

The Jobs Letter

No. 225

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Essential Information on an Essential Issue

KEY

A SINGLE BENEFIT

APPRENTICESHIP FUNDING
RUN OUT

MAYOR TASKFORCE MEETS

WAGES RISES STILL LESS
THAN INFLATION

PRISONERS MAY FILL
LABOUR SHORTAGES

- The government is to replace seven benefits and a raft of rules and entitlements with a **single core benefit**. Minister of Social Development and Employment Steve Maharey is introducing “a system designed to meet the needs of the 21st century”. He says changing to a single benefit, with one set of criteria, will dramatically reduce the amount of time spent administering the welfare system. This will allow Work and Income case managers to focus more on moving people from “dependency to work”. The changes will be piloted in 11 centres from May this year before being rolled out further. It will be 2007 before all the changes are instituted nationwide.

Key features of the changes:

- a single core benefit with one set of rates and one set of eligibility criteria;

- add-ons to support people with higher costs because of things like accommodation, childcare, or disability;

- an enhanced employment service with **two distinct streams**:

- the rapid return to full-time work stream for people who are ready and able to work and need the right services to get them there. Also included will be people for whom a return to work will take slightly longer, for example, people in work-focused training, or who are temporarily unable to work for health reasons.

- the work development and preparation stream for people who need a more gradual transition to full-time work, or for whom part-time or intermittent work is a realistic long-term option. People in this stream will have work-focused requirements, such as planning and assessment, to help them return to work as circumstances allow.

Maharey maintains no beneficiary will be worse off financially from the changes. However, he has not ruled out the possibility future beneficiaries might end up with less in their pockets than today's counterparts.

Maharey expects the changes to save government \$40-\$70 million per year. But he is adamant the move is not just a cost-savings exercise. Maharey: “We're doing it because we want a simpler, more effective benefit system that's geared to people going to work. We're spending our money differently rather than looking for large gains in saving at this time. However, if it's more effective we would hope to see a lot less people on benefits.”

One intention of the changes is to see more people on **sickness and invalid** benefits join the workforce. Those who have some capacity to work will be given a greater financial incentive to work by continuing being paid their disability payments if they join the workforce. Maharey says this recognises that the financial costs of having a disability don't just disappear because a person has a job.

The government has also signalled it will review of the **domestic purposes benefit** with the intention of making changes before it is finally rolled into the new single benefit in 2007. The review will look

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14 February 2005

Just days after announcing it would lay off 100 process workers, Nelson-based Sealord Group seafood company reports a 475% rise in its annual profit.

Competition for doctors jobs in Britain is fierce, with an average of 210 applicants for each “house officer” and “senior house officer” position. Over one-third of overseas graduates who passed Britain's pre-registration exam in June 2003 were still unemployed six months later.

Australian wages rose 4.7% on average last year.

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15 February 2005

More than 560 foreign workers have been employed by Queenstown and Central Otago businesses under a 24-hour fast track work permit system launched in December. Queenstown Chamber of Commerce chief Nick Lambert says the response from employers and foreign workers has been huge and initiative has resulted in there being no shortage of workers in Queenstown this summer.

Thousands of working class Mexicans are now qualifying for home loans for the first time as a result of their government has increasing its offer of loans and loan guarantees over the past four years.

16 February 2005

State-owned coal mining company Solid Energy has gone to Britain to fill mining job vacancies saying it doesn't have time to train New Zealanders. The company has sent recruiters to Northumberland — apparently to take advantage of the recent decision by UK Coal to close its Ellington Colliery. Solid Energy chief operating officer Barry Bragg told the BBC: "We are looking for experienced miners. We can't afford to wait 18 months to two years to train people. So we are better off coming to the UK and making some jobs offers."

The Kyoto protocol international treaty to address climate change comes into effect.

18 February 2005

The Ohura minimum security prison will be closed with inmates and — officials hope — its staff are shifting to Tongariro Prison. Minister of Corrections Paul Swain says the isolation of the Ohura prison made it difficult to attract staff and that the high cost of upgrading the ex coal-mining camp contributed to the decision to relocate.

Kiwibank has made about 750 low-or-no-deposit house mortgage loans since the scheme began in September 2003.

19 February 2005

Student Job Search is opening a second Palmerston North office, this one on the Massey University campus. Massey had been the only NZ university without a campus-based Student Job Search facility.

at introducing stiffer sanctions for those who don't meet work plan obligations and require more work-focused participation.

