

The Jobs Letter

No. 200

30 January 2004

Essential Information on an Essential Issue

KEY

GLOBAL UNEMPLOYMENT AT RECORD LEVELS

CLIMATE CHANGE TO AFFECT LIVELIHOODS

ECONOMISTS ARE SAYING ABOUT NZ ...

BUDGET WILL POINT TO "FUTURE DIRECTIONS"

DIARY

15 December 2003

Auckland businesses say it is now harder to hire skilled staff than at any time in the past few years. A Chamber of Commerce survey finds 41% of businesses reporting difficulties finding skilled staff.

Over one-in-four NZ children are growing up in a household reliant on a benefit, according to the Ministry of Social Development. The government remarks that this proportion compares favourably with other developed nations. National MP Katherine Rich argues that the government should have better aspirations for children than a welfare dependent childhood.

16 December 2003

The gender pay gap is greater in private industry than in the public service. Women earn 13% less than their male counterparts in the overall NZ workforce, while women earn 7% less than men in public service jobs.

Four Asian university graduates offer to work for three months for free in the hope of getting a job, illustrating the difficulty qualified Asians are having to break into the NZ labour market.

- The International Labour Organisation (ILO), an agency of the United Nations, reports that **global unemployment rose** during 2003 to **record levels** — despite a world-wide economic recovery from a two-year slump. This year's *Global Employment Trends* report says that:
 - the number of people out of work and looking for work in 2003 reached 185.9 million, or about 6.2% of the total global labour force, the highest unemployment figure ever recorded by the ILO.
 - hardest hit are some 88.2 million young people aged 15-24 who face a "crushing" unemployment rate of 14.4%.
 - the number of "working poor" (people living on the equivalent of US\$1 per day or less) is now estimated at about 550 million people.

The ILO says it is "cautiously optimistic" that the economic recovery will continue during 2004. But Director-General Juan Somavia says it's too early to say the worst is over. Somavia: "Our greatest concern is that if the recovery falters and our hopes for more and better jobs are further delayed, many countries will fail to cut poverty by half as targeted by the UN Millennium Development Goal for 2015. But we can reverse this trend and reduce poverty if policy-makers stop treating employment as an afterthought and place decent work at the heart of macroeconomic and social policies."

- The ILO notes that global "jobless growth" has seen the unemployment levels **rise most sharply among young people**. The agency warns that we need to act now " ...to avoid the creation of a huge cadre of frustrated, uneducated or unemployable young people that could have a devastating impact on long-term development prospects."

The ILO says that the challenge over the next decade is to absorb the 514 million new entrants to world labour markets and to reduce working poverty. It warns that if **jobless growth** continues, it will threaten future economic growth: "No country can sustain growing unemployment rates in the long run, because diminishing demand will at some point limit economic growth. In addition, continued high rates of unemployment are a waste of human capital."

— The ILO *Global Employment Trends* webpage can be found at www.ilo.org/public/english/employment/strat/global.htm

- The biggest issue affecting global livelihood and employment over the next fifty years will be **climate change**. The international community received "a wake-up call" earlier this month with the release of a report published in the scientific journal *Nature*. The report, compiled by the largest collaboration of scientists ever to apply themselves to the climate change problem, studied six biodiversity-rich regions around the world — covering 20% of the planet's land area. It found that 15%-37% of all species studied could become extinct under climate warming scenarios that are likely to occur between now and 2050.

The scientists point out that, as temperatures rise, many species will simply be unable to adapt or migrate to new habitats. The global warming will therefore bring with it one of the biggest **mass extinctions since the**

The Jobs Letter

DIARY

17 December 2003

The student loan income threshold (the amount at which students have to begin to repay their loan) rises by \$208, from \$15,964 to \$16,172. Lincoln University Students Association president Andrew Kirton calls this rise “miserable”, and says the changes will do nothing to address the “monster” of student debt.

The Holidays Bill passes into law. Increased pay for people working on public holidays, as well as extensions of sick leave entitlements will come into effect from April this year. Four weeks annual leave will become mandatory from April 2007.

18 December 2003

An NBR-Philips Fox poll finds 80% of NZ'ers expect that unemployment will either decrease or stay as it is, and are optimistic about maintaining or improving their own standard of living in 2004.

