

# The Jobs Letter

No. 221

17 December 2004

Essential Information on an Essential Issue

## KEY

THE ECONOMY IS HOT  
NZ PAY RISES LAGGING  
40,000 SEASONAL WORKERS  
NEEDED  
LIFTING WORKERS' SKILLS  
WOULD BOOST THE  
ECONOMY

## DIARY

29 November 2004

The Ministry of Social Development signs a "Jobs Jolt" partnership with the Meat Industry Association that will see up to 1,500 unemployed people trained in meat processing over the next year.

In a policy reversal, National Party leader Don Brash says he is committed to continuing the Labour government's superannuation fund with the same contribution rate as at present. National now also supports a universal four-weeks of annual leave for workers.

1 December 2004

International Volunteer Day, a day to celebrate and honour the work undertaken by the volunteer workforce.

2 December 2004

The Equal Employment Opportunities Trust launches an online survey for people with a disability to discover more about disabled people's employment experiences. The survey can be downloaded from [www.eeotrust.org.nz](http://www.eeotrust.org.nz)

- The **economy is growing** almost twice as fast as Treasury predicted only six months ago. Treasury has now revised its Budget night forecast of 2.8% annual GDP growth to show growth hitting 4.7% for the year to March 2005. Treasury also says the government surplus is much greater than it previously predicted and now expects the surplus to rise from a predicted \$5.7 billion to a new level of \$6.5 billion by June 2005. Part of this windfall can be explained by a rise in the number of people working and therefore a larger PAYE tax take and private sector corporate annual profits increasing by 12%.

Treasury is also predicting unemployment will continue to drop to 3.6% before slowly rising to 4.4% by mid 2007.

- Minister of Finance Michael Cullen says the increased surplus is **no** grounds for **cutting taxes**. He says the surplus will nearly be fully absorbed by the Superannuation Fund and paying for the government's capital programme. Cullen says budget surpluses are projected to drop over the next three to four years to the level needed just to pay for the Superannuation Fund and to keep debt from rising. He cautions that the ratio of tax revenue to spending will reverse as the baby boomers begin to enter old age. Cullen: "That is why there are huge risks in embarking on any large structural spending or tax changes which would have an ongoing cost."
- White collar pay rates will barely keep pace with inflation next year, giving New Zealand workers some of the **lowest real wage rises** in the industrialised world, according to a global pay survey. The Mercer Human Resources Consulting survey predicts pay packets will rise an average 3% next year in New Zealand. But with inflation expected to reach 2.8%, the real average pay rise will be just 0.2%. It is one of the smallest gains among developed economies, despite New Zealand experiencing four years of high economic growth, strong company profits and a relatively low unemployment rate.
- *Dominion Post* columnist Peter Cullen speculates that wages have **risen slowly** since the 1991 Employment Contracts Act. Until then, virtually all non-managerial workers were covered by an award and unions were strong enough to call nationwide strikes to get annual wages rises. Since then most employees have had to negotiate their pay rates directly with their employer. Cullen: "I think there can be no doubt that the individualism of bargaining brought about by the Employment Contracts Act, and to a lesser extent permitted under the Labour government's 2000 legislation, has seen wages rise more slowly."

### 2005 projections (%)

	Pay increases	Inflation rates	Pay above inflation
Australia	4.3	2.6	1.7
India	11.4	4.2	7.2
Japan	2.3	-0.1	2.4
Hong Kong	3.2	1.0	2.2
Singapore	3.6	1.6	2.0
USA	3.5	3.1	0.4
Canada	3.3	3.1	0.2
Ireland	3.9	2.3	1.6
Britain	3.4	1.8	1.6
NZ	3.0	2.8	0.2

Source: Mercer

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3 December 2004

The Ministry of Social Development signs a "Jobs Jolt" partnership with Transfield Services, the multi-national company that operates the NZ railway network. Initially the partnership will see 75 unemployed people trained in track maintenance in Auckland, the central North Island, Canterbury and Greymouth. Minister Steve Maharey says the partnership is a very practical response to the biggest business risk Transfield Services faces – its ageing workforce.

Major US retailers file suit to stop their government putting limits on Chinese garment imports. The textile industry had asked their government to establish quotas to help protect the domestic garment manufacturing industry.

4 December 2004

The US economy added 112,000 jobs in November, about half the number needed to keep pace with its expanding labour force.

