

The Jobs Letter

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Essential Information on an Essential Issue

KEY

GLOBAL MANUFACTURING
DECLINE

PRIVATE SURGERY IDEA FOR
SICK BENEFICIARIES

WOMEN NEEDED FOR
MODERN APPRENTICESHIPS

MIGRANT JOB HELP

WAL-MART — THE SHOPPING
WAY TO UNEMPLOYMENT?

DIARY

23 November 2003

Timber Industry Federation chief executive Wayne Coffey puts part of the blame for the proposed closure of Carter Holt Harvey's Tokoroa sawmill on the government, saying the industry is operating in an extremely hostile environment. Coffey tells National Radio that the government "barely tolerated" the timber industry and sees it as a necessary evil.

24 November 2003

Minister of Economic Development Jim Anderton demands that the timber industry disassociate itself from criticism levelled at the MED by Wayne Coffey. Anderton says the government has done more for the timber industry than any other in recent history and calls a meeting of timber industry leaders to see if they agreed with Coffey's allegations.

25 November 2003

Wayne Coffey says he will not be summoned to the "headmaster's office" to talk with Jim Anderton. Coffey says that such a meeting would be a kangaroo court with Anderton surrounded by nodding bureaucrats.

- The Jobs Letter "Who's Got the Jobs" feature shows us that while the NZ economy has created 218,000 jobs since June 1998 (when the recovery in employment levels started to take off), the number of jobs in *manufacturing* has fallen by 4%. But this isn't just a local problem. From America to Brazil to Russia and even to China ... **manufacturing jobs are disappearing.**

Economists at Alliance Capital Management LP in New York have looked at employment trends in 20 large economies and found that from 1995 to 2002, more than 22 million jobs in the manufacturing sector were eliminated, a decline of more than 11%. The US lost about 2 million jobs, an 11% drop, but Brazil had a 20% decline. Japan's factory workforce shed 16% of its jobs while China's was down by 15%.

Joseph Carson, director of global economic research at Alliance, says the reasons are similar around the globe — gains in technology and competitive pressure have forced factories to become more efficient, allowing them to **boost output with far fewer workers.** And even as jobs declined, global industrial output has risen more than 30%.

- At the same time, countries everywhere are struggling to reduce **excess manufacturing capacity.** Bill Belchere, chief economist for Asia at JP Morgan Chase in Hong Kong says there are just too many steel plants in the world, and too many auto companies. He says job losses across Asia show that these countries are moving rapidly in their evolution from agricultural to manufacturing and now to higher-tech and service-oriented economies. Belchere: "This is the nature of the developing world. Job creation will be in the services sector in the future."
- The US-based *Job Watch* confirms that the American manufacturing sector, which employs 11% of the workforce, has borne the brunt of the job losses in recent years. Since the US recession officially ended two years ago in November 2001, 726,000 jobs have disappeared, or a 0.6% contraction. This is the first time since monthly job statistics began in 1939 that there has not been positive growth in jobs for two years after a recession ended.

In the last two years, US manufacturing employment has declined by 1.3 million, or 8.1%. This is far worse than the first eight recoveries since 1939 that lasted at least two years ... where manufacturing enjoyed strong job growth of between 5.0% and 16.2%.

— The *Job Watch* website (part of the US-based Economic Policy Institute) can be found at www.jobwatch.org
- The "jobless recovery" is putting tremendous pressure on the Bush Administration, and will be a significant issue surrounding next year's US election campaigns. The Bush Administration branded its recent tax cut package the "Jobs and Growth Plan" and the president's economics staff projected that the plan would stimulate the creation of 5.5 million jobs by the end of 2004 — which amounts to 306,000 new

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26 November 2003

Minister of Social Development Steve Maharey tells Taranaki employers they may have to increase wage rates if they want to entice workers into their region or to stop them leaving for the main centres. Maharey says that towns like New Plymouth and Nelson need to recognize they are in competition for labour and that pay rates need to be competitive.