After four years of study, some pharmacy interns are being paid as little as \$10/hr to get on-the-job experience before they can register as a pharmacist. The University of Otago pharmacy student spokesperson Philip Murphy says dozens of pharmacy students have been forced overseas or to accept badly paying jobs in NZ since the government changed the rules on the way drugs are dispensed.

20 December 2003

As many as 5,000 jobs will go at British Airways.

21 December 2003

A free scholarship scheme for Hawke's Bay and Taupo students to do their university study at the Eastern Institute of Technology in Taradale is successfully at keeping young people from leaving the Bay, according to marketing manager Brenda Chapman. First year fees are free and second-year students pay half price and Chapman says that when you include the cost of accommodation in the main centres, school leavers could save as much as \$25,000 over the time it takes to obtain a degree by studying closer to home.

time of the dinosaurs, 65 million years ago. The sheer scale of the disaster facing the planet has shocked those involved in the research. Much of that loss — more than one-in-10 of all plants and animals — is already irreversible because of the extra global warming gases already discharged into the atmosphere.

- According to the head of the United Nations Environment Programme, Klaus Toepfer, unbridled climate change is “the spectre haunting many of the objectives enshrined in the United Nations Millennium Development Goals”.

Toepfer: “If one million species become extinct as a result of global warming, it is not just the plant and animal kingdoms and the beauty of the planet that will suffer. Billions of people, especially in the developing world, will suffer too as they rely on nature for such essential goods and services as food, shelter and medicines. Many developing countries also rely on nature-based tourism to generate much-needed foreign exchange earnings.”

- One of the biggest hurdles in addressing the climate change issue is the difficulty of **raising public awareness** about the grave nature of the problem, given that reports in the past predicting potentially cataclysmic scenarios have not — so far — happened. But this latest report will again focus attention back on the failed Kyoto Protocol, an international agreement meant to cut greenhouse gas emissions.

The *Guardian* newspaper reports that where the UK is more or less on target to meet the “exceedingly modest” requirements of the Kyoto agreement to reduce greenhouse gas output by 12.5% by 2010, the United States is 30% over what would have been its target if the Bush administration hadn't “kicked Kyoto into touch”.

John Lanchbery, of the Royal Society for the Protection of Birds, argues that President Bush “... risks having the biggest impact on wildlife since the meteorite that wiped out the dinosaurs.” Lanchbery: “At best, in 50 years, a host of wildlife will be committed to extinction because of human-induced climate change. At worst, the outcome does not bear thinking about. Drastic action to cut emissions is clearly needed by everyone ... but especially the USA.”

— “*Extinction risk from climate change*” by C.D. Thomas et al., 2004, *Nature*, Vol 427, pages 145-148. (pub. 8 January 2004)

- Despite the sombre international economic climate, **New Zealand** has had **one of the fastest growing economies** in the OECD over the last decade, averaging 3.6% growth per year, and has had very strong economic activity during the last four years of global downturn. The latest *OECD Economic Outlook* for New Zealand says we enjoy low inflation and a fiscal surplus, a flexible labour market, high quality public administration and regulation, and an education system that delivers top-class overall results. Over the last decade, New Zealand incomes grew by 2.5% per year, slightly higher than the OECD average, reversing a trend of New Zealand incomes declining against OECD countries during the 70s and 80s. The OECD forecasts the New Zealand economy to grow at least 3% per year over the next two years and that unemployment will remain at about 5%.

— A one-page summary of *OECD Economic Outlook No. 74, New Zealand*, 10 December 2003, can be downloaded (12kb) from www.oecd.org/dataoecd/6/34/20213243.pdf

- BERL's latest quarterly report points out that **population growth** is the **major driver** behind growth in the New Zealand economy. Net inward migration of working-aged people was a very high 34,000 in the year that ended September 2003, and BERL attributes 50,000 of the 61,000 new

The Jobs Letter

DIARY

22 December 2003

Just under 40% of people who are long-term unemployed (over 2 years) who were placed in "stable" employment by Winz have re-registered as unemployed or returned to a benefit.

Up to 100 jobs will be created as meat processing company PPCS opens a third processing room at North Taieri near Dunedin. The new facility is expected to work two shifts of up to six-day weeks for what is usually a nine-month season.

