

The Jobs Letter

No. 213

9 September 2004

Essential Information on an Essential Issue

KEY

WORLD YOUTH
UNEMPLOYMENT
SKYROCKETS

SKILL SHORTAGES INTENSIFY

TASKFORCE PUSHING FOR
SKILLS PLAN

STAFF LOOK FOR FLEXIBLE
JOBS

LOST JOBS AND THE US
PRESIDENCY

- The United Nation's International Labour Office (ILO) is calling for a combination of targeted and integrated policies to tackle skyrocketing **youth unemployment worldwide**. Young people aged 15 - 24 represent nearly half the world's jobless although they make up only a quarter of the working age population. The ILO's *Global Employment Trends for Youth 2004* says that solving youth unemployment would bring great economic benefits. The report says that halving world youth unemployment would not only be of great social benefit, but would add immensely to the world economy.

The relative disadvantage of youth in the jobs market is more pronounced in developing countries, where young people make up a strikingly higher proportion of the labour force than in industrialised economies. 85% of the world's **youth** live in developing countries where they are nearly **four times more likely to be unemployed** than adults. Youth unemployment in industrialised economies averages 2.3 times that of unemployed adults.

The problem goes far beyond the huge number of young people who are unemployed, it is also about people working for a living wage. 550 million people are employed but earn less than \$US1 per day. One quarter of these are young people.

— *Global Employment Trends for Youth* published by the ILO, 11 August 2004, ISBN 92-2-115998-1 can be downloaded (PDF, 34pg, 804kb) from: www.ilo.org/public/english/bureau/inf/pr/2004/36.htm

DIARY

21 August 2004

Some of the government's most controversial Maori initiatives are being excluded from the current review of ethnically based programmes. The Community Employment Group is not coming under the review of "targeted policies and programmes" because it is currently undergoing an internal review that has already seen its general manager replaced and some programmes scrapped.

23 August 2004

Tens of thousands of Germans demonstrate against welfare cuts. Chancellor Gerhard Schroeder says reforms are needed to reduce unemployment and keep the welfare system affordable for an ageing population.

- Skill shortages in New Zealand have intensified according to the latest *Skills in the Labour Market* report. The Department of Labour says that firms have found it increasingly **harder to find suitable staff** and that a shortage of labour is still a major business and economic constraint. In the June 2004 quarter, the shortage of unskilled staff was higher than at any time in the last 30 years. And skilled positions continue to be hard to fill in occupations such as the trades, and health and accounting professions. The report says the recent drop in net migration inflows has exacerbated the problem.

Economic growth has been strong and unemployment has fallen in almost all regions during the past year, and finding suitable staff has become a significant problem for firms throughout the country. The upper North Island has been particularly affected, which is a change from a year ago when South Island employers were reporting the highest levels of skill shortages.

The report says that skill shortages raise the **importance of increasing the productivity** of the workforce and the need to expand the pool of available workers by lifting the labour force participation rate.

— *Skills in the Labour Market*, 19 August 2002, published by the Department of Labour, can be downloaded (PDF, 12 pg, 303 kb) from www.dol.govt.nz/lmr-Skills.asp

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Volkswagen Corporation challenges its German workers with a tough wage plan ahead of talks seen as a gauge of workers' readiness to favour job security over pay rises. The company is asking workers to forego pay hikes for two years but will guarantee their jobs.

27 August 2004

The skills shortage is causing hundreds of thousands of workers to work overtime according to recruiting firm Hays. A survey of Hays clients reveals that over half had increased their overtime in the past 12 months by up to five hours. Nearly a quarter have increased their workers' weeks by 5-10 hours and 7% have increased by 10 or more hours.

29 August 2004

Associate Minister of Employment Rick Barker says the key push for Winz next year is to work with employers and make training a priority.

French media and communications group Viendi Universal commits to the government to create 2,100 jobs in France in order to unlock 3.3 billion euros in tax credits.

31 August 2004

Italian airlines Alitalia is considering cutting 6,000 of its 22,000 member workforce by outsourcing the jobs.