A Dunedin health practitioners organisation is to assess 25 people who have been on the dole for more than eight years and Winz will follow-up the assessments with "intensive case management". Minister of Employment Steve Maharey says that people who have been looking for work for several years find themselves de-motivated and disconnected from the labour market and that this specialised approach has brought excellent results in a pilot run earlier this year.

Australian telecommunications company Telstra lays-off 100 marketing staff.

In a bid to create jobs, the Taiwanese government is investing nearly \$NZ50 billion in infrastructure, culture and research over the next five years. It predicts the investment will create 60,000 jobs in the first year.

27 November 2003

Up to 40 jobs go as Lyttelton-based Pacifica Shipping cuts a ship from its coastal fleet. This follows the redundancy of another Pacifica ship and 22 seamen in May this year. Chief Rod Grout blames the job losses on the lack of government action to address the impact of foreign ships on coastal trade. Grout: "It has been absolutely decimated. We are being allowed to bleed to death by government inaction."

jobs each month, starting after the tax cuts were put into place in July this year.

So far, the **tax cut stimulus has resulted in little job growth** in the US. The number of jobs increased by just 57,000 in November, falling 249,000 jobs short of the administration's projection in that month alone. The administration had projected that the tax cuts plan would result in 1,530,000 new jobs within the first five months after the tax cuts took effect. In fact, only 271,000 jobs were created and the cumulative shortfall is now 1,259,000 jobs.

- The decline in jobs, and in particular manufacturing jobs, has been linked to a big **increase in poverty** in the US, according to Julian Borger writing in the *Guardian Weekly*. The number of Americans living below the poverty line (about \$18,000 for a family of four) has increased to 34.6 million or about one-in-eight of the population. More than a third of these poor people are children and Borger says that the US child poverty rate is the worst in the industrialised world. And furthermore, poor households in America are likely to stay poor for longer than their counterparts in Europe, Canada or Japan. Borger: "The US may be the wealthiest and the most powerful nation in the history of the planet, but it does not look like so much of a superpower at home. It is being eaten away from the inside by persistent poverty and hunger ... "
- Across the American heartland, the lines of people at soup kitchens and foodbanks have lengthened dramatically ... with scenes reminiscent of the Great Depression. In Ohio, which has lost 16% of its manufacturing jobs over the last three years, nearly a fifth of the population **applied for food assistance** last year. One-in-six of the state's children are hungry or at risk from hunger.

Lisa Hamler-Podolski, who runs Second Harvest, a food charity in McArthur, Ohio, says that some of those who queue for food are the "new poor". Hamler-Podolski: "These are fiscal conservatives, who thought they had secure jobs. They owned houses and two cars and they thought they would do better than their parents, but they are now liquidating their retirement funds. These are people who never believed they would be coming to a food pantry ... "

- Sick and invalid **beneficiaries** who could go back to work if they had surgery might soon have their **operations done privately**, and paid for by the government. Minister of Social Development Steve Maharey is floating the idea that would see beneficiaries — who had jobs waiting for them — treated in private hospitals if the cost of their operations was significantly less than the benefits they would receive waiting in the public system.

Maharey says that a key factor would be how much money would be saved by funding operations in private hospitals. This would require accurate calculations of the amount a beneficiary would be paid while they waited on a public list, how much more quickly their operation could be done privately, how soon they could return to work, and the cost of the operation. The **principle is the same** as that used by ACC which often funds private surgery so that claimants can return to work. Maharey stresses that no one would be pushed down the public health waiting list because the operations would be done by private healthcare providers.

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28 November 2003

The Southland District Health Board re-starts its "Return to Nursing Programme" which offers out-of-practice nurses the opportunity to update their skills and boost their confidence to return to nursing.

