Networks has laid-off over 60,000 staff, about two-thirds of its workforce, since the end of 2000.

Malaysia has temporarily halted its expulsion of hundreds of thousands of overstaying workers after protests from the Philippine and Indonesian governments. Many of the 300,000 people who have already fled Malaysia under threat of caning, jail and fines have created humanitarian crises as they arrived in Kalimantan and Sumatra where they have no means of support.

12 September 2002

Treasury papers have told the government it could cost \$18 million per year to drop work-testing for people on the domestic purposes and widow's benefits. Minister of Social Services Steve Maharey says the estimate only looked at scrapping work-testing and did not consider the payback of programmes replacing it.

In August, Australia had the biggest monthly jump in the number of new jobs in 11 years, and almost all of them were full-time. Australian unemployment remained at 6.2% but the labour force participation rate increased a significant one-half percent to 63.8%.

13 September 2002

Water safety organisations say they are going to the government for more funding after having their Lotteries grants are cut by 25% this year. The Lotteries Grants Board says it has less money to distribute this year due to falling Lotto sales.

- In its Briefing Papers to the incoming government, **Skill NZ** calls for “**a more coherent and strategic approach**” to issues around young people’s engagement in education, training and work. Skill NZ: “More needs to be done to accommodate the projected population growth of 15-19 year olds in the next five years. Ministry of Education data indicates that school enrolments of 15-19 year olds are projected to expand until 2007. This means that NZ will face the same challenges as many other OECD countries where the educational needs of a larger and more diverse group of students will need to be addressed...”

The Briefing Papers are somewhat critical of the state of our “safety nets” for young people who have **fallen out of the education system** with no clear guidance or mentoring on where to go next. Skill NZ: “Currently, we have only patchy information about the destinations of young people who leave school early. We don’t know exactly how many people are outside education and training, and government agencies and education providers don’t have a clear sense of who is responsible for re-engaging young people who fall out of the system. Our provision of careers advice and guidance is also inconsistent, as the National Administrative Guidelines leave schools to determine what careers advice and guidance is appropriate for students.”

- One recommendation advocated by Skill NZ is to **make each learning institution responsible for the next destination of their students**. This would mean schools becoming responsible for ensuring that students achieve a “positive outcome” for their education — by moving into employment, or further education and training. If the students didn’t achieve a “positive outcome”, then it would be the responsibility of the school to see that these young people are mentored and provided with individualised careers advice and guidance, and helped with contacting government agencies for income support or social welfare. This responsibility for individuals would shift as the student progressed on to the next stage of their education and training “pathway”. Skill NZ: “Some overlapping responsibility would be desirable to provide some ongoing support for individuals as they move into their new learning environment or employment. This is **a learner-centric approach** that would encourage greater co-operation and partnerships between schools, training providers, tertiary education providers and employers...”
- The Briefing Papers report that **Scandinavian** countries have co-ordinated guidance and support services for young people on a local level. For instance, in Sweden, **local authorities are obliged to take responsibility** for all young people up to the age of 18, including those who have left school.

For each young person who is not in full-time education or full-time work, a personal plan is drawn up which contains elements of counselling, education and work. The plan is reviewed with the young person every 10 weeks. During that time, possibilities of transition into regular education or permanent work must be examined. Each young person is monitored and tracked by the local authority to avoid any “falling through the cracks”.

Denmark follows a similar model, but takes a “**carrot and stick**” **approach** to encouraging its young people to use the service: if young people refuse the assistance of the youth guidance service, they are reported to the local municipality and their eligibility for income support is affected.

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Housing NZ briefing papers show house prices and rents have increased at a greater rate than the average weekly earnings and benefit rates, and home ownership is becoming less affordable for more people. Ten years ago, 26% of NZ'ers lived in rental accommodation and Housing NZ says that, following current trends, in ten years time 40% will be renting.

Housing NZ also says that even if there were no new applicants for state houses, it would still take at least nine months to find houses for its nearly 4,000 high-priority applicants. It says a plan to buy new houses will not alleviate the waiting list crisis in Auckland.

14 September 2002

Argentina appears to be bordering on anarchy as the economy has shrunk by 18%, unemployment has reached 21%, over half the population are living in poverty and people have lost faith in the police. Kidnapping for ransom has become commonplace and an Argentine Justice Ministry survey finds 88% of the residents of Buenos Aires expect to be victimised by criminals.

15 September 2002

There is an increasing percentage of NZ jobs being created in businesses with four or fewer employees. The Department of Labour says this may lead to greater "turbulence" in the workforce as a high number of jobs in small companies come and go within 12 months.

16 September 2002

The Waikato Master Builders Association says that most of its members have more than enough work on their books but many of them are unable to find staff to do the work. Builder John MacDonald says he has found he has to offer more training and higher pay in order to retain staff.

17 September 2002

Men's clothing retail chain Huggins closes the doors of all its 19 stores with the loss of 120 jobs.

18 September 2002

Over the last two years, the number of people claiming unemployment benefits for more than two years has increased by more than 5,000. People over 55 years old now make up over one-third of the long-term unemployed.

