

The Jobs Letter

No. 192

8 September 2003

Essential Information on an Essential Issue

KEY

PEOPLE, WORK AND
SUSTAINABLE DEVELOPMENT

OECD WARNS OF PENSION
CRISIS

MAYORS BACK CADETSHIPS
IN COUNCILS

WHO GOT THE JOBS?

DIARY

17 August 2003

Twenty-five more Thames Timber mill workers are laid-off as the mill returns to working one-shift. The company has reduced staff numbers from 220 to 127 since the beginning of this year.

The Strongman coal mine, just north of Greymouth, closes after 65 years.

The government is considering new industrial relations legislation that would require employers to maintain the pay and conditions of employees when a business changes hands. The "transfer of undertakings" provision is aimed at stopping a business being sold for the purpose of gaining a competitive edge by cutting staff conditions or pay rates.

20 August 2003

There will be 110 job losses at Mt Maunganui Wood Processing as the timber re-manufacturing plant closes.

Many NZ universities have recorded large increases in the number of overseas students taking full-time courses. Victoria University has more than doubled its enrolments of overseas students this past year. Victoria hopes to continue boosting overseas student numbers until they comprise 16% of the student roll.

- The government has released a major report which it hopes will stimulate debate on population projections for New Zealand, and the impact population trends will have on our environment, our economy and our communities.

Like many OECD countries, New Zealand is experiencing a significant growth in life expectancy, a reduction in birth rates, and a continuing flow of migrants to and from the country. But among the many wide-ranging issues raised in the *Population and Sustainable Development Report* a clear concern is about **how our ageing population will effect economic development** in the next few decades, and also change the nature of work.

In a special feature in this *Jobs Letter*, we give an essential summary of the employment trends and issues that the *Population Report* raises for discussion.

- At the heart of concerns about having an older population is the possibility of significant increases in old age dependency and slower economic growth, which means our GDP will need to be shared among a larger non-working population. Projections are that over the next 25 years around 70 million people will retire in OECD countries, to be replaced by just five million workers. The **working-age population will fall by 65 million**. This reduction contrasts with the past 25 years, when 45 million new pensioners were replaced by 120 million baby boomers in the workforce.

The *Population Report* predicts that a consequence of this will be that international migration policies will become more open. This will make it more difficult for New Zealand to attract and retain skilled workers. It may also mean that employers will choose to use more machinery and technology in order to economise on labour costs.

The report warns that we will need to embrace "new modes of work, new organisational forms and life-long learning" if we are to produce and retain a labour force that has the necessary education and skills to support itself and the ageing population.

A **scarcity of workers** will also increase incentives for women to be in paid employment. But unless workplace conditions are responsive to families, these incentives will add to the downward pressure on fertility, and accelerate the process of population ageing.

- The *Population Report* says we have a "window of opportunity" to start to address the potential future problems arising from the trends we will be facing over the next few decades. It says we need to **focus now on the children** who will be the labour market entrants in 10-20 years time. The priorities for these children should be raising the quality of their education and addressing health and social barriers ... so that they can meet the challenges of the future.

The *Report*: "The quality of our investment in young people will be paramount if they are to participate fully in society and the economy and

The Jobs Letter

DIARY

21 August 2003

Business studies staff at Massey University are concerned at the number of overseas students enrolled in the businesses studies programme at the Palmerston North campus. Professor Chris Moore says that 46% of the full-time students attending business lectures at Palmerston North are overseas students. He says that many have insufficient English skills to undertake university study. Moore says that the high ratio of foreign students has forced lecturers to adopt a slow teaching pace that is both frustrating local students and threatening course quality.

70 more workers lose their jobs as Carter Holt Harvey "streamlines" its wood pulp processing mill at Kawerau.

The government has set "fee maxima" limits on tertiary education course fees. The scheme puts a ceiling on the amount a provider can charge for a course above the government subsidy, and limits course fee rises to no more than 5% per year on the way to reaching those limits. The government says the scheme gives students certainty about the total cost of their education rather than finding the price escalating unexpectedly after they start their study.