Federated Farmers vice president Charlie Pedersen tells a parliamentary select committee that an extra week's annual leave will cost farmers \$1,000/yr for each employee. Pedersen says the money will be taken out of such things as training, staff accommodation improvements and wage increases.

Winz advertises for applications from young people who want to become public service cadets, a scheme that was scrapped in the 1980s. The Winz cadets will earn \$26,000/yr while being a trainee case manager and studying for a certificate in public service.

The NZ Nurses Organisation supports the call to extend the Child Tax Credit to all low-income families. The Credit is not given to a family if a care giver is in receipt of an income-tested benefit and the Nurses say that this discriminates against children on the basis of their parent's income.

The Kiwibank makes its first *Kiwibank in Reach* loan for a house purchase. Through Housing NZ, the government provides a loan guarantee that makes it possible for some low-income families to qualify for a home loan with little or no deposit.

29 November 2003

About 90 jobs will be lost as pharmaceutical companies Glaxo and Novartis reduce their presence in NZ.

If skilled workers are not allowed to work in countries where the jobs are, the out-sourcing of those jobs to countries where the workers are is inevitable, according to Indian Prime Minister Atal Behari Vajpayee. His comments come at a time when the US and the EU are considering ways to prohibit "business process outsourcing" to low-cost countries.

— There are about 69,000 New Zealanders on Invalid Benefits and 40,000 on Sickness Benefits. The total cost of these benefits is estimated to be just under \$1.5 billion this financial year.

- ACT Party leader Richard Prebble agrees that it makes no financial sense to pay a welfare benefit to people who could return to work if they had an operation. But why stop there? Prebble: "If it makes sense for accident victims and sickness beneficiaries to have operations done more quickly and cheaply in private hospitals, then why not have the same service available to the rest of us?"
- The Equal Employment Opportunities Commissioner says that the Modern Apprenticeships Scheme — the government's flagship youth training programme — is unfair and **inequitable for women**. Dr Judy McGregor says the 6.6% female participation rate in the scheme is making the scheme unfair and inequitable.

The Modern Apprenticeship Scheme pays training co-ordinators to relieve employers from administrative responsibilities when taking on workers between 16 – 21 years. The heavily funded scheme has been well received by the public and generated strong demand by employers for apprentices. But in a Human Rights Commission discussion paper, McGregor and Massey University researcher Lance Gray point out that **of the 5,739** apprentices on the scheme at the end of June, there were **only 381 women**. They say that equity issues must be addressed for the scheme to be taken seriously as a "modern" initiative.

(Maori make up 14.3% of the Modern Apprentices, which reflects the national population balance. But Maori women account for only 9% of the Maori apprentice numbers).

- Minister of Tertiary Education and Employment Steve Maharey says that the report "puts the onus on us" to encourage more female participation. The government has tried to lessen the gender imbalance by expanding the scheme to more "female-friendly" fields such as hospitality, tourism, retailing and office administration. As the number of trades included in the Modern Apprenticeship Scheme grew to 28, the proportion of women participants has edged up from a level of 5% in June last year.
- The Industry Training Federation (ITF) is encouraging people to consider industry training as an alternative to university or other tertiary education. The ITF, which co-ordinates 42 industry training organisations, has launched a campaign called "Skill Bill/Skill Jill" to attract young people into **on-the-job training**. Currently there are more than five times as many people enrolled in full-time tertiary education as there are in industry training. ITF executive director Darel Hall says that the beauty of industry training is that you earn while you learn and there's no student loan. (The average tertiary student owes \$13,660, which will take around 10 years to pay off.)
- The days of older workers retiring at a set age are over, according to the Retirement Commissioner Diana Crossan. The Household Labour Force Survey has found that the proportion of people aged 65 years who were in paid work had nearly doubled to 9.4% over the past decade, with some still **working into their 70s**. Crossan urges employers to be aware that older workers offer good judgement, strong skills and high levels of accumulated knowledge. Crossan: "There are benefits for employers,

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30 November 2003

Regional growth is contributing to an increase in the number of homeless people, according to City Missioner Diane Robertson. Robertson says that the replacement of traditional boarding houses by apartments is reducing the options for single people living in urban areas. Robertson predicts that social problems will increase unless there is planning for better services and accessible housing.