36,000 jobs are at stake in Europe as Italian dairy company Parmala Finanziaria defaults on a bond payment and may have to file for bankruptcy protection.

25 December 2003

Christmas Day

26 December 2003

A migrant worker tax scam centred in Hawke's Bay kiwifruit orchards sees six people prosecuted and 50 more under investigation by Inland Revenue. Alleged foreign fraudsters employed gangs of immigrant workers, collecting tens of thousands of dollars in GST and PAYE on the workers' behalf and then leaving or attempting to leave the country.

27 December 2003

The UMR *State of the Nation* survey finds that 88% of NZ'ers are confident their job is secure in the year ahead. For three straight years, more NZ'ers have told the survey that the country is on the right track than those who say it isn't.

5 January 2004

The number of Palmerston North students using local foodbank services has doubled over the last three years, according to the Massey University Students Association. Green MP Nandor Tanczos says the government has condemned students to another summer spent begging on the breadline. Tanczos says foodbanks have become a regular feature of university life since the Emergency Unemployment Benefit was scrapped in 1998.

jobs created over that period to construction, machinery (including appliances) and social services — all sectors servicing the increase in the population. BERL says its population growth forecasts see total employment topping 2 million in September 2005, an increase of 250,000 since 1999.

The BERL report questions the government's apparent lack of recognition of the key role of population as the driver of economic development. BERL: "This is reflected in the current round of Education Ministry School Reviews which appear to have little relationship to the Economic Development Strategy of the appropriate region(s). This disjuncture, if not recognised and rectified early, will only make the various regional development initiatives more difficult to succeed."

— BERL (Business and Economic Research Ltd) Media Release 17 December 2003, can be downloaded (PDF, 7 pg, 71kb) from www.berl.co.nz/BFDec03Press.

- The Labour Department is **predicting unemployment will fall** to almost 4% in two years' time, a much rosier view than that of the Reserve Bank or the Treasury's pre-Christmas forecast. In its six-monthly overview of the job market, the department expects the present 16-year low of 4.4% unemployment to remain for the next six months before rising to 4.7% and then dropping to 4.2 per cent by early 2006. In its December economic and fiscal update the Treasury forecast unemployment to rise to 4.8% next year and stay just under 5% for the next three years.

- The government expects to have a \$6.1 billion surplus by June 2004 and because the Minister of Finance Michael Cullen is now convinced that the surplus is sustainable (and not cyclic) ... he is preparing to spend some of it. Cullen points out that significant amounts of the surplus are already committed to the Superannuation Fund, and increases to District Health Boards, Housing NZ, Education and Defence. But even so, in the 2004 Budget (due in May) he will allocate about **\$700 million for** a package of **new social spending** initiatives being dubbed "Future Directions".

"Future Directions" aims **to lift the incomes of low and middle-income** families, the group that Cullen says have gained the least from the growth of the economy over the past 20 years. Details of "Future Directions" are sketchy at present, but Cullen is saying that all beneficiaries with children will get more, and all low-income families in employment will get even more. He also says some people can expect to see a clear effect of these measures before the end of 2004, but other parts of the package will progressively come into force over the coming four years.

- Vernon Small, business columnist for *The Dominion Post*, says "Future Directions" will gradually boost income levels during the next three years ... and it will be capped off by "**sweeping structural reform**" in 2007. He anticipates that these reforms will involve three elements:

— raising the base level available to beneficiaries and the low paid.

— "making work pay" by ensuring there is a sufficient gap between what people earn on a benefit and what they can earn in work. This is likely to mean an easing of the benefit abatement rates and marginal tax rates for those moving into employment.

— simplification of the benefit and tax credit systems. This is likely to mean a streamlining of the benefit system by dropping add-ons (like the accommodation supplement and childcare assistance) in favour of a base benefit that covers most people's needs. It is also likely to make adjustments to the family tax credit that currently excludes beneficiary families and has had little adjustment for inflation since 1997.