Universities leaders say the upshot of the fee maxima will be a lowering of academic standards. They say the inability to align course prices with actual costs will see institutions cut costs by scheduling larger classes, providing fewer tutorials and funding less administrative and technical support.

The Southland Institute of Technology (SIT) places two full-page ads in daily newspapers throughout NZ advertising their courses and their Zero Fee Scheme. The scheme pays the entire student fees on most full-time SIT courses for NZ and Australian permanent residents.

to support the older population. Looking ahead to the labour market of the 2010s and 2020s we need to remember that the innovative entrepreneur or dropout of 2015 is currently in the key formative years of development. We need to ask whether we are doing enough to ensure that this smaller group of new workers is fully prepared..."

- Are we investing enough today in our future workforce? Not if you look at the numbers of young people who have gotten jobs in our latest economic recovery. We have included in this issue a supplement to our last issue's quarterly *Statistics That Matter* page. **Who Got the Jobs** examines who has been getting the jobs and which regions and sectors have created jobs since June 1998 when the recovery in employment levels started to take off.

These figures show that despite young people under 25 years making up about 40% of the unemployed, this age group has only taken up 10% of the new jobs since June 1998. About two-thirds of the new jobs have gone to people aged 45 years and over.

- Amidst the world-wide challenge of an ageing population, the OECD says that almost all its member countries are facing the need to reform their pension systems. The OECD says that, if nothing is done to **extend the working lives** of people, living standards will fall during the coming decades. For its 30 member nations, the ratio of retirement-age people (65 years plus) to working-age people is expected to increase from the current figure of 22% to 44% by 2050. The OECD concludes that it is essential to have as many people working as possible — young people, women and especially older people.

A first step that governments can take is to eliminate provisions that subsidise early withdrawal from active life — like early retirement schemes. Many OECD workers are now essentially retiring several years before the statutory retirement age. Many older people leave the labour market with a disability pension or on long-term sick leave, or they are not obliged by their government to actively look for work.

The OECD also recommends that governments adapt employment services to meet the specific needs of older workers and introduce measures that reduce benefit dependency and integrate older workers in the labour market. Businesses also need to value and invest in older workers, and adapt working conditions to meet their needs.

— *Ageing Societies and the Looming Pension Crisis* — *Background Reading*, can be found on the OECD website at:

www.oecd.org/document/59/0,2340,en_2649_201185_2512699_1_1_1_1,00.html

- The Mayors Taskforce for Jobs held its AGM in Queenstown last month, during the Local Government New Zealand annual conference. The meeting was attended by **largest gathering of Mayors** in the three years since the Taskforce has been operating.

The Mayors released their annual report and accounts for 2003. They also viewed a PowerPoint presentation which gives an overview of the partnerships operating within the taskforce initiative, and a summary of the major strategies intended for 2003-4. Mayors Paul Matheson (Nelson), Frana Cardno (Southland), Yvonne Sharp (Far North), Peter Tennent (New Plymouth), and Mark Bell-Booth (Palmerston North) gave presentations to the AGM on their Taskforce portfolios or their employment projects happening throughout the country.

—more information, plus download pages for the annual reports and Mayors Taskforce PowerPoint presentation can be found at www.jobsletter.org.nz/mtfjobs.htm

(continued on page seven)

TRENDS

PEOPLE, WORK and SUSTAINABLE DEVELOPMENT

The *Population and Sustainable Development Report 2003*, is part of the government's Sustainable Development Action Programme which attempts to keep long-term thinking in mind as new government policies are developed.

The key message in the report is the importance of achieving "sustainable development" in the face of population changes. It defines sustainable development as that which "... meets the needs of the present without compromising the ability of future generations to meet their own needs." As such, sustainable development is not an "outcome" or a final achievement ... but more an approach to decision-making.

And New Zealanders clearly have some decisions to face in the coming decades. These include:

- how to create sustainable paid employment for all
- how to attract, retain, regain and use the skills New Zealand needs for sustainable development
- how to invest effectively in younger people to ensure that they have the skills to prosper later in life
- how to adjust to an older workforce, especially enabling older people who choose to remain in paid employment
- how to address infrastructure issues arising from changing patterns of settlement, especially in Auckland, and
- how to cater for the diverse needs of New Zealand society and create shared values among different groups.

