

The Jobs Letter

No. 208

16 June 2004

Essential Information on an Essential Issue

KEY

EMPLOYMENT OPTIMISM HIGH

DATABASE TO BETTER
UNDERSTAND WORKPLACE

AIM TO LIFT MAORI
EMPLOYMENT

CEG STANDING BY RACE-
BASED GRANTS

DIARY

27 May 2004

In Malta, PM Helen Clark suggests NZ and Malta negotiate a Working Holiday Scheme, so that 50 young people could live and work for periods of up to a year in each other's countries.

28 May 2004

The government is to spend \$21m over three-and-a-half years to inform people about the "Working for Families" Budget package. Minister of Social Development Steve Maharey says that many families are unaware of, and don't apply for, their current entitlements and the new campaign will encourage those who are eligible for assistance to apply for it.

National MP Murray McCully says that the Budget promotional package costing is "way out of proportion with anything we've seen before". McCully suggests there is a political motive for the ad campaign that goes well beyond the need to communicate with potential recipients.

The Dominion Post is unable to find any government policy change promotion campaign that cost even close to the planned costs to promote "Working for Families".

- A national survey of private sector businesses finds that employment intentions are the strongest they have been in five years. This comes at a time when unemployment is at a 16-year low and many industries are having difficulties filling positions. The Hudson Report has found that many **employers have a positive outlook** for the upcoming six months. Among the 1,848 employers surveyed across all industries, 41.7% expect to take on new staff.

The most optimistic employers are those in the telecommunications industry with three out of four employers expecting to take on more staff. And more than half of those in the information technology, professional services, and construction-property-engineering industries all expect to hire more workers. The least optimistic employers were those in the tourism and hospitality sectors, but even then, one in four plan to take on more staff.

Small, medium and large organisations all contributed to the optimistic outlook. Employment optimism was most noticeable in the upper North Island.

Hudson recruitment agency (formerly TMP) general manager Greg Thompson says that **skill shortages** are becoming **more evident** and staff retention is becoming a "business critical" issue as replacement costs and downtime can have a major impact on profitability. Thompson says that companies that invest in their staff are more likely to hold on to them. Thompson: "Not only does it develop their skills and careers and boost retention levels, it has a positive impact on the bottom line. Industry accepted figures indicate it can cost up to four times a person's salary to replace them."

The Hudson Report, Employment & HR Trends, New Zealand July-December 2004 (PDF 13 pages 242kb) Can be downloaded from www.hudsonresourcing.co.nz/documents/nz_july_december_2004_expectations.pdf

- A new database to help **better understand the workplace** is to be developed for Statistics New Zealand. The government has allocated \$11.8 million over the next four years to develop a Linked Employee Employer Dataset (Leed) that will help the department match data supplied by businesses with employee databases — including the database maintained by Inland Revenue Department. This will allow statistical profiles to be generated that show, for example, the age and pay rates of staff in a particular industry. Other uses may include showing if certain employers are successful at creating long-term jobs for the unemployed, and seeing if there are links between employee turnover and business performance.

Acting deputy government statistician David Archer says the project will help create an understanding of "the dynamics of job creation and cessation". Archer says it will be a huge database that will allow the agency to look at things in lots of different ways in order to better understand the job market.

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31 May 2004

NZIER predicts economic growth will slow from the 3.3% it was to March 2004 to 2.8% in March 2005, chiefly due to the downturn in the number of immigrants to NZ. Immigrant numbers are expected to be about one-third what they were last year.

2 June 2004

Seventy jobs will be created in Rotorua as the Cryovac packaging plant nearly doubles its workforce after securing a 5-year contract with dairy company Fonterra. Five years ago the plant lost about the same number of jobs as Cryovac's predecessor Holmes Packaging lost a contract with NZ Milk Products, the predecessor of Fonterra.

Air NZ will cut 15% of its 10,000-strong workforce over the next four years.

World prices for NZ export commodities rose sharply last month. Prices for NZ commodities are now 15.3% higher than they were at this time last year.

An ILO report says that joblessness is gripping the Israeli occupied Palestinian territories, with Palestinian unemployment reaching an average of 35%.

4 June 2004

The new Sky City Auckland Convention Centre is employing an additional 130 permanent staff, and expects to increase that number as the facility begins hosting day time events in August. Human resources manager Paul Walsh says it was a significant recruitment drive for the hospitality industry.

Sky City workers go on strike for four hours saying the company is offering an unfair wage package as well as unfair rostering that impacts on workers' health and family lives.

The government is running a \$7.2 billion surplus, nearly a quarter of a billion dollars more than Minister of Finance Michael Cullen said it would be just one week ago when he tabled the Budget. The surplus reflects a larger tax take - personal and company income taxes, as well as GST - and increased export earnings due to the lowering the value of the NZ\$.

An 18-month feasibility study is concluding this month that will have resulted with a prototype design for the new database. After that a tender will be issued for software and hardware.