Small: "The eventual aim is to establish a minimum family income, depending on the size and location, with a long and gentle abatement rate

The Jobs Letter

DIARY

6 January 2004

The start of the apricot season in Central Otago has orchardists "screaming" for fruit packers. Anne Hanning of the Central Employment Trust says orchardists need workers who are available for 3-6 weeks and they need to come with their own tents and transport.

Rural mayors are concerned that school closures will severely impact on their communities. Local Government NZ's Rural Sector Group chairman David Owen says that the current School Review appears to be narrowly focused on educational outcomes. Owen: "Schools play a much larger role in rural communities than simply educating students. Schools are frequently the community centre, the contributor of social capital, and the maintenance of community networks within rural NZ. We strongly recommend that this wide role of schools is recognized by the government."

The rising dollar is forcing some exporters to lay-off staff according to Gilbert Ullrich of Export NZ. Ullrich says it is particularly frustrating to see the property sector and retailers talking about a booming economy when the country's export returns are falling dramatically.

11 January 2004

Building consents were issued for more than 3,000 dwelling in NZ in November, the highest monthly total for 30 years.

The Australian unemployment rate remains at 5.6% as the economy added 29,600 jobs in December.

The US economy generated just 1,000 new jobs last month, dashing hopes for the end to the "jobless recovery". The US unemployment rate drops from 5.9% to 5.7% as large numbers of people leave the workforce.

US dairy producers warn that a free-trade pact with Australia could drive a quarter of US dairy farmers out of business and, when including potential losses to the food processing sector, could cost the US up to 150,000 jobs.

of state help to ensure marginal tax rates are kept as low as possible. In theory it will minimise the disincentives to move from welfare into work, and make it worthwhile to subsequently move further up the income scale."

- The Ministry of Social Development has published its annual internal assessment of how well it is doing in **achieving its employment goals**. The highlights for the year to September 2003 were that unemployment fell to its lowest level in 16 years and that the economy grew by 61,000 new jobs, or an increase of 3.3%. The larger workforce has reflected the growth in the working age population (pushed up by historically high numbers of people moving to New Zealand) and a greater percentage of working aged people taking up jobs.

The report says that high growth in construction and manufacturing has driven much of the economic growth. The manufacturing sector's strength came from growth in exports while the construction sector gained from the high net migration inflows and low interest rates.

- **Skill shortages** are still a major feature of the employment report with a rising number of firms experiencing increased difficulty finding both skilled and unskilled labour. An average of 39% of firms said they struggled to find skilled labour last year, up from 34% the year before. The historical average is 14%, which indicates that skill shortages are particularly acute at this time.

Minister of Social Development and Employment Steve Maharey: "Despite our positive economic results ... we continue to have a large population of working age people who are out of the labour market, with many lacking the skills necessary to meet the needs of employers and industries. This presents a risk to New Zealand's economy in terms of our ability to sustain and support growth."

Maharey reports that the government's focus is now turning to the issues of **quality of employment and productivity**. Maharey: "It is imperative that we build on our strong base of employment growth to produce better, higher income and more productive jobs for all. A significant priority of the present government is improving the quality of working lives by supporting job-seekers into sustainable employment and economic independence."

- The *Employment Strategy* report affirms that the government has a shared goal with the Mayors Taskforce for Jobs that "*by 2007, all 15-19 year-olds will be engaged in appropriate education, training and work or other activities leading to long-term economic independence and well-being*".

The report identifies **Maori and Pacific young people**, and young people with disabilities, as groups who are at higher risk of not making successful transitions. These groups have become the focus of a government youth transitions work programme which aims to improve the transitions of at-risk youth into further education, training, work or other activities.

- The report also has a special feature on employment trends for Pacific peoples. It points out that over the last six years, annual employment growth for Pacific peoples has been 4.8%, which is significantly higher than it was for the general population. But while Pacific people are getting jobs, the jobs they are getting are concentrated in lower-skilled occupations and Pacific people continue to be heavily represented in lower income brackets.