France will compete with Canada and Japan in a competition to build the world's first large-scale nuclear reactor. The project is expected to cost 110 billion over 35 years and create 10,000 jobs.

1 December 2003

Hundreds of jobs will be lost as Telecom NZ ditches two NZ companies from its list of contractors in favour of two international companies. The decision will affect 580 staff at GDC Communications and Cabletalk, who have been doing Telecom's faults and maintenance work. Telecom spokesperson John Goulter says negotiations are continuing with the two selected contractors to further hammer down pricing.

3 December 2003

A Child Youth and Families Service recruitment drive to appoint 90 social workers results in more than 900 applications.

5 December 2003

80 Wellington Fonterra staff will lose their jobs as that office is to close. Staff are being invited to apply for fewer positions situated either in Auckland or overseas.

US president Bush scraps his controversial steel tariffs 16 months ahead of schedule. The US had been facing the likelihood of a trade-war with Europe after the WTO agreed that the steel tariffs violated trade rules.

employees and the economy of people staying in the workforce longer. Many enjoy the stimulation and social contact and, of course, the income."

- Auckland Mayor John Banks has refused to join the Mayors Taskforce for Jobs, and is now the **only mayor in the Auckland region** who has not signed up to the initiative. Banks has told the *East and Bays Courier* that he has a very good understanding of youth unemployment in Auckland, but says he does not have time to "navel-gaze" about job creation.

Banks believes that school leavers will be recruited into Auckland's growing road construction industry. He says developers are also desperate for tradespeople to work on some big projects looming, including the building of 6,000 houses on the former Winstone Quarry in Mt Wellington and the shopping development at Sylvia Park on 24 hectares of land. Banks says that under his leadership over the next 20 years, Auckland City will absorb \$20 billion worth of investment and will provide 100,000 new jobs.

— Between 1993 and 2002, unemployment in Auckland dropped by 6%. The youth unemployment rate in Auckland is 13.6%, much higher than the 4.3% for the population generally.

- The new Employment Relations Law Reform Bill aims to clarify the concept of "**good faith**" when employers and their staff negotiate employment contracts. In the new Bill, "good faith" means that employers will be obliged to negotiate things like a multi-employer contract agreements, and that the outcome of those negotiations should be an agreement, unless there is a "genuine reason" not to have one. Until now, unions have accused some employers of merely paying lip service to such negotiations. Any serious breach of "good faith" could prompt the Employment Relations Authority to step in and set the terms of a collective agreement.
- The Bill will also provide higher levels of protection for "**vulnerable workers**" when a business is sold, transferred or their work is contracted out. These "vulnerable" workers are commonly cleaners, food service workers, orderlies and laundry workers in the health sector and in rest homes, and laundry workers and caretakers in the education sector ... a group of workers which Darien Fenton, the Service and Food Workers Union national secretary, describes as "the least visible in our society." Under the new Act, these workers will be able to transfer on similar conditions to the new employer, or have the right to redundancy if they are not wanted by new employer.

Green MP Sue Bradford welcomes the changes: "No longer will workers have to worry about showing up to work one morning, discovering that management has decided to sell or there's been a hostile takeover, and then having to apply for their jobs again, possibly with reduced conditions and lower pay."

- The government has launched a \$21m strategy to help Auckland's **migrants and refugees find work**. Migrants and refugees who arrived in the past decade make up about 16% of the Auckland Winz-registered job-seekers — about 6,500 people. As part of the new strategy, Winz is appointing specialist case managers to work with migrants and refugees, and it is tailoring job search seminars to their needs.