The Cabinet papers suggest the move to a single benefit is designed to break down entrenched attitudes and stereotypes about benefits and their purpose. The Cabinet papers: "Too much of the system is still inherited from a past in which jobs were scarce and it was assumed categories of people, and particularly people with health conditions or disabilities, couldn't work and didn't want to work."

- In the review of the benefit system, one likely to be axed is the **widow's benefit**. Policy makers argue it is becoming harder to justify treating women who are widowed differently to men, who have never qualified for it. The widow's benefit was created at a time when women who were left to fend for themselves or their children after the death of a husband had little in the way of work force experience. Steve Maharey says applying the same argument to women in their 30s today is harder to justify.

There are also gender rights issues. Women whose husbands die can get a widow's benefit and women over 50 whose relationships break up can get a "woman alone" benefit, neither of which require them to work. But men who are widowed, as well as older single men whose relationships break up, and don't have a job get slightly less money on the dole and are work tested.

Maharey promises that any women on the widow's benefit now would not be affected and their entitlement to will stay with them till they die. There are 8,028 women on the widow's benefit.

- Electricians are warning homeowners they may face months of waiting to get electrical work done because they can't keep up with the workload. Electrical Contractors Association general manager Ray Barbara says electricians are regularly turning away work because of a critical **shortage of qualified staff** that he believes could last for three more years. Consumers should budget to pay more for electrical work as high demand is likely to drive electricians' hourly rates up.

Despite the need for more skilled workers, Barbara warns that a **funding shortfall** for off-the-job training of electrical apprenticeships may force some electricians to dismiss their apprentices. Barbara says the Electrotechnology Industry Training Organisation funding started drying up in August last year because government allocations were failing to keep pace with increasing demand. Barbara: "We warned the government of a funding shortfall six months ago. Now, two months into the 2005 year, no further placements can be made. We know training places exist. But the government continues to ignore requests for more subsidies. We find this totally unacceptable — especially when New Zealand is reeling from a skills shortage which can only get worse."

- Minister of Education Trevor Mallard wants the electrical industry to pick-up a greater proportion of the cost of **training its own apprentices**. Government funding of electrical trades training increased by \$1.4 million this year. Mallard points out the electrical industry contributed just 21% towards the training, compared with an average of 30% from other industries. Mallard: "So, as a co-funded partnership arrangement, the government expects that where there are high levels of demand, industry will contribute accordingly to ensure that the training needs of their industry are met."
- Porirua Mayor Jenny Brash is very concerned that this issue gets resolved and that young people are provided these opportunities to work and train. Brash: "It's my understanding there are 60 to 80 apprentices out there who would like to take up positions. And there are small electrical businesses,

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21 February 2005

Computing company EDS NZ plans to hire 40 NZ graduates within the next 12 months.

22 February 2005

A pilot project finding jobs for people with mental illness in Waikato is so successful it is being extended to include people on sickness benefits. Associate Minister of Social Development Rick Barker says he would like the Work Wise programme extended to the rest of the country.

NZ academics earn up to 40% less than their Australian counterparts, according to the NZ Association of University Staff.

The NZ government is to fund 20 tradespeople to go to the Cook Islands for 10 days to help with the clean-up and rebuilding in the aftermath of Cyclone Olaf.

At least 180 of the 7,000 jobs Qantas airlines intends to base overseas will be in New Zealand.

23 February 2005

The Like Minds, Like Mine Employment Advocacy Project launches *Taking the First Step*, a guidebook for jobseekers with mental health problems. The booklet will be available through Work and Income, Citizens Advice Bureaus and other health and welfare agencies.

Newspaper job vacancy ads dropped in January to 10% lower than they were a year before, according to the ANZ Job Ads series. ANZ economist John McDermott says the demand for workers remains high and the main reason for the fall was that New Year's Day fell on a Saturday, a big job-advertising day, and most newspapers didn't publish.

Job opportunities in the private sector are attracting more soldiers to leave the army. The army is losing about 18% of its personnel each year.

with just one to four workers, who are keen to take these young people on. But there isn't the funding. It has taken a long time to interest both young people and employers to participate in the apprenticeship system and I would hate to see any barriers getting in the way of this happening."

- The **Mayors Taskforce for Jobs** held its annual national workshop in Christchurch earlier this week. The meeting was attended by 36 Mayors and representatives of district councils, as well as representatives from the Ministry of Social Development, and the Minister of Employment Steve Maharey.