In discussing the way population issues impact on the nature of work, the *Population Report* identifies seven major areas for discussion. The report says that the future for our children and their children will depend on whether they have the capacity to adapt to these challenges ...

1. IMPLICATIONS OF AN OLDER WORKFORCE

- There are both advantages and disadvantages associated with an older workforce. Older workers are, in general, are more experienced and more productive. Higher productivity means higher incomes, which in turn implies a heightened capacity for society to support its dependants.
- Older workers are generally in poorer health. But improvements in health mean that each new group of older workers is more physically capable of working at advanced ages than previous ones. From a physical perspective, the latitude of choice about continuing to work or retiring is likely to continue improving. However, there will be proportionally fewer young workers to undertake physically demanding work.
- In 1995, 42% of workers in New Zealand aged between 50 and 64 years had less than upper secondary education. This low educational achievement level is expected to decline to about 31% by 2025. Thus new groups of older people will be considerably better educated than in the past. Consequently the skill disadvantage will be reduced.

"Sustainable Development ... development which meets the needs of the present without compromising the ability of future generations to meet their own needs."

— from the *Population and Sustainable Development Report 2003*

- There may be a reluctance of employers to invest in skill training for older workers, and a potential unwillingness among older workers to take lower-paid work or opt to re-train. To the employer, returns on training will be assessed against the worker's expected remaining tenure, which is likely to be shorter than their total expected remaining working life. A lower quit rate of older workers raises the relative expected returns to training older workers. Similarly, rapidly changing skill requirements reduce the importance of a long payback period in selecting trainees, but this could magnify the importance of any age-related decline in the ability (or willingness) to learn new skills.
- Under-paying junior workers and over-paying senior/long-tenured workers may encourage older workers to delay retirement or change jobs. However, the wage expectations of older workers might exceed their value to the firm.

2. THE RETIREMENT DECISION

- There are several factors that influence the retirement process for people in the traditional male working model. Wages rise as experience, skill and responsibility increase. Eventually wages peak and may even decline. At the same time, leisure becomes

more attractive because the amount of remaining life expectancy declines. There comes a point when free time becomes more important than the money earned in a job and the worker makes a decision to retire.

This simple framework suggests that increased wages for older workers may encourage them to delay retirement. Likewise an increase in longevity makes taking leisure time today less attractive (since there is more of it) and so also encourages delayed retirement decisions. At the same time, older workers earning low wages and lacking savings may delay retirement on the basis that they cannot afford to retire.

- Although western society has come to regard

“In a world where a growing number of people do not fit traditional male or female models of paid and unpaid work, policies that accommodate this diversity become imperative.”

— from the *Population and Sustainable Development Report 2003*

retirement and potentially a long period of retirement as the norm, it is in fact a fairly recent phenomenon. At the beginning of last century retirement could be described as being relatively uncommon.

In 1910, two out of three men past the age of 65 in the United States were employed. Even at age 72, male participation was over 50 percent. The long-term trend towards earlier male retirement has had an important voluntary component closely related to the concurrent rise in wealth.

3. BEYOND THE TRADITIONAL MALE WORKING MODEL

- The traditional male working model does not reflect typical patterns of many people's working lives. Women typically experience increasing wages until their 30s, then a sharp drop in the childbearing years. A pick-up typically occurs later but there is never a catch-up to the levels of their male counterparts.

The traditional model does not fit the working pattern of an increasing number of men and women who follow diverse lifecycle patterns of employment, including a non-partnered, work-focused life, sharing jobs and child-rearing, mid-life career changes and so on. Our understanding of these changing trends for women and men is far from complete.

- There has been increasing participation in the labour market by women, particularly those of childbearing age. This trend reflects a number of factors, including changing attitudes to women's roles, better contraception, the relative decline in manual labour, the rise in part-time work and greater individualism in society.

Today a growing number of women have genuine choices about their paid employment, and this trend

will continue. Female economic capacity will be enhanced by rising female educational attainment, falling fertility, and social trends removing barriers to women entering the workforce and earning high incomes.