- The Mayors Taskforce for Jobs has met with Steve Maharey, the Minister of Social Development and Employment, to push for funding for **more Modern Apprenticeships**. Also present at the 19th August meeting were representatives from the Industry Training Federation (ITF) and the NZ Business Council for Sustainable Development.

As part of their strategy to reduce youth unemployment, the mayors are backing the ITF's call to set a **new target of 10,000** Modern Apprentices by the middle of 2006, up from the current target of 8,000. The ITF is also calling on the government to provide better funding to realistically reach the government's goal of having 250,000 people in industry training by 2007.

At the meeting, Maharey agreed to look at setting 10,000 as a new target for Modern Apprentices. And the minister agreed to get the Department of Labour to do policy and research work on establishing just what the sustainable number of Modern Apprentices is in the current economy.

- *The figures:* The most recent report on industry training released last week shows that 126,870 people in training in 2003 — up from 106,997 in 2002. The number of employers participating in industry training also increased by a similar percentage to 29,206. There were 6,259 Modern Apprentices at end of December 2003.

— *Industry Training Report 2003* is available for download (PDF, 8pg, 699kb) from [www.beehive.govt.nz/Documents/Files/Industry Training 2003.pdf](http://www.beehive.govt.nz/Documents/Files/Industry_Training_2003.pdf)

- The funding of industry training involves a 70% cash contribution from government towards the cost of the training, while industry groups pay 30%. Industry leaders point out that they also pay a non-cash contribution of 1.5 times the government contribution when taking into account the internal costs of providing the training, which includes the use of workplace equipment and machinery, and staff time involved in supervision. Despite this funding arrangement, the industry leaders say they are frustrated that the government's contribution is coming up short of demand.

The ITF points out that the government **could have upskilled** an extra 25,000 industry trainees in 2004 had it funded all the bids from Industry Training Organisations (ITOs) to train their employees. This would have cost the government an extra \$29 million, and the extra cash and non-cash contribution from industry would have been \$45 million.

- Economics journalist Rod Oram told the ITF conference in July that in order to achieve the economic and social goal of getting NZ back into the top half of the OECD, we need to **double our worker productivity**. He pointed out that, since we can't simply double the number of workers in our economy, our goal has to be to double the value added by each worker.

ITF Executive Director Darel Hall comments: "We know that 80% of the labour force in 10 years time is already employed now ... so this means we will have to upskill ourselves. We are reaching a tipping point where leaders in many different spheres are reaching the same conclusion — industry training is a vital component to our future that needs priority."

- The Mayors Taskforce for Jobs has also met with the organisers of the nationwide Coca Cola Careers Expo Trust in an effort to create a

(continued on page five)

TRENDS

SOCIAL REPORT 2004

— TOP HALF OF THE OECD?

- The Ministry of Social Development has released its annual *Social Report* that assesses the overall well-being of New Zealanders and analyses how well this is distributed across age, ethnic and gender groups. It also compares New Zealand social progress with other OECD nations. Some employment related findings in *Social Report 2004*:

- the level of unemployment in New Zealand is now one of the lowest in the world. Still, unemployment among people aged 15-24 years has consistently been at least twice the rate of older age groups. In 2003, the unemployment rate for people 15-24 was 10.2% while it was just 2.8% for those people 45-64 years.
- a much greater percentage of Maori and Pacific peoples continue to be unemployed than European/Pakeha and significantly fewer Maori and Pacific people students leave with qualifications than do European/Pakeha students.
- New Zealand ranks a high eight out of 30 OECD nations in the overall percentage of working aged people who are employed.
- 2003 data indicates that while the level of disposable income New Zealanders have has steadily increased since 1992, their purchasing power has decreased in comparison to other OECD countries. In wealth per person, we have dropped to 21st out of 30 OECD countries.

— there has been no updated data on the “unofficial poverty line” since 2001.