— *Employment Strategy: Progress to Date June 2002 – September 2003* (published by the Department of Labour, December 2003) ISBN 0-477-03694-5 can be downloaded (PDF, 20pg, 391kb) from www.beehive.govt.nz/Documents/Files/ACFE1F0.pdf

- A Youth Transitions Brokers team has been appointed by the City of Manukau Education Trust (COMET) as part of a pilot programme to

The Jobs Letter

DIARY

12 January 2004

Some Australian hospitals are offering NZ doctors \$138/hr plus free airfares and accommodation to cover shifts in regional public hospital emergency wards. A “distressed” NZ Medical Association chairwoman Tricia Briscoe says NZ can’t compete with the Australian packages. Briscoe: “We know that young doctors, instead of locuming in NZ, are now heading overseas.”

Dr Tricia Briscoe says the government needs to find ways of cutting the student debt of medical graduates in order to keep them in NZ. Briscoe: “High medical student debt is the number one issue facing our young medical graduates. This is pushing our graduates overseas where they will earn more money. While NZ doctors have always gained experience overseas, our concern now is that they have little incentive to come back.”

The Resident Doctors Association says that between 200-400 doctors have permanently left the country each year since 1999. The number leaving annually is often in excess of the 250 medical student who graduate each year.

United Future Party leader Peter Dunne calls on the government to address the country’s “seriously flawed” student loan scheme by taking out some form of bonding of students studying in key professions.

20 January 2004

National MP Murray McCully calls on the Minister of Immigration to grant exceptions that would allow visiting backpackers to legally be employed to work in orchards.

Australian telecommunications company Telstra is to relocate 450 jobs to India.

France Telecom will cut 14,500 jobs as the former monopoly pushes ahead with massive restructuring.

21 January 2004

The ANZ job ads series finds job ads up by 18.5% in December, driven by unusually strong advertising in Auckland. ANZ economist David Drage says this shows firms are finding it increasingly difficult to find skilled labour.

support school-leavers to find a job or develop a training path that would lead to a job. The team will aim to help 125 new school-leavers who have no job and have not enrolled in a training programme to get to a “secure post-school destination” rather than enrolling on the unemployment register.

The three Youth Transitions Brokers will operate from five Manukau City schools, targeting 25 school-leavers from each school. There are about 4,000 young people who leave Manukau’s 26 secondary schools each year over half of these will have gained good qualifications and will know where they are going next. However, Chief Executive of COMET Bernardine Vester says there is a large group of school-leavers who need extra support to get to the next step.

- The government has given the go-ahead next year for two pilot schemes to **assist teenagers from low-income families to study** at Telford Rural Polytechnic in Balclutha and at the Westport Deep Sea Fishing School. The pilots will involve up to 57 teenagers, aged 16 or 17, who have not completed Year 13 at school, and who need to live away from home to pursue training. They will be given a Targeted Training Grant to assist with living costs while they attend the courses.

Minister of Tertiary Education Steve Maharey says the pilot programme is part of the government’s plan (in partnership with the Mayors Taskforce for Jobs) to provide all 15 to 19-year-olds with education, training, work or other options by 2007. Maharey: “The Targeted Training Grant pilot programme aims to assist a group of young people often overlooked — teenagers from low income families who have left school, don’t qualify for benefits and are unable afford to pay living costs to undertake study away from home.”

- The government has made changes to the Skilled Migrant immigration criteria in hopes of **attracting overseas workers** who have skills that are in short supply in New Zealand. Minister of Immigration Lianne Dalziel says the focus has shifted from the Department passively accepting residency applications to the active recruitment of the skilled migrants. Dalziel: “This policy is designed to end the “professional-driving-taxi” scenario, which resulted from a flawed policy focused solely on migrants gaining residence by meeting the set points, regardless of whether or not their skills were needed here.”

Under the new policy, prospective migrants can submit “expressions of interest” based on a system in which points are allocated for job skills, work experience and qualifications, with particular emphasis on sectors that are identified as New Zealand’s growth areas or where there are skill shortages. Bonus points will be awarded to people who have a skilled job offer outside of Auckland or who have a New Zealand qualification after studying here for at least two years.