Women's diverse circumstances will play a role in their future labour market participation. Women's preferences are likely to range from being full-time carers of small children to working part-time or full-time in paid employment. These decisions will be influenced by the availability of affordable quality childcare and flexible work practices.

- In a world where a growing number of people do not fit traditional male or female models of paid and unpaid work, policies that accommodate this diversity become imperative. Challenges involve creating new modes of work, new organisational forms, and new life-long learning systems. Policy questions include how to encourage more flexible working patterns, how to reduce the incidence of involuntary early retirement and eliminate discrimination, whether people's expectations of how long they will be actively able can be changed, and how best to support people's needs to balance work and family.

4. UNPAID WORK

- In order for society to function, children, the old, the sick and the disabled must be cared for. Food must be prepared, houses cleaned and community activities undertaken. Much of this work is unpaid and women undertake the majority of it. The distribution of unpaid caring responsibilities is a key economic issue for families. The time taken to do unpaid work limits the carer's ability to participate in education or employment, and it frees others to get paid work. Indeed, the distinction between those who are economically dependent and independent may be a false one. Rather the relationship is one of mutual dependence.

- The issue of who does unpaid work has wider implications for other women. If the work is not done by an unpaid family member, then the family must pay someone to do it. That person is likely to be a woman. Employing people to do these tasks is not an option for poorly paid women. These women must either meet the demands out of their own time, or rely on children or other family members to bear the load. This invites the question of how this unpaid work will be done in the future, as more women work longer hours in paid employment and more bring up families alone.

5. FEWER YOUNGER WORKERS

- Fewer young people entering the labour market means that those young workers will be sought after. The costs of wasting young people's potential will rise.

At the same time, the decline in competition for jobs may reduce incentives for young people to acquire broad-based skills. This suggests a potential for a concentration of enhanced qualifications within a highly educated minority. One implication of this would be a potential for considerable wage dispersion.

In addition, businesses might find that they need to play a bigger role in training. For example, firms might find it increasingly worthwhile to secure the employment of promising school-leavers by funding post-school training.

- In New Zealand the impact of shrinking numbers of new labour market entrants is still 10 years off. In each of the next 10 years, numbers of 20-year-olds will increase. However, once new labour market entrants begin to be dominated by those born in the 1990s, there will be a reversal in this trend. While ageing issues will not impact on New Zealand as much as other industrial countries in the upcoming decade, they are likely to become more relevant in following decades.

6. TECHNOLOGY TO THE RESCUE?

- In recent times technology has created skilled jobs and destroyed unskilled ones. This may not be the nature of technology advances in the future. Since skilled workers are now more expensive, there is profit in developing ways of doing things that employ cheaper lower-skilled workers.

Whatever happens, the importance of basic foundation skills remains. In addition to basic literacy and numeracy, foundation skills include other work and life skills such as punctuality, honesty, reliability and team skills. Although these skills can be developed in work environments, to a large extent they are conditioned by childhood experiences of family, community and school.

- When looking ahead, a key question is whether the children who will become the society and workforce of tomorrow are sufficiently prepared. The school dropout of 2015 has already been born and will be entering the school system shortly. Now may be the most cost-effective time to ensure that these young people will have a set of skills that will enable them to engage socially and economically to their potential. This is one of the key areas where policy today will impact on sustainable development.

7. A GLOBAL LABOUR MARKET

- Over the next 25 years it is projected that around 70 million people in OECD countries will retire. They will be replaced by just five million workers. The working-age population will fall by 65 million.

In Europe these demographic trends are more pronounced. Fertility rates are entrenched well under replacement rates. This effect has been exacerbated by pension systems that encourage workers to retire early.

- Projected reductions in worker supply across the OECD will make the search for workers more international and encourage more open migration policies in many countries. Indeed there are already signs of a more relaxed approach to migration in Europe. For more and more occupations the labour market is becoming a global one.

More New Zealand workers in an increasing range of skills will be operating in a global labour market. For more occupations, earnings will be

determined by world supply and demand conditions, not just New Zealand conditions. As a result our labour market will become more sensitive to international developments.