- Minister of Social Development Steve Maharey says that during the 1980s and 90s, debate about our society was often restricted to a narrow set of economic measures, and the *Social Report* series provides a broader picture. He says the range of government policies that support improved economic and social outcomes are beginning to pay off. Maharey: “Sixteen of the 23 indicators for which we have time series data have improved since the mid-1990s. New Zealand is in the top half of the OECD for approximately two-thirds of the indicators for which there is comparable international data, including key indicators such as life expectancy, smoking, employment and unemployment, a number of education indicators, and life satisfaction. Relative to other OECD nations, the report shows that we perform less well against a smaller number of indicators including income per capita, obesity, child maltreatment deaths, and adult literacy.”



— *Social Report 2004*, published by MSD, can be downloaded (PDF, 176pg, 2.12Mb) from www.socialreport.msd.govt.nz/

VOICES

“This year’s Social Report confirms the social well-being of all New Zealanders is improving.”

— **Steve Maharey, Minister of Social Development**

“Booms are not necessarily good for the poorest. They’re good for those who can get on the treadmill of the job market.”

— **Susan St John, Child Poverty Action Group**

Poor literacy rates and an average wage that lags behind that of our closest neighbour Australia provides real cause for concern.”

— **Katherine Rich, National Party**

“Maori social well-being has improved since the 1990s but it is a long way behind the non-Maori population in areas like health, paid work, standard of living, housing and retention of secondary school qualifications.”

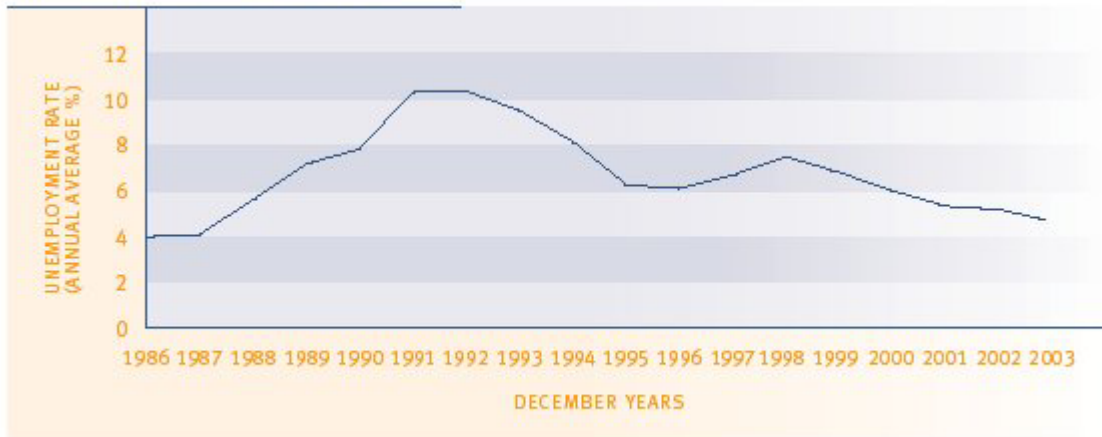
— **Sir Paul Reeves, former governor-general**

“It’s all very well to have a strong economy but too many New Zealanders are being left out in the cold. While the Labour Government have performed far better than their predecessors, it has failed to halt the deepening social divisions in New Zealand caused by income inequalities.”

— **Sue Bradford, Green Party**

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Unemployment rate, 1986-2003