Minister of Employment Steve Maharey says that migrants and refugees have many skills and talents to offer employers but they often face

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7 December 2003

The US unemployment rate drops from 6% to 5.9%. The *Wall Street Journal* describes job growth as “soft”, with the economy adding jobs last month, but only about one-third as many as economists had predicted.

Over the last two years, worker productivity in the US increased by 5.5%, the fastest two-year growth cycle since 1953.

8 December 2003

The Human Rights Commission agrees to investigate a claim that the student loan scheme discriminates against women. The Ministry of Education acknowledges that, on average, women take twice as long as men to repay their student loan. The Commission refers the matter to the Crown Law Office which will make recommendations to the government.

The British Home Office considers increasing the price of working holiday visas from about \$100 to about \$1,300. About 8,000 young NZ'ers visit the UK to work each year. Any change is likely to take two years to enact.

US retail giant Wal-Mart faces two serious legal challenges. Federal judges are considering whether they will give the go-ahead for a class action suit that accuses the company of discriminating against the 700,000 women who have worked there since 1996. And US immigration officials raid 60 Wal-Mart stores and find 250 illegal aliens working as night janitors.

9 December 2003

The number of NZ job ads fell 2.1% in November but are up nearly 4% on this time last year. ANZ chief economist David Drage says the broad trends and surveyed hiring intentions point to further job gains over the months ahead.

In October, the NZ trade deficit was a massive -31%, the largest deficit level since 1989. Statistics NZ says the drop in timber exports — a huge -37.8% fall over the year — is the biggest factor in the trade deficit.

Nine Thai nationals are arrested for illegally working in Marlborough vineyards. Immigration officials believe that are more than 30 illegal immigrants working Marlborough vineyards.

language, culture, qualifications and skill barriers. The intention of the new strategy is to help migrants overcome these and achieve economic and social independence.

- Maharey has also recently opened the **Multilingual Contact Centre**, a new Winz service that will enable clients to speak to a Winz staff in their native language. The Contact Centre will offer 0800 telephone lines for people who speak Mandarin, Cantonese, Arabic and Hindi and it expects to add five more languages by early 2004. It is also expanding its online services so clients can download self-paced English-as-a-second language training packages.

— Work and Income Multilingual Contact Centre, phone general inquiries at 0800 559 009 and ask for the telephone number for the language you would like to use.

- Treasury papers have warned that a fourth week of annual leave may cost twice what the government announced it would. The papers, obtained by *The Sunday Star-Times*, indicate that the extra week's leave **will cost employees** \$350 million in lost wage increases and other trade-offs. This is on top of the \$350 million the government announced the move would cost employers.

Minister of Labour Margaret Wilson says the government had made it clear there would be unspecified flow-on costs and there was likely to be “give and take” when it came to wage negotiations. She estimates that a worker earning \$10 per hour would lose **only \$80 a year** in lost wage increases and conditions. Wilson: “You don't get something for nothing ... everyone has four years to make the adjustments. The extra costs can be spread over that time and the impact on everyone should be minimal.”

- National Party leader Don Brash predicts that taking a week of production out of the economy will have a big effect on wages. The party caucus has confirmed that a National-led government **would revoke the fourth week** of leave and instead allow employers and employees to negotiate whether they take the money or the week.
- **Tariff reductions** on Australia's textile, clothing and footwear **will halt** for five years to help the industry to compete against cheaper imports. The industry is also to be boosted by a A\$747 million assistance package over the next 10 years that includes incentives for businesses to expand internationally.

Tariffs will stop at 10% for cotton sheeting, woven fabrics, carpet and footwear and 7.5% for sleeping bags, table linen and some footwear parts between 2005 and 2009. From 2010 these will be reduced to 5%. Clothing and certain finished textile tariffs will stop at 17.5% from 2005, then drop to 10% from 2010 and to 5% from 2015. The assistance package includes a A\$50 million structural adjustment programme to offer case-by-case support for workers made redundant by large plant closures.