“ Fewer young people entering the labour market means that those young workers will be sought after. The costs of wasting young people’s potential will rise.”

— from the *Population and Sustainable Development Report 2003*

- If New Zealand’s conditions are not up to international standards, people will leave. The international demand for labour will be so strong that retaining talented people will depend on the alignment of New Zealand conditions to international standards.

We cannot presume that New Zealanders will remain simply because they grew up here. Nor can we presume that simply changing our entry requirements will be sufficient to attract the talent we seek. Commonly used net migration assumptions - for example, net annual inward migration of 5,000 people - may be difficult to achieve.

Population maintenance has as much to do with retaining New Zealand-born residents and past migrants as it does with attracting new migrants. Indeed the retention of New Zealanders is an important objective alongside the recruitment of new migrants because they are already adapted to New Zealand socially, culturally and economically.

- There is the chance of a downward spiral if New Zealand can’t get the right mix to attract, retain, regain and utilise skilled people. If we do get the mix right, our most talented will want to remain or return. And there will be a bigger pool of desirable prospective migrants to pick from.



Population and Sustainable Development 2003

by the New Zealand Government

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This report can be downloaded (60pg, 657kb) from
www.med.govt.nz/irdev/econ_dev/population/

STATISTICS THAT MATTER**WHO'S GOT THE JOBS ?**

10%
of the new jobs
have gone to
**YOUNG
PEOPLE**
under 25 yrs old

76%
have gone to
PEOPLE
over 45 yrs old

Who have been the winners and losers in our latest economic recovery?

Our economy has created 190,000 jobs since June 1998 (when the recovery in employment levels started to take off).

In this special feature, *The Jobs Letter* takes a look at who has been getting the jobs, and in what regions and sectors.

To do this, we have compared the figures for who were in work in June 1998, with the figures for June 2003.

Some trends :

– despite young people under 25 years making up about 40% of the unemployed, this age group has only taken up 10% of the new jobs since June 1998.

– about three quarters of the new jobs have gone to people aged 45 years and over.

– a third of the new jobs have gone to Maori and Pacific people

– some regions are doing very well, most notably Canterbury (an increase in jobs of 26%) and Wanganui/Manawatu (+21%).

– but there has been little jobs growth in Wellington, Nelson, Marlborough, West Coast and Southland.

– when we look at a breakdown of the new jobs by economic sector, we see that the Health and Community Services sector has increased its workforce by 41%, while Manufacturing has gone down by 1%.

Source – Statistics New Zealand Household Labour Force Survey for June 2003

THE EMPLOYED

<i>thousands (000)</i>	June 98	June 03	difference
Total Employed (<i>seasonally adjusted</i>)	1,721	1,911	190
Men	948	1,043	95
Women	773	868	95
Full-time (<i>30 hrs or more</i>)	1,320	1,480	160
Part-time (<i>fewer than 30 hrs</i>)	398	431	33

THE UNEMPLOYED

<i>thousands (000)</i>	June 98	June 03	difference
Unemployment Rate (<i>seasonally adjusted</i>)	7.6%	4.7%	-2.9%
Total Unemployed (<i>seasonally adjusted</i>)	131	95	-36
% of 15-24 yr olds unemployed	35%	37%	2%

THE EMPLOYED (by Age Group & Maori and Pacific)

<i>thousands (000)</i>	June 98	June 03	difference	% of total
Total Employed (<i>not adjusted</i>)	1,716.3	1,901.3	185.0	
15-24 yr olds	295.3	313.8	18.5	10%
25-44 yr olds	851.2	876.4	25.2	14%
45+ yr olds	569.8	711.3	141.5	76%
Maori and Pacific People	201.6	264.4	62.8	34%

THE EMPLOYED (by Region)