- Westpac chief economist Brendan O'Donovan says 4% per cent wage growth would not be unreasonable in New Zealand, given inflation rising about 2.5% and productivity growth of 1.5%. O'Donovan: "You have flat unit labour costs — that's a nice result for employers in an environment where it is tough to find skilled and unskilled people."
- This summer up to 40,000 **workers will be needed** for the fruit and vegetable harvest and growers are increasingly depending on Work and Income to find workers. But Fruit Growers Association chief executive Peter Silcock says some growers are reluctant to take on people referred by Work and Income because in the past they had had bad experiences with people being sent out to orchards with little motivation or were not dependable enough to turn up.

Silcock points out not all people on the unemployment benefit are suitable for the physically demanding work that is required in orchards and there is no point in hiring people who can't do the job just to get them off the benefit.

However, Silcock says training programmes and "work-readiness schemes" are helping to better prepare people on benefits who are capable of seasonal work. Silcock: "What we need are people who are keen and enthusiastic and are quite productive. As the pool of unemployed people gets smaller and the available skills and work capacity became less useful, so training schemes are essential."

- Several regions are **developing schemes** to address their horticultural labour shortages:
  - a Kapiti and Horowhenua initiative between growers and Work and Income is working to create a work calendar and data base aimed at coordinating jobs and the jobless;
  - in Marlborough, a variety of government agencies, industry and community organisations have come together to establish a set of standards to work to and a bill of rights document so that foreign workers know where they stand.
- In Central Otago, the Seasonal Solutions worker programme will be launched next week in Alexandra by Associate Employment Minister Rick Barker. In this programme, the Immigration Service, Work and Income and the Central Employment Trust have come together to develop a strategy to solve horticultural labour shortages by using their collective resources.

Central Otago District Mayor Malcolm Macpherson says that the new programme is part of a long-term **strategy to solve the shortage** of seasonal labour in the region. The success of the programme will depend on the "industrial intelligence" on orchards and their needs that has been gathered by the Central Employment Trust. Macpherson believes that the biggest problem in coming years is likely to be finding accommodation for workers, particularly as new vineyards started harvesting. Macpherson: "It has been possible in the past to find beds for workers using some creative thinking ... but vineyards need workers for longer, so we need to find longer-term solutions. The council may have to do its bit and may have to look at whether its accommodation rules are too tight..."

- Lifting workers' **skill levels**, along with investing more in research and development, are key factors in boosting economic growth. *The*

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5 December 2004

One of the largest international meetings of trade unions leaders ever held begins in Japan. The International Confederation of Free Trade Unions 18<sup>th</sup> world congress has the banner of “globalising solidarity – building a global union movement for the future”.

6 December 2004

NZ starts trade liberalisation talks with China.

A business optimism survey of medium-sized businesses in 24 countries finds that NZ businesses were the second most optimistic about profitability. Only in India was there a greater proportion of business optimists.

The number of people in Modern Apprenticeships has risen to more than 7,000.

*Workplace Productivity Challenge*, a report prepared for the government by a working group that included Business NZ and the Council of Trade Unions, found that about one in five adults in New Zealand are at the lowest level of literacy. This characterises a significant aspect of the country’s skills shortage and is choking off economic growth. The report: “There is a critical need to lift the skill levels of the workforce if New Zealand is to achieve a more productive economy. The government ought to focus on meeting the needs of workers with low levels of foundation skills. A ‘substantial’ increase in funding should be targeted at learning delivery, including workplace-based training, co-ordination and capacity building, plus support for providers, practitioners and workers.”

- The report also highlights figures showing that private sector and government-funded **research and development is low** in New Zealand when compared with other developed countries. It says businesses needed to be more aware of the importance of continued investment in the right technology when they are facing labour shortages.
- The government has set aside up to \$2.5 million a year to implement the group’s recommendations.

— *The Workplace Productivity Challenge*, November 2004, published by the Workplace Productivity Working Group, can be downloaded (100pg, 3.1Mb) from [www.dol.govt.nz/productivity/](http://www.dol.govt.nz/productivity/)

- The scheme that provides **extra medical help** for people on sickness and invalid’s benefits so they can be made fit to get back to work is to be extended to Wellington. PATHS (Providing Access To Health Solutions) supports people on these benefits to get back to work by providing access to medical care including intensive physiotherapy, pain clinics, fitness programmes and extra visits to health professionals for managing chronic diseases such as diabetes and asthma.

Minister of Health Annette King says PATHS is a great example of what can be achieved when government sectors cooperate.

The programme is part of a \$20 million sickness and invalids benefits strategy being implemented over three years. PATHS was introduced in Manukau in April this year and will be rolled-out further around the country during 2005.