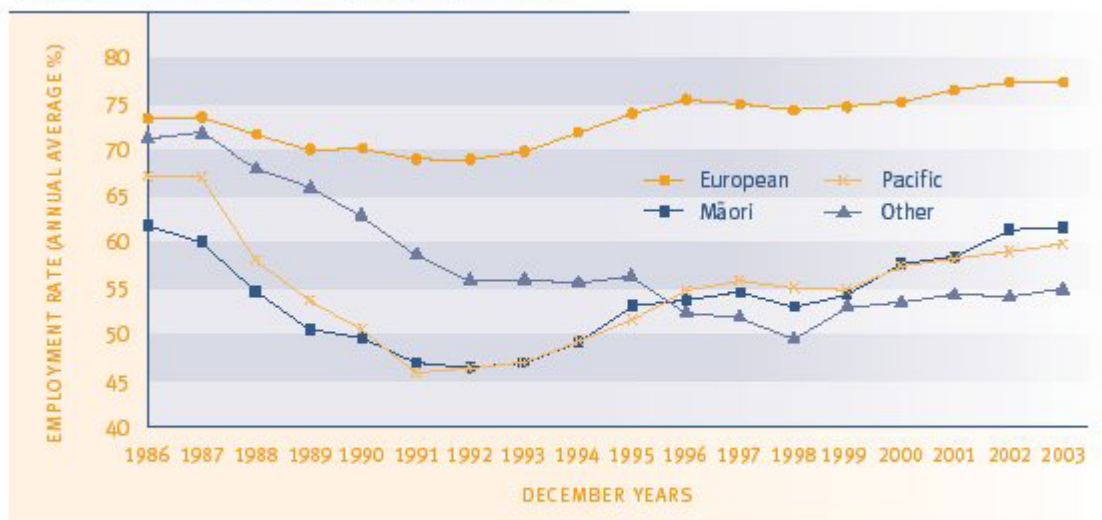
Source: Statistics New Zealand, Household Labour Force Survey

Employment rates (%), by age and sex, selected years, 1986-2003

Year	15-24	25-44	45-64	Total	Males	Females
1986	67.1	79.4	65.1	72.0	84.1	60.0
1991	54.3	74.0	61.7	65.5	73.7	57.5
1996	59.4	77.3	70.2	71.1	79.0	63.3
2001	56.0	77.9	73.6	71.8	78.9	64.9
2002	56.8	78.3	74.7	72.4	79.6	65.4
2003	56.6	78.3	75.3	72.5	79.3	65.8

Source: Statistics New Zealand, Household Labour Force Survey
 Note: Average for December years

Employment rate by ethnic group, 1986-2003



Source: Statistics New Zealand, Household Labour Force Survey
 Note: Based on population aged 15-64

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1 September 2004

Chinese ambassador Chen Mingming says there could be losers as well as winners from a free trade agreement between China and NZ. At the Gateway to China trade summit in Auckland, Chen says issues had to be resolved for farmers in China and the garment industry in NZ.

CTU president Ross Wilson tells the Gateway to China meeting it is important not to “talk up” potential gains while “talking down” the loss to manufacturing. Wilson points out that manufacturing in NZ employs 292,600, compared with 143,700 employed in agriculture and forestry.

Wilson: “Free Trade Agreement enthusiasts may argue that if the benefits exceed the cost, then those who suffer as a consequence should be given transitional assistance, or time to adjust.”

Methanex’s Motunui methanol plant will be mothballed at the end of the year with the loss of 40 jobs. The Taranaki plant originally built to process natural gas into gasoline plant as part of the early 1980’s Think Big economic infrastructure projects.

partnership that would attract the participation of more ITOs, and increase the number of trades-related stands at these career guidance exhibitions.

- Twenty-one young Northland people have been accepted into the new **Northland Regional Cadetship** programme which aims to provide employment and training opportunities within local government. The programme will run for 12 months and is a project of the Northland Mayoral Forum and is supported by the Mayors Taskforce for Jobs and Work & Income.

The programme starts with eight weeks in a classroom environment where potential cadets study for credits in employment skills, first aid, budgeting and self-assessment skills. At the conclusion of this initial training, 14 of the trainees will be selected to become council cadets and will continue active training with either one of the Far North, Kaipara or Whangarei District Councils or with the Northland Regional Council.

Far North Mayor Yvonne Sharp: “What we are offering is tangible experience with a reasonable expectation of long-term employment opportunities — showing these young people that they are a valuable asset to our communities and that they have a lot to contribute...”