- The giant American retailer Wal-Mart is the cover story in this month's edition of the business magazine *Fast Company*. The magazine investigates whether the giant retailer's relentless pressure to provide lower priced goods is crushing the companies it does business with, and if it is **forcing its suppliers to send jobs overseas**. In the article, *Fast Company* asks: “Are we shopping our way straight to the unemployment line?”

Wal-Mart is not just the world's largest retailer. It's the **world's largest company** — bigger than ExxonMobil, bigger than General Motors,

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10 December 2003

The OECD is critical of the government's reported tax subsidy of up to \$400 million dollars for the *Lord of the Rings* film trilogy. It says it is still an open question as to whether the subsidy yielded NZ a net benefit.

The same OECD report admits to being baffled about why, given "its best practice" in most policies, NZ's past economic reforms had not yielded larger productivity gains.

11 December 2003

The Australian unemployment rate remains at 5.6%.

15 December 2003

Carter Holt Harvey's Tokoroa sawmill will definitely close with the loss of about 90 jobs. Locals say another 50 workers will lose their jobs in allied businesses.

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bigger than General Electric. The scale of its business is enormous: Wal-Mart sold \$244.5 billion worth of goods last year. It sells in three months what the number two retailer Home Depot sells in a year. And in its own category of general merchandise and groceries, Wal-Mart no longer has any real rivals.

The giant retailer is at least partly **responsible for the low rate of US inflation**. A McKinsey & Co study recently concluded that about 12% of the US economy's productivity gains in the second half of the 1990s can be traced to Wal-Mart alone.

- But, according to *Fast Company*, the "story that never gets told" is the story of the pressure the biggest retailer relentlessly applies to its suppliers in the name of providing "everyday low prices".

Fast Company: "Wal-Mart wields its power for just one purpose: to bring the lowest possible prices to its customers. At Wal-Mart, that goal is never reached. The retailer has a clear policy for suppliers: On basic products that don't change, the price Wal-Mart will pay, and will charge shoppers, must drop year after year. But what almost no one outside the world of Wal-Mart and its 21,000 suppliers knows is the high cost of those low prices. Wal-Mart has the power to squeeze profit-killing concessions from vendors. To survive in the face of its pricing demands, makers of everything from bras to bicycles to blue jeans have had to lay off employees and close US plants in favour of outsourcing products from overseas ... "

Of course, US companies have been moving jobs offshore for decades, long before Wal-Mart was a retailing power. But *Fast Company* concludes that there is no question that this huge chain of stores is **helping accelerate the loss of American jobs** to low-wage countries such as China. Wal-Mart, which in the late 1980s and early 1990s trumpeted its claim to "Buy American", has doubled its imports from China in the past five years alone, buying some \$12 billion in merchandise in 2002. This amounts to nearly 10% of all Chinese exports to the United States.

- One example from the *Fast Company* article: Steve Dobbins is president and CEO of Carolina Mills, a 75-year-old North Carolina company that supplies thread, yarn, and textile finishing to apparel makers — half of which supply Wal-Mart. Carolina Mills grew steadily until 2000. But in the past three years, as its **customers have gone** either overseas or out of business, it has shrunk from 17 factories to 7, and from 2,600 employees to 1,200. Dobbins's customers have begun to face imported clothing sold so cheaply to Wal-Mart that they could not compete even if they paid their workers nothing.

Dobbins: "People ask, 'How can it be bad for things to come into the US cheaply? How can it be bad to have a bargain at Wal-Mart?' I say, sure, it's held inflation down, and it's great to have bargains ... but you can't buy anything if you're not employed. We are shopping ourselves out of jobs."

— *Fast Company* Issue 77 December 2003 "The Wal-Mart You Don't Know" by Charles Fishman can be read at www.fastcompany.com/magazine/77/walmart.html

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