- Green Party MP Sue Kedgley says rock bottom wages and appalling work conditions are forcing **home-care workers** to walk away from an industry already in crisis. Kedgley says the excessively high turnover of home-care workers (88% in some areas) and the number of providers who are pulling out of the market due to under funding in the sector, is putting the safety of elderly New Zealanders at risk.
- A parliamentary committee has expressed concern about **chronic under funding** for the sector that cares for the elderly and other disabled people. The health select committee agrees that wages paid to care givers are far too low and recommends more government funding to be put into the sector.

Caregiver wages commonly begin at \$9.50 an hour and travel costs for workers driving from one client to the next are the responsibility of the worker, eating into their already low pay. Under funding is responsible for the lack of training being provided to both residential

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7 December 2004

Prime Minister Helen Clark says her proudest moment as PM was seeing unemployment drop to 3.8% this year.

Medical students protest in front of the Tertiary Education Commission offices appealing to it not to allow universities to exceed the fee maximum rises for medical courses.

The household annual income eligibility cap for first-home borrowers from Kiwibank's home loans increases from \$55,000 to \$65,000.

The BBC is to cut at least 2,900 staff – more than 10% of its workforce – over the next two to three years.

Colgate-Palmolive will cut 4,400 jobs worldwide by closing one third of its 78 factories.

and in-home carers as employers can't afford to provide it. The overall situation leaves employers with major recruitment difficulties and being powerless to retain skilled caregivers.

- A highly critical Audit Office report has slammed the Minister of Economic Development Jim Anderton's "jobs machine" for its handling of millions of dollars of **business grants**. Just over \$24 million worth of government funding went under the Audits Office microscope. Auditor-General Kevin Brady found schemes administered by New Zealand Trade and Enterprise (NZTE) had missing paperwork and in some cases there was no evidence that even basic credit checks had been done. There were also clear breaches of Cabinet guidelines. The Audit Office found the controls on spending were so loose that in some cases it was not always possible to tell who had received money or how much had been paid out.

- ACT Party leader Rodney Hide says the "so-called jobs machine" is a disgrace and calls for NZTE to get the money back. Hide: "Heads should roll for such an appalling administration of taxpayers' money."

National Party MP John Key says the report raises wider questions about how the "jobs machine" was spending its \$160-million-a-year budget. Keys: "Business assistance schemes like those run by NZTE got a big boost in the last Budget — with funding set to total \$621 million over five years. This should raise alarm bells in the wake of the Audit Office report."

- But Jim Anderton says the robust state of the economy and low unemployment are proof his policies are working. Anderton "This is not an evaluation of whether the grant fund has been successful or not. The programmes were set up with the intention of not letting them become too bogged down in bureaucracy and red tape. I'd be more concerned if people said this is a very bureaucratic system which is useless ... I'd be more worried about that, to be honest."
- One in five New Zealand-born university **graduates want to head overseas** — to Europe, Britain, Australia, Asia or the United States — as soon as they get their degrees, according to the 2004 Australia and New Zealand Graduate Careers Survey. Sixteen Australasian universities took part, including Auckland, Victoria, Canterbury and Otago and 7,404 interviews were conducted with final-year students.

But many of the students say the figures reflect that graduates want to get their overseas experience — not necessarily live abroad permanently. Minister of Tertiary Education Steve Maharey agrees: "There is a long tradition of New Zealanders travelling and living overseas in the years after finishing their tertiary study. There are benefits for the country as those people return to New Zealand with the experience they have gained from working overseas."

- Does the student loan scheme have a major impact on whether graduates decide to go overseas? The government points out only about a third of borrowers who left New Zealand in 1996 haven't yet returned. But NZ University Students Association co-president Fleur Fitzsimons says the 1996 figures distort the picture and if you go back to the start of the scheme, in 1992, about 60% of borrowers who left have not returned. Fitzsimons: "The government needs to connect

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8 December 2004

ACT Party deputy leader Muriel Newman says that nearly 66,000 people on an unemployment benefit — at a time of labour shortages — is unacceptable. Newman says the government isn't doing enough to encourage people to move to areas where there is work.

But the bulk of people who are currently unemployed are mismatched to the jobs on offer, according to Bank of New Zealand chief economist Tony Alexander. He observes there is a gap between the skills and literacy levels employers demand and those that the unemployed have.

More prison beds may help ease the overcrowding in correctional facilities but will exacerbate staff shortages, according to the Public Service Association. National organizer Alan Ware says extra beds are of little use if they aren't backed up with extra staff.

The Australian government is to set up a Family Impact Assessment Commission that will provide analysis and advice on how legislation and policy impacts on family wellbeing and stability.

the dots ... to think very carefully how they can maximise their investment in students ... they should start by lowering fees and introducing a universal living allowance.”