Taskforce chairman and Christchurch Mayor Garry Moore said it was heartening to see so many Mayors at the two-day workshop, even though New Zealand was celebrating its lowest unemployment figures in a generation. "But this is a Taskforce on jobs ... not a Taskforce on unemployment," says Moore, "and the majority of the Mayors attending are concerned about issues like the skill shortages that are now affecting our plans for economic development."

Auckland Mayor Dick Hubbard, a new Taskforce member, told the meeting that he was a great believer in economic cycles. Hubbard: "And it is during the good times that we need to put in the infrastructure that we will be needing when downturns inevitably come. This is why the work of this Taskforce continues to be important."

- The annual workshop was a chance for second and third-term Mayors to introduce new Mayors to the **projects and initiatives** that can be undertaken with the help of the Taskforce. There was a special emphasis at the workshop on the need to support, celebrate and invest in the next generation of trades workers in our communities. There was also a progress report on the first five pilot regions of the government's new Youth Transitions Service (YTS), which is being rolled out in partnership with the Mayors Taskforce for Jobs.

Minister Steve Maharey told the meeting that the new YTS scheme was aimed at the needs of both individuals and business. Maharey: "I am not pretending that we have got everything right ... and we need to make sure it reflects what young people want today. There are all sorts of costs to the individual and massive costs to the economy otherwise..."

- Mayors and representatives attending the meeting were: Yvonne Sharp (Far North), Pamela Peters (Whangarei), George Wood (North Shore), Dick Hubbard (Auckland), Anne Candy (rep Manukau City), John Tregidga (Hauraki), Dale Williams (Rotorua), Neil Sinclair (South Waikato), John Forbes (Opotiki), Les Probert (Wairoa), Peter Tennent (New Plymouth), Mary Bourke (South Taranaki), Bob Buchanan (Rangitikei), Heather Tanguay (Palmerston North), Maureen Reynolds (Taranaki), Brendan Duffy (Horowhenua), Jenny Brash (Porirua City), David Ogden (Hutt), Alistair Sowman (Marlborough), Paul Matheson (Nelson), Tony Kokshoorn (Grey), Maureen Pugh (Westland), Kevin Heays (Kaikoura), Jim Gerard (Waimakariri), Michael McEvedy (Selwyn), Bede O'Malley (Ashburton), Janie Anear (Timaru), John O'Neill (McKenzie), John Coles (Waimate), Garry Moore (Christchurch), Juno Hayes (Clutha), Tracy Hicks (Gore) and Frana Cardno (Southland).
- For the first time in nine years, **wage rates** have kept pace with inflation, almost. Statistics New Zealand's Labour Cost Index found that ordinary wages rose 2.5% in the year ending December 2004. This was the fastest increase in private sector wage rates since March 1996 but slightly lower than the 2.7% rate of inflation.

The Council of Trade Unions says current levels of business profitability and productivity justify paying staff better. President Ross Wilson: "Wages

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24 February 2005

“Jobs Machine” grants made by NZ Trade and Enterprise should be better scrutinised, according to a parliamentary committee. The agency has come under examination after it became public it had made nearly \$300,000 in grants to cereal maker Hubbards Foods. The committee report: “While the benefits of this programme appear positive, Trade and Enterprise acknowledged that it is difficult to measure outcomes in this area and is working towards better qualitative assessments. We would like to see improvements in this area when we conduct our next financial review.”

NZ businesses are expecting the economy to continue growing, according to the National Bank’s Business Outlook survey. 31% of businesses surveyed expect their own activity to expand this year. The NZ economy has been growing for seven straight years.

25 February 2005

The Ministry of Social Development will hold an “Employers’ Summit: Expanding the Labour Force” on March 15. The meeting will focus on what businesses or sectors need to make it easier for them to employ people with disability or ill health.

27 February 2005

Russian students studying agriculture may be recruited to work in the Bay of Plenty kiwifruit harvest. Regional promotional agency Priority One says the idea is for a work experience scheme for Russian students but could be extended to permanent work placements. Chief executive Ross Stanway says students from the Kursk Agricultural Academy would be selected on the basis of their language skills, the nature of their studies and their ability to get to NZ. Stanway: “It appears there might be a good fit between some of these students and the gap in the NZ horticultural industry.”

The Information Technology industry base pay rates have risen 3.8% this last year.

are lagging behind consumer prices which are up 2.7%, house prices rose nearly 14% last year — and the government will shortly put the minimum wage up by 5.6%.”