<i>thousands (000)</i>	June 98	June 03	difference	% increase
Northland	51.7	57.3	5.6	+11%
Auckland	525.5	565.8	40.3	+8%
Waikato	152.9	175.7	22.8	+15%
Bay of Plenty	93.3	99.2	5.9	+6%
Gisborne-Hawkes Bay	79.3	90.5	11.2	+14%
Taranaki	43.9	49.6	5.7	+13%
Wanganui-Manawatu	89.2	108	18.8	+21%
Wellington	239.4	246.1	6.7	+3%
Nelson-Marlborough-West Coast	79.5	78.5	-1.0	-1%
Canterbury	226.3	285.5	59.2	+26%
Otago	85.4	97.2	11.8	+14%
Southland	49.8	47.9	-1.9	-4%

THE EMPLOYED (by Sector)

<i>thousands (000)</i>	June 98	June 03	difference	% increase
Agriculture, Forestry and Fishing	139.5	157.1	17.6	+13%
Manufacturing	286	282	-4.0	-1%
Construction	111.9	132.9	21.0	+19%
Wholesale and Retail	377.9	439.2	61.3	+16%
Transport, Storage & Communication	100.9	106.5	5.6	+6%
Business & Financial Services	243.1	241.8	-1.3	-1%
Education	128.1	151.4	23.3	+18%
Health and Community Services	125	176.2	51.2	+41%
Other Services	184.5	199	14.5	+8%

The Jobs Letter

DIARY

22 August 2003

The rising cost of rental accommodation is the main cause of debt arrears among low-income families, according to the Federation of Family Budgeting Services. Some Budgeting Services branches have appealed to the Ministry of Social Development to amend Accommodation Supplement rates to keep pace with actual rental costs. The Ministry says the Supplement levels are being looked at as part of a wide-ranging review of benefits to be implemented by the next Budget.

23 August 2003

The *Guardian Weekly* reports that in the UK, graduate unemployment has risen for the first time in ten years.

25 August 2003

The English language school industry that caters for overseas language students is suffering a serious downturn in the number of enrolments of Chinese students. Over the last several years, Chinese students have made up nearly half of language school enrolments. The drop-off is being blamed on the high NZ\$, the SARS virus and publicity in China that NZ is an unsafe environment for young Asians. *The NZ Herald* warns that English language student numbers may halve by the end of this year and such a drop is likely to see schools close, lost jobs and other effects on the economy.

- At the AGM, **New Plymouth Mayor Peter Tennent** outlined his **council's youth employment scheme** which is re-introducing cadetships back into the council environment, setting up an apprenticeship scheme in the trade aspects of the council's operations, and offering scholarships to students who will then be bonded to work in the council after the completion of their studies.

New Plymouth District Council (NPDC) chief executive Rodger Kerr-Newall says that youth make up a disproportionately high percentage of the district's unemployed, and young Maori are particularly at risk. Kerr-Newall: "Discussion with other players in the employment and workforce training areas, along with participation in the Mayors Taskforce for Jobs, led to a realisation that that the NPDC could take a lead in youth employment in the region."

New Plymouth has become the first council in the country to formally put the **Mayors Taskforce for Jobs goals** (that no young person under 25 years will be out of work or training) **into their own strategic plan**. And Mayor Tennent says he is quite happy to be judged by New Plymouth ratepayers on his performance in this area. He says he has strong community backing for the council employment schemes, and his involvement in the Mayors Taskforce goals. He also believes it has been important for the council to establish its own cadetships, scholarships and apprenticeships, first ... before knocking on the doors of local businesses and asking them to employ more young people.

- The **cadet scheme** has the NPDC taking on 14 cadets per year with the set target that at least 50% of these would be Maori. The scheme began with a six week training programme including life skill training and then the cadets started employment throughout council areas, such as pools, parks and recreation, libraries, support services, finance, regulatory, community development and customer services.

The **scholarships** scheme takes on three students each year. The council pays their course fees and provides holiday work of up to 10 weeks per annum. In return, the students are contractually bound to work for the council for two years after the completion of their study. This contract may be exited unilaterally by the council at any time, or by the scholar on return of all fees paid to the council, or by other mutual arrangement.

The NPDC also takes on **apprentices** who train three years at the council's Parkscape, parks and reserves, unit. This is in conjunction with the New Zealand Horticulture Industry Training Organisation and results in each apprentice gaining a level four National Certificate in Amenity Horticulture qualification.