- Contrary to what was reported in Parliament, (and in the original version of *The Jobs Letter* No 211), the five pilot regions announced for the new Youth Transitions Service includes Whangarei, and not Wanganui.
- The Auckland mayoralty race has heated up with the late entry of cereal manufacturer Dick Hubbard challenging the incumbent John Banks. Hubbard is well-known for promoting ethical business, and is a founder of the Businesses for Social Responsibility network. The Herald-DigiPoll quickly put Hubbard as the leader in the mayoral race, ahead of John Banks and former mayor Christine Fletcher. Another candidate, long-time councillor Dr Bruce Hucker, leader of the City Vision ticket, withdrew from the race and is appealing to his supporters to get in behind Dick Hubbard’s candidacy.
- City Vision spokesperson on employment, Dr Cathy Casey, has called for Mayor **John Banks** to explain to the ratepayers of Auckland why he has **chosen not to join the Mayors Taskforce** for Jobs. Casey says the City Vision team will be asking whoever the next Auckland mayor is to join the Mayors’ Taskforce and commit to the Taskforce’s strategic goal that by 2009, all people in Auckland will have the opportunity to be in work or training.

Casey: “There is a lot that the Auckland City Council can do to create local jobs. We intend to ensure that all avenues for local job creation are explored, including incorporating the Mayors Taskforce goals into the council’s strategic plan to give council staff authority to spend their time on developing and supporting the youth employment initiatives, and developing strategic relationships between the council and those communities particularly disadvantaged in the Auckland labour market. There are a number of ways that the city council can be proactive in reducing youth unemployment — like setting up cadetship programme for employing young people within council departments, and establishing scholarships for young people to study in areas where Auckland City is experiencing skill shortages.”

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2 September 2004

Two timber milling companies in Wairoa are investigating setting up an additional timber processing plant after signing an agreement with a US timber window manufacturing firm. Sources say the new plant could mean 100 new jobs for the Wairoa District.

The longer that skilled migrants stay in NZ, the more likely they are to get jobs in line with their qualifications, according to Statistics NZ. And regardless of qualifications, immigrants who have been here for 10 years or longer have a lower unemployment rate than NZ-born workers. Immigrants who are unemployed and those who are working unskilled jobs are most likely to have arrived recently from non-English speaking Asian countries. *Work Matches Qualifications for New Zealand Immigrants*, 2 September 2004, can be downloaded at: www.stats.govt.nz/

- The government is relaxing the rules for Pacific people moving to New Zealand under special quota arrangements after recognising only half the places have been filled in recent years. Minister of Immigration Paul Swain says the rules will make it easier to meet the **special quotas for prospective immigrants** from Samoa and several other Pacific states.

New Zealand has operated special arrangements for Samoan arrivals for more than 30 years and for other island states since 2001, but Swain says the criteria is **proving too difficult** for many who want to come to New Zealand. Only about half the 1,100 places reserved for Samoans and the 650 under the Pacific Access Category, which includes Tonga, Fiji, Tuvalu and Kiribati, are being filled each year.

Part of the problem is that candidates have to apply from their home country and have a job offer in New Zealand that would pay a minimum of \$31,566 a year. This means eligible people living in New Zealand on temporary or other visas have to return home in order to make their application.

Under the changes, required **earning levels will be lowered** to \$25,585, and applicants could combine their prospective income with that of a spouse or partner. Requirements regarding a job offer, health, English language proficiency and character are not being changed, but the government would introduce systems to fast-track the checking of job offers so this could be done within 14 days.

- More employers say they recognise the need to adopt more **flexible staffing arrangements**, according to a survey by recruitment group Hays. 65% of Hays clients say they have noticed employees asking for less rigid employment arrangements. The most common request is from people wanting to work part-time, directly employed casual staff, temporary or contract staff employed through an employment agency and job sharing.

Hays general manager Jason Walker says that while a large part of the workforce maintains the traditional concept of a full-time job, there is a notable number of potential employees with a preference or need for employment with flexible options that allows them to **balance work and personal commitments** such as parenting, study or part-time retirement. Walker: "As the candidate market tightens, this employment flexibility becomes especially important as a valuable attraction strategy. In Auckland, Wellington and Christchurch, we've noticed a steady growth of flexible approaches over the last five years and we expect this to continue."