- But there are anomalies under the new rules: “character” restrictions introduced in December **automatically bar** anyone sentenced to 12 months or more in jail in the past decade, or five or more years at any time. The ban is regardless of whether the sentence was later quashed. Michael Bott of the Council for Civil Liberties points out that the new rules would exclude people such as Nelson Mandela (who was sentenced to jail for conspiracy to commit sabotage before becoming South Africa’s first freely elected president). Other freedom fighters, political prisoners and people wrongly convicted of a crime and later pardoned would also be excluded.
- The most **spectacular result** of the policies aimed at “closing the gaps” between Maori and Pakeha have been **in unemployment**, according to a December 2003 Cabinet paper that was leaked to the *Sunday Star-Times*. A major investigation by the government of its (now re-named) “Reducing Inequalities” policy has found that while overall unemployment had fallen

The Jobs Letter

DIARY

25 January 2004

Three Malaysian nationals are arrested in Marlborough on charges relating to illegal aliens working in vineyards. Last month, eight Malaysians made official complaints that they were misled into believing their working status in NZ was legal.

25 January 2004

Porirua builder Rob Askew, unable to find enough workers, blames the lack of skilled workers, rather than increased building activity. He says the building industry is suffering from a lack of apprenticeship training prior to the introduction of the modern apprenticeship scheme about five years ago.

Up to 15,000 jobs worldwide will go as photographic giant Kodak cuts about 20% of its workforce.

27 January 2004

The NZ Pipfruit Growers Association says that the harvest this year could be NZ's largest ever. It will require a workforce of about 35,000 in orchards, cool-stores and transport, a number it is unlike to get.

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from 10% in 1992 to 4.4%, Maori unemployment had fallen even further — from a staggering 25% more than a decade ago to 9.6% now. Other good news in the report was that life has improved for Maori and Pacific people in recent years: they live longer and do better in key areas of the education system. The bad news is that in some areas, life has improved even more for Pakeha and so many “gaps” have widened, not closed.

- An independent report by the New Zealand Institute of Economic Research (NZIER) says the Te Awamutu-based Te Wananga o Aotearoa is now **NZ's biggest tertiary institute**, and contributes almost as much to the economy as the forestry sector. The Wananga has an estimated 50,000 students and, according to NZIER, it has a much larger national economic and social impact (per student) than is typical of other tertiary institutions.

The report estimates the Wananga contributes between 0.5% and 2% of gross domestic product, and says it is nearing the contribution made by the \$3.5 billion forestry sector, or at least the \$1.7 billion foreign student industry. The report: “Labour force participation rates have been significantly impacted by Te Wananga by the provision of extra trained and skilled workers without having to cover the costs associated with immigrants.”

- Associate Minister of Maori Affairs John Tamihere is pleased with the progress of Maori in education and that Maori attitudes to education are starting to change ... but he has **some reservations**. Tamihere worries about the quality and economic usefulness of some Wananga courses that are attracting many Maori students. He says that courses in Maori culture helped build confidence in people who had not studied at tertiary level before, but he wondered how many would go on from these courses to more economically valuable studies.

Social Development Minister Steve Maharey says he shares these concerns and this was why the government had capped enrolments at tertiary institutions — a move aimed particularly at the Wananga, where growth had been most spectacular.

- John Tamihere has announced \$2.52 million in pilot project funding to **intervene in publicly funded Maori trusts** to stop further embarrassing collapses. The measure has been spurred by last year's collapse of Maori service providers including Donna Awatere Huata's Pipi Foundation, the Tu Kahu low-cost housing scheme, and Te Hauora o Te Tai Tokerau in Whangarei.

Tamihere's announcement will be followed this month by Maori Affairs Minister Parekura Horomia announcing an overhaul of troubled ministry Te Puni Kokiri. Tamihere has signalled that independent business analysts may look to **oust the “old guard”** in Maori trusts and set in place young, qualified managers: “I totally reject the notion that the Maori way of doing things means that Maori should be exempt from the standards, ethics and controls that any other organisation or business is subject to. There is nothing Maori about having your fingers in the till.”

Tamihere: “This programme acknowledges that as you build competency capabilities among disadvantaged communities, you will have some administrative and management problems... pretty soon those communities will come to the limits of their skill sets, and that is where issues of accountability and management can arise. If we have the systems in place to help communities and organisations develop the skills and processes to manage their way through the next level, then a lot of those difficulties won't occur.”

ISSN No.1172-6695 Produced by the Jobs Research Trust, a not-for-profit charitable trust constituted in 1994.

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

The Jobs Research Trust is funded by sustaining grants and donations. Yes, you can help.

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