- How is it funded? The NPDC "absorbs" the costs of apprentices and scholarships within its own staffing and training budgets. However the costs of the cadet scheme are much more expensive, and this is done in partnership with the Department of Work and Income (Winz), Tertiary Education Commission (TEC), the Community Employment Group (CEG), Te Puni Kokiri (TPK) and a local iwi Ngati Tama. The funding has enabled full-time employment of someone affectionately known as "camp-mother" — whose role is to coordinate induction and on-going training, as well as be a trouble-shooter. There has been no impact on rates resulting from the cadet scheme.

— The NPDC report, *Our People Our Future: Cadetships, Scholarships and Apprenticeships in the New Plymouth District Council*, can be downloaded (PDF, 13pg, 322kb) from www.jobsletter.org.nz/mtfjobs/npdc-cadets03.pdf

The Jobs Letter

DIARY

26 August 2003

Less than 20 of the 60 people made redundant in July from the Kajavala wood processing yard near Murupara have found jobs, according to managing director Jacob Kajavala. He says only two found work in forestry and they had to go to the South Island for it.

Eleven of 14 NZ regions recorded rises in economic activity last quarter, according to a National Bank survey. Southland, Taranaki and Gisborne registered declines.

The German economy is in recession having contracted for the third successive quarter.

27 August 2003

The NZ trade deficit for July was much greater than the very high deficit recorded for June. The annual trade shortfall is now \$3.1 billion.

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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 recently relaxed restrictions on the United Kingdom's Working Holidaymaker Scheme is not expected to accelerate the New Zealand "brain drain", according to 1st Contact, a UK-based recruitment agency. Director Mike Kaye says that the new working visa conditions would encourage more **young New Zealanders** to go to the UK but believes that most of them plan to return to live permanently in New Zealand. And he says that when they come back they **bring home greater skills** and higher earning potential than when they left.

1st Contact has surveyed a group of 105 young New Zealanders in London and has found that, not only do they intend to return to New Zealand to live, but over two-thirds of them intend to start up their own businesses when they get home.

The Working Holidaymaker Scheme is now accessible to 16,000 New Zealanders (a rise from 7,000). The age limit has been lifted from 27 years to 30 years, there are no longer limits on the types of jobs that can be taken, and people are allowed to switch to a more permanent work permit without having to leave the UK.

- The government appears intent on removing all tariffs on imported clothing and footwear. New Zealand currently has relatively low tariffs on these sectors (17%-18%, while WTO rules allows up to 37%), but Clothing Union industry officer Robert Reid says that the Minister of Commerce Lianne Dalziel has told him that she will be **pushing for a total elimination these tariffs** by 2010.

A report written for the government by the economic consulting agency Infometrics has recommended a phased elimination of all tariffs for imported clothing and footwear. It argues that the move would send a market signal to the world about New Zealand's openness to trade. The report suggests there will be little to lose by eliminating these tariffs: "... those companies for whom tariffs are important tend to be those with relatively poor productivity, low foreign exchange earnings and mediocre future viability."

- Textiles New Zealand chairman Ian Barber says that the effects of removing tariffs on clothing and footwear could be much greater than putting a few marginal companies out of business. He explains that there is a lot of supporting infrastructure in the apparel industries such as skilled labour, fabric suppliers and weavers. Once the industry gets below a critical mass, that infrastructure could disappear ... making things tough for the remaining firms. Barber: "There's the potential for the textiles and apparel sector to be decimated."

Unions and manufacturers alike **can't understand the government's desire to go to zero tariffs** when none of our major trading partners are doing likewise. Bruce Goldsworthy, a manager at the Employers and Manufacturers Association, says any move to cut tariffs again would do more harm than good. Goldsworthy: "The strategy whereby unilateral tariff reductions were to have delivered a trade advantage to New Zealand has failed at the WTO and APEC levels, and even Trade Negotiations Minister Sutton has acknowledged this. Any move to take our already low tariff levels to zero, faster than Australia, would impact negatively on investment and jobs."

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