- ACT MP Muriel Newman wants New Zealand to look to America for ways to **reform the welfare system**. Newman, who hosted a welfare symposium last month, proposes the first step would be requiring everyone on welfare to re-apply for their benefit so their eligibility and needs can be reassessed. She says that experience suggests such a move could reduce benefit numbers by 25%, or 73,000, as undeserving and fraudulent recipients were taken off the rolls.

Newman's second step would be to introduce a six-month time limit on welfare for the able-bodied. The third step would be a full-time individualised work experience programme designed to support people who could not find a job by making them ready for work, developing the habits, skills and disciplines of the workforce.

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3 September 2004

Two-thirds of the over 1,400 immigrants who have recently been granted visas to stay long-term in NZ have no job to go to. Last year's changes to immigration rules have not worked to encourage new, suitable immigrants. Since a new points system was introduced in December, the government has reduced the number of points a prospective immigrant needs to gain entry to from 195 to 100. But this has still not achieved the number of immigrants it is targeting.

National MP Tony Ryall describes the government's immigration policy as being in "free fall" as it continues to lower the bar for prospective immigrants.

Young men in NZ are under-achieving when compared to young women, according to the *Young Males* study. Among the problems are that boys are more likely to leave school with no qualifications and they consistently have a higher unemployment rate than young women. Minister of Youth Affairs John Tamihere says the review is part of a work stream that will put young Kiwi males at the top of the policy agenda. *Young Males: Strengths-Based and Male-Focused Approaches*, 2004, published by the Ministry of Youth Affairs, can be downloaded from: www.myd.govt.nz/pag.cfm?i=414

4 September 2004

NZ fishing company Amaltal has recruited 40 Filipinos to work on its NZ vessels. This is the first time foreign crews have been recruited to work on a NZ-owned boat. Nelson MP Nick Smith says it is "madness" when we have 230,000 working-age people receiving a state benefit that we're having to resort to overseas workers for our fishing vessels.

Newman would initially target only those on the unemployment benefit but eventually extend to domestic purposes beneficiaries once their youngest child was at school.

- Minister of Social Development Steve Maharey told The Dominion Post last week that setting a fixed time limit for a sole parent to go back to work had been tried by the last government but "was a useless policy". He says that it is simply wrong to imply that people want to be beneficiaries. Maharey: "The people who are happiest in life are not beneficiaries, they are people getting on with their lives off a benefit. If there are people who aspire to be on a benefit, they are very few in number. The vast majority of people who are ill want to get better, people with a disability wish they didn't have one, people who are widowed wish they hadn't lost their partner and people who haven't got a job wish they had one. But we do believe that if we provide an opportunity, there is an obligation on a person to take it. We're not interested in people saying they just don't want a job or the job doesn't suit them."
- A conference, entitled "*A Future that Works - economics, employment and the environment*", will be held from the 8th - 10th December 2004 at the University of Newcastle, New South Wales, Australia. The conference will be jointly hosted by the Centre of Full Employment and Equity (CofFEE) at the University of Newcastle and the Australia New Zealand Society for Ecological Economists (ANZSEE).

— Conference organisers are currently calling for papers. More information is available at from the conference website at: <http://e1.newcastle.edu.au/coffee/conferences/2004>

- The Republican Party last week wound up their pre-election convention in New York and most of the rhetoric was on the War on Terrorism, and security concerns. There was scant attention given at the convention to **America's continuing jobs crisis** ... which includes a net loss of 913,000 jobs since President Bush took office. Bush now faces the prospect of being the first President since Herbert Hoover in the 1930s to preside over a net loss of jobs during his four-year term.