- More workers are expected to **join the public sector** over the next few years. Last month's Budget allocated an extra \$7.28 billion spending on public services. Treasury can't really say yet just how many jobs the extra spending will translate into, but a department spokesperson says that extra staff costs would be a "small subset" of the total spending. Over half the money will be spent in the health and education sectors.

Public service staff numbers have increased by 19,000 since the Labour-led government was elected in 1999. The State Services Commission reports that government departments have **increased** their reliance on **permanent staff** in recent years — up 15% in the core public service since 2000. And temporary staff numbers had fallen a third.

The Public Service Association has welcomed the planned extra spending. National secretary Richard Wagstaff says it would rebuild the capacity of the government workforce. The public service had been cut back so much by 1999 that some departments had to outsource some of their core work, including the fundamental preparation of briefing papers for the incoming government. Wagstaff: "It was so depleted of basic functions that a major rebuilding was required."

- National Party MP John Key believes that at the present rate, the public sector workforce will rise to a "bloated level" in the next five years. Key says that if Labour stays in power there could be as many as 50,000 more people on the government payroll.
- There are currently about 34,400 people working in the core public service of government departments, about 40% of whom are based in Wellington. The balance of the 300,000 government workers — which includes teachers, hospital workers, police and the military — are spread around the country.
- A study of what makes successful Maori-led organisations tick could lead the way to **reducing Maori unemployment**. The study, commissioned by some leading Maori businesspeople and backed by the Business Roundtable, will look at successful Maori institutions in the church and military. Accounting firm Ernst & Young chairman Rob McLeod — who calculates his Maori blood at 43.75% and is of Ngati Porou descent — says the study will discover more about Maori approaches to business and organisation. He hopes it will eventually assist with the development of good public and private policy.

McLeod says that simply reducing the levels of Maori unemployment to the rate of non-Maori could add up to \$20 billion to the economy. Another \$20 billion could be added by bringing the average Maori wage up to the level of the average non-Maori wage. McLeod: "So there is \$40 billion of economic value in simply closing the gap on income and on employment. That's what investing in your own human capital can do."

Other Maori businessmen on the steering committee are: Air NZ chief executive Ralph Norris of Ngapuhi, Deutsche Bank NZ chief executive Brett Shepherd of Ngati Maru; Moana Pacific Fisheries chairman Craig Ellison of Ngai Tahu; Te Ohu Kai Moana chairman Shane Jones of Te Aupouri; and Aotearoa Fisheries strategy and planning general manager Tom McClurg of Ngati Mutunga.

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6 June 2004

One-fifth of large US companies use some off-shore IT workers, according to Meta Group researchers. However, the companies only outsource 5% of their IT workforce. Meta found that 55% of outsourced US IT labour goes to India, 7% goes to NZ, 7% to Australia and 6% to China.

8 June 2004

Thousands of low-cost IT workers are entering Australia and undermining the job prospects of new computer science graduates, according to the Australian Computer Society. The society calls for tighter immigration rules.

9 June 2004

The Audit Office is looking into the government-funded campaign to "explain" the Working for Families Budget. The Audit Office wants to establish if the spending of \$21 million to inform people is appropriate in the context of the Budget.

The government says the Budget promotion campaign is necessary to inform people of their entitlements because they are being phased in over four years and people have to apply to in order to receive them. But the ads that have run so far have enraged the National Party because they have included the party-political phrase: "you are better off with Labour".

10 June 2004

The number of NZ job vacancy ads rose slightly over last month.

About 80 jobs will be lost as Wellington manufacturer Interlock is to shift part of its production to a low-cost manufacturing country, probably China. Chief executive D'Arcy Quinn says the looming arrival of a competitor selling much cheaper versions of its window stays has forced the decision.

Australia's unemployment rate drops to 5.5%, a 23 year low. However, the economy lost a seasonally adjusted 42,600 jobs and the labour force participation rate fell from 63.9% to 63.5.

- The Community Employment Group (CEG) is standing by its policy of allocating **grants on the basis of race**. CEG targets at least 50% of the assistance it provides to Maori and 20% to Pacific Island project each year — about \$16 million. Department of Labour spokeswoman Jacqueline Owen says CEG was set up to target high priority groups and that would continue. Owen: "The Community Employment Group was set up in 1991 to maximise employment opportunities and move people towards self-sufficiency. Maori and Pacific Islanders are over-represented in the statistics so they are the groups we target."

The three other high priority groups CEG targets are women, rural disadvantaged and urban disadvantaged. At least 93% of all funding and assistance given by CEG last year went to the five target groups.

- National Party MP Katherine Rich says that CEG is operating "blatant race-based policies" and the government has been caught red-handed giving preferential treatment to Maori and Pacific Islanders. Rich says CEG invests in the community, therefore their investment should reflect their communities and Maori and Pacific Islanders do not make up 70% of the community. Rich: "When the aim is to develop communities, they should decide funding on merit, not ethnicity. CEG field workers should be able to approve or deny grants based solely on the merits of the proposal put forward."