- There has been a surge in the number of **foreign fishermen jumping ship** in New Zealand over the last two months. Sixty-two, mainly Indonesian and Vietnamese crew members, have deserted their ships in the South Island. Marlborough Contractors Federation's Bob Lee has “an inkling” there is a connection, even an organisation, behind these disappearing fishermen and illegal workers arriving in Marlborough vineyards. Immigration operations manager Anita Reedy says the deserters are part of the 2,100 fishermen working on foreign-owned boats chartered by New Zealand firms to work in New Zealand waters. The number of desertions may actually be higher because the Immigration Service only records those that companies report.

Associate Minister of Immigration Damien O'Connor agrees the desertions appear to be part of an organised racket. O'Connor: “There are industries out there short of workers. That message goes out through some migrant communities and that message may be getting back to workers on the boats.” O'Connor says he is “very concerned” by the desertions, but maintains that ship-jumpers pose no greater security risk than any other overstayer.

O'Connor says a ban on chartered foreign boats is possible if the industry can't manage its crews properly and make sure they leave when they are supposed to.

- The NZ Fishing Industry Guild has rebuked immigration and labour officials for allowing vulnerable foreign fishing crew to face pay and conditions **no New Zealander would accept**. Administration officer Louis Hart has been aboard many foreign fishing vessels and says it is not surprising they come ashore, given the appalling conditions many endure at sea. Hart: “They're housed in the most atrocious conditions and they're paid like dogs. The Immigration Service can't claim moral outrage when they jump off the boats.” Hart hopes a Department of Labour investigation into foreign fishing crews' conditions and pay will offer conclusive proof of breaches of New Zealand labour and immigration laws.
- New Zealand's largest union is calling for the government to put **labour issues** at the forefront of any free-trade **talks with China** in the wake of China's refusal to allow international unionists to visit the country. The Engineering, Printing and Manufacturing Union (EPMU) says the cancellation of visas for senior world union leaders—including NZ Council of Trade Unions (CTU) president Ross Wilson—raises serious concerns about labour prospects in China under a free-trade agreement. Wilson was to attend an OECD seminar in Beijing with representatives of governments, union leaders and foreign investors to discuss raising labour standards in China. But Chinese officials cancelled the meeting and invalidated all the participants' visas, claiming it was “inappropriate and inconvenient” timing. As a result, EPMU national secretary Andrew Little has written to the Prime Minister Helen Clark to repeat the union's request that the CTU be represented on the New Zealand panel negotiating any free-trade deal with China.

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9 December 2004

Newspaper job ads in NZ are at records levels, up 14.4% on this time last year.

The Australian unemployment rate drops to 5.2%, a record monthly low since records began in 1978.

10 December 2004

The *Wairarapa Times-Age* printing press room, set up in 1938, is decommissioned with a loss of 35 jobs.

12 December 2004

About half of tertiary students who start degree courses don't complete their course and gain a qualification.

13 December 2004

A Gallup survey finds that more than one third of Turkey's residents say they would try to find work elsewhere in the EU if Turkey is admitted to the union.

The Green Party say the government should call off trade negotiations with China altogether. Greens co-leader Rod Donald says cancelling Wilson's visa was tantamount to a gagging order. Donald: "It illustrates that the Chinese government will not allow open discussion of its pitiful and exploitative labour standards. It is meaningless for the government to say it intends to discuss labour and environmental standards in trade talks with China, when the Chinese regime refuses to allow union leaders from OECD countries to talk about those very issues. Labour must take a principled stand against China's attempt to stifle free speech. If it does not call off trade talks with China, it will have sold out workers in both New Zealand and China."

- Even though **Canada** accepts more than 200,000 immigrants each year, the government expects the economy to be **short of** as many as one million **skilled workers** before the decade is out. Some estimate up to one in three immigrant professionals who arrive in Canada don't finally settle there because their qualifications are not recognised. In Canada, like in New Zealand, professionals such as doctors or engineers can spend years employed as low-paid fast-food workers, taxi drivers or store clerks because their qualifications aren't recognised.

Canada could bridge much of its growing skilled labour shortage by **educating more foreigners** in its schools and tertiary education system. Canada relies heavily on immigration to keep its economy running and Minister of Industry David Emerson says educating more foreign students in-country would be more beneficial than relying on immigrants who were foreign-trained.

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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](http://www.jobsletter.org.nz)*

**The Jobs Research Trust  
and the staff of *The Jobs Letter*  
wish all our supporters and readers  
the very best holiday season.**

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