The figures: From January 2001 through August 2003, U.S. employers **shed 2.6 million jobs**. About two-thirds of those positions were recovered over the last 12 months, but the job count today remains 913,000 below where it was when Bush took office. Bush needs to see almost 250,000 new jobs created each month between now and the end of the year in order to replace all the jobs lost since he took power in 2000. The July figure was a weak 73,000, and the just-announced August figure only 144,000.

Herbert Hoover, also a Republican, was US President from 1929-33. During his presidency, there was the stock market crash of 1929 and the huge job losses of the early years of the Great Depression. The shanty-towns which appeared on the edge of large cities were dubbed "Hoovervilles". The comparison with Hoover is one that hurts the Bush re-election campaign ... especially as his own term in office follows eight years of economic boom under Bill Clinton.

- The Democratic Party challenger Senator John Kerry points out that various presidents since Hoover have faced wars and recessions... but not one of them has failed to create a single job. Kerry: "Over the past three years, we've lost a million jobs in the US. And to make matters

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5 September 2004

Secretary of Labour James Bulwala acknowledges that the process followed by the Community Employment Group in issuing the grant funding a hip-hop world tour "simply wasn't good enough". But there was no evidence of wrongdoing by the grant recipients.

Minister of Trade Jim Sutton and his Australian counterpart attend an Association of South East Asian trade ministers. It is expected that NZ will begin "free trade" ASEAN negotiations next year.

6 September 2004

Treasury predicts economic growth to top Budget forecasts and top 4% for 2004. Growth for the March quarter alone was 2.1%.

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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

worse, the new jobs we're creating pay an average of US\$9,000 less than the ones we've lost." Kerry argues that Bush's economic plans for a second term will hurt the middle class and working families even more by continuing to allow U.S. jobs to go overseas and privatising Social Security, which Kerry says will cut benefits.

- The US Census Bureau reports that, with the return of higher unemployment and weaker labour demand, the **gap between rich and the poor** is again widening in America. In the last year, the number of Americans living in poverty has jumped up by 1.3 million to 35.9 million. The number of Americans without health care insurance has also risen to 45 million from 43.6 million in 2002.
- When workers in the United States **do not earn enough to support themselves** and their families through their own jobs, they usually rely on public Social Security programmes to help make ends meet. The numbers of Americans having to resort to this extra support is surprisingly large ... in fact, more than half the public assistance in California now goes to people who are in paid work. Many commentators in the US are arguing that this represents an **unfair public subsidy** to parts of the business sector that seem unwilling to pay wages that are enough for people to live on.

Retail giant Wal-Mart continues to be the largest employer in the United States, employing over one million workers. It is the largest food retailer in the US and the third largest pharmacy in the nation. The company employs about 44,000 workers in California alone, and has plans to expand significantly in that state over the next four years. **Wal-Mart workers**, however, receive **about a third less in wages** than workers employed in the other large retail stores. The average Wal-Mart wage is \$9.70 per hour compared to \$14 average hourly earnings in other large retail firms. Wal-Mart workers are also less likely to have health benefits.

- The University of California at Berkeley Labor Center has released a study that attempts to quantify the fiscal costs of Wal-Mart's "substandard wages and benefits" on California's public welfare programmes. The study argues that the low wages and lack of health benefits at Wal-Mart is forcing its **workers to rely on** programmes such as **food stamps, Medicare, and subsidised housing**. The authors contend that the presence of Wal-Mart stores in California creates a hidden cost to the state's taxpayers they estimate to be \$86 million annually. The researchers say that if other large California retailers adopted Wal-Mart's wage and benefits standards, it would cost taxpayers an additional \$410 million a year in public assistance to employees. The report also raises concerns that other major retailers have already begun to scale back on wages and benefits, saying they have to cut costs in order to compete with the market dominating Wal-Mart.

— *Hidden Cost of Wal-Mart Jobs: Use of Safety Net Programs by Wal-Mart Workers in California*, by Arindrajit Dube and Ken Jacobs, published by UC Berkeley (PDF, 16pg, 511kb) available for download from <http://laborcenter.berkeley.edu/lowwage/walmart.pdf>

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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