- A "workplace learning representatives" scheme has been designed to give workers better **opportunities to train** and gain more qualifications. Last month's Budget provided \$1.12 million over four years to pilot the scheme in which workplace learning representatives will be trained to understand the qualifications system and to have a broad knowledge of what training is available for workers. They will advocate for on-going training and professional development to be done both on the job and in outside institutions. The aim is for workers to improve their skills and gain qualifications.

A similar scheme operates in the United Kingdom and the NZ Council of Trade Unions has successfully advocated for the system be established in this country. President Ross Wilson says that if lifelong learning is to be a reality, rather than just a buzzword, we need to provide more support for workers to develop and maintain relevant skills. Wilson: "To develop a high-wage, high-skill economy, investment must be made in our skill base. This means supporting our current workforce as well as those yet to start paid work."

- One of the "making work pay" aspects of last month's Budget was the phasing in of funding for limited **free early childhood education** for all children. Every 3- and 4-year-old in the country will be entitled to 20 hours of free pre-schooling each week from July 2007. At present, a one-child family earning more than \$620 per week has no entitlement to an early childcare subsidy. From October this year that threshold will increase to \$930 per week. Minister of Social Development Steve Maharey says the increases to childcare assistance will strengthen the financial returns from work for low- and middle-income families.

The funding for the 20 hours of free childcare will be provided to kindergartens and community childcare centres that are charity- or trust-run only. It excludes centres that are privately run, or those staffed by parents. The Early Childhood Council — which represents about 850 mainly private early education providers — says that the government's intentions put the entire private childcare sector in jeopardy. President

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11 June 2004

The home support industry is in crisis, according to care providers and academics who say the government wants to keep elderly people at home as long as possible, but does not pay enough to retain workers to do the job. Home support workers earn, on average \$10.80/hr, and are not generally paid for the time or expense of travelling between jobs, both of which is often significant.

Goods donated to February flood victims in Manawatu are sold at a three-day garage sale, and the proceeds contributed to the flood relief funds. Horizon group recovery manager Mark Harrison says that people don't need the clothes and lounge suites that were donated, they now need to purchase wall cladding and paint.

World Day Against Child Labour.

16 June 2004

Feilding's Flood Relief Welfare Centre closes. The centre - set up after the February floods - dealt with about 300 families over four months.

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

Ross Penman says **private centres are under threat** because parents would inevitably take their children to where they could get 20 hours of free education. There are about 1,000 private early childhood centres nationwide that cater for about 45,000 children and Penman contends that most of the preschools that cater for working parents are private enterprises. Penman: "Private centres will stand no chance in this climate and hundreds will be forced to close."

- A scheme that hopes to get school **dropouts back into education** is to be piloted in Auckland and Wellington this year. Notschool.net is an online learning scheme that will provide computers and fast internet connections, along with access to mentors and subject experts, to an initial 100 disaffected teenagers. The \$2.5 million programme is aimed at 13- to 16-year-olds who are not at school or not achieving well. The mentors and subject experts will encourage and guide the students in school work as well as social issues.

Education Minister Trevor Mallard says Notschool.net is based on an innovative scheme that has been running in Britain for four years. That scheme has resulted in 99% of its "significantly disadvantaged students" achieving formal national accreditation levels by the time they reached school leaving age: a track record he is keen to see emulated here. Mallard: "Through this pilot we want to extend new learning opportunities for our more at-risk students and take stock of what works best for them. Ultimately, we want to extend the range of alternative education options currently available, and further develop knowledge around the use of information and communications technology in delivering effective distance learning."

- Offshore outsourcing information technology work has cost Australia 7,000 jobs and may lead to the loss of 11,000 jobs within four years, according to a report by Whitehorse Strategic Group, an "Australian government endorsed supplier". *Outsourcing and Contracting Out of IT Products and Services* is the first attempt to estimate the number of Australian jobs at **risk from offshore outsourcing**. And it forecasts these job losses will drain Australia of \$135 million in tax revenue and undermine economic growth.

Whitehorse managing director Ian Dennis says that offshore outsourcing doesn't necessarily produce the results that companies or the government expects. Dennis says that when factoring in exchange rates, inflation rates, productivity rates and government tax breaks, offshore outsourcing is far less attractive than it seems when considering wage differences alone.

The report is certain to be controversial as it rejects the notion that offshore outsourcing leads to overall economic gains. Dennis rejects as "spurious" the idea advanced by economists and consultants that the overall economic impact of offshore outsourcing is generally positive. Dennis: "The loss of jobs for the country out-weigh the gains that might be achieved by individual companies."

— *Outsourcing and Contracting Out of IT Products and Services* — July 2004, published by the Australian Computer Society. Download (25kb) from www.acs.org.au/index.cfm

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