- The financial incentive may be critical to getting young people re-engaged with education and training. At present, young New Zealanders can leave school at age 16, but don't qualify for the dole until age 18. The introduction of a **"Learning Allowance"** for those young people who have not entered paid employment or an apprenticeship could help keep these young people "connected" with educational opportunities. In the UK, an "Education Maintenance Allowance" for 16-19 year olds is currently available in many areas of the country, and it will be expanded nationally in September 2004 to all Year 11-14 students. Eligibility for the allowance is determined on the basis of household income, and on the condition that the young person participates in full-time education and training.

The UK government has also established a **"Connections Service"** which focus on 13-19 year olds who are excluded from mainstream education. These "one-stop-shops" are where government and voluntary agencies provide merged services ranging from careers guidance, personal and social development, links to alternative and industry based training and education programmes, counselling and information services.

- France's new centre-right government has sounded **the death knell for the 35-hour week**, the much-heralded social experiment of the previous socialist government. *The Guardian* reports that, in a rushed-through decree, the new Prime Minister Jean-Pierre Raffarin has authorised a **sharp increase in overtime**.

The end of the 35-hr working week has been considered inevitable since the resounding defeat at the last election of its main champion, the former Labour Minister **Martine Aubry**, who had become known as Madame 35 Heures after forcing through the changes to working hours at breakneck speed.

Aubry maintains that the measure had created 500,000 jobs. But the new government politicians were not so certain. In order to encourage employers to back the reduced working hours scheme, the government was subsidising the **social security contributions** for employees who are earning up to 1.8 times the minimum wage. Critics argue that rather than acting as a stimulus to job creation, the shorter working week had served more as a disguised form of reducing these social security contributions.

- Some union leaders have also been critical of the 35-hours regime. They say that big companies had been able to **exploit the law to introduce more flexible working practices**. By annualising the number of working hours on their ceiling of 1,600 hours, the employers have chosen to spread the intensity of time at work in order to accommodate peaks and troughs of activity. Greater productivity has been achieved by making people do the same jobs in less time. According to a study by the Ministry of Labour, 29% of workers polled felt they were worse off than before because of more stress.

The people most likely to be upset by the restoration of longer hours at work are white-collar employees, for whom the shorter hours **created a wealth of leisure opportunities**. Staff obliged to stay at work beyond their 35 hours usually took rest days instead of extra pay. As Friday was the preferred day for recuperation, long weekends became the rule for millions of workers, contributing to record profits for businesses such as DIY stores, hotels, resorts and airlines.

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About half of responding bank managers and loans officers say student loans are a factor when they decline finance for people, according to the NZ University Students' Association.

19 September 2002

Shortages of heavy transport drivers are looming according to the transport industry. Researcher Ron Oliver estimates the heavy transport industry would be 8,000 drivers short by 2005 if it did nothing about its driver recruitment and retention problems.

Staffing levels have increased and the use of consultants decreased in many local bodies over the last year. Still, this year in the Auckland area, nearly 30% of council human resources expenditure was on consultants.

22 September 2002

34% of nurses intend to quit their job within one year according to a Otago University/Massey University survey.

An extension of the Winz website may eventually include the department going online with job ads submitted directly from private businesses, putting it in competition with private sector recruitment companies. While such a move is possible, Geoff Bascand of the Labour Policy Market Group says discussions are underway with the private sector and it is more likely the Winz site will contain links to private sites.

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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

- The United Nations says it will hold **no more summits** on environment and development until governments put into practice what they have decided to do. This announcement follows the **disappointing Earth Summit** in Johannesburg last month, which produced few new decisions ... and highlighted the huge gap between government rhetoric and action.

Clare Short, the UN International Development Secretary, puts it bluntly: "We do not need more big multilateral agenda-setting conferences, we need a real period of intensive implementation."

President Hugo Chavez of Venezuela – speaking on behalf of the Group of 77 which represents all developing countries at the UN, agrees: "We have to have a radical change in the format of these summits. There is no proper dialogue."

Juan Somavia, the Director General of the International Labour Organisation (ILO), adds: "Repeating the format does not necessarily advance the cause. At recent international conferences, a lot of energy has been put into stopping backsliding."

- Instead of high-profile summits, the UN will set up an unprecedented operation to report on how governments are performing — **naming and shaming** those that do not do well.

The UN Secretary General, **Kofi Annan**, has appointed the head of the UN Development Program, Mark Malloch Brown, as "campaign manager and scorekeeper" to ensure that the Johannesburg conference is **not followed by a period of inaction** as after previous summits.

Malloch Brown will also have a campaigning team that will try to mobilize public opinion. He says he will draw on the success of the anti-landmine and anti-debt campaigns when putting together his strategy.

This work will be underpinned by **an expert Taskforce** chaired by Professor Jeffrey Sachs of Columbia University in the US, who has been working with the pop star Bono in their successful attempt to persuade the Bush administration to increase aid.

- Nearly three million US workers have been out of a job for 15 weeks or more — **a 50% increase from last year** — according to figures released by the US Labor Department.

The *New York Times* remarks: "While the job market remains unusually healthy for the end of a recession, with the unemployment rate below 6 percent, the number of people who have been jobless for months has climbed to a level more typical of a recession..."

The 50% jump in long-term unemployment has happened as the 2002 US Federal Budget goes from a surplus into a deficit — fuelled in part by **additional defence-related spending** after the Sept 11 terrorist attacks.

Unlike the huge numbers sent to work in defence plants during World War II, the increased defence spending on today's "War on Terror" is apparently **not proving a jobs boom** for America's surplus workers.