Sunday Star Times business editor Rod Oram says the unions have a valid point. Across the whole economy, and particularly since 2000, business **profits have grown much faster** than wages. The government collected 18% more money from company tax in the second half of last year than it did in the second half of the previous year. Oram points out that the 2.5% wage rates rise may have been the fastest annual increase in nine years, but even the biggest sectoral gain, in construction, was only 4.2%. Today, just under 50% of people had nil to 2% pay rises. Oram: “In a classic market, prices rise when demand exceeds supply. But wages aren’t.”

Oram says a key factor in the disconnection in the labour market is the much **diminished power of unions**. A decade ago, 50% of the private sector was unionised so collective agreements had real clout. Today, with membership down to 12%, unions have been “price-takers rather than price-setters”. Oram: “And despite employers’ hysterical protests to the contrary, the Employment Relations Act and its subsequent amendment bill have not significantly returned power to unions.”

- Unions are taking up the challenge of the low-wage culture and threatening **strikes** if employers refuse to meet their wage demand. Manufacturing workers, backed by colleagues in other sectors, say they won’t settle for less than a 5% pay rise this year. In launching *5 in 05*, the 51,000-member Engineering, Printing and Manufacturing Union says workers want a fairer share of the country’s buoyant economic growth. National secretary Andrew Little warns that all bargaining that does not come up to a 5% increase will be suspended.
- Employer groups maintain a blanket 5% **wage demand is unfair** and unrealistic. Business New Zealand chief executive Phil O’Reilly says such a demand overlooks the respective needs of individuals employers and workplaces. O’Reilly argues that workers have effectively had a 2% pay rise with the extra week of annual leave. He maintains that pay increases not linked to productivity gains will lead to higher prices of goods which would either be inflationary or make some businesses uncompetitive.
- Green Party MP Sue Bradford suggests small businesses should, rather than resist worker demands for 5% wage rises, put the heat on the government to **reform its trade agenda**. Bradford: “Many New Zealand businesses face unfair competition from imports made in countries where workers get paid less than the cost of living and put up with low basic labour and environmental standards. The government could be avoiding this unfair pressure by not signing Free Trade Agreements with such countries.”
- A radical plan to cut re-offending and fill labour shortages is to go before Cabinet that would offer prisoners formal job training. The proposal would see every prison have a “reintegration coordinator” responsible for managing long-term inmates who are one year from their release date or first parole hearing. And Work and Income would be charged with organising schemes that would give the inmates identified as “suitable” an opportunity to get a formal qualification matched to some area of skill shortages.

Minister of Corrections and Labour Paul Swain says the goal is to **cut recidivism**. Currently, one quarter of inmates re-offend and are back inside prison within a year of release and 40% are re-imprisoned within two years. A work skills training programme could make inmates more employable on their release and perhaps less likely to re-offend. The programme would also help fill skills shortages, notably in construction and road building.

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28 February 2005

In Malaysia, 300,000 government officials and volunteers are deployed to ferret out illegal migrant workers, mostly Indonesian, who remain in the country after being given an October deadline to leave. The government has extended its amnesty for illegal workers three times and since the October deadline during which 400,000 illegal workers left. Malaysian officials estimate there are still half a million illegal workers in the country.

1 March 2005

A three-day Hui Taumata on Maori economic development begins in Wellington.

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- The proposal is similar to schemes operating in Ireland, Scandinavia and Switzerland, according to John Pratt, a reader in criminology at Victoria University. He cautions these programmes are only “moderately successful” in getting prisoners jobs on release because of common underlying problems like substance abuse, poor work records and low educational achievement.
- Advocates for **workers with disabilities** fear the proposed repeal of legislation that provides exemption for sheltered workshops from paying the minimum wage. Disabilities advocate Marion Miller says removing the exemption will result in disabled people losing their jobs, and with it their self-worth. The Disabled Persons Employment Promotion Repeal Bill would require people to be assessed as to their working capability to see whether they have to be paid full or part-time wages, or given an exemption. Miller says if, as a result, sheltered workshops can’t afford the extra funds for wages, it will mean some disabled people will be told they no longer have a job, and their families will wear the consequences of that.

Miller says those people most affected by such a change had not been consulted. Miller: “Minister Dyson said there had been consultation ads in the newspaper, but the people who are affected can’t read the paper. They haven’t come to the people most affected and that’s not right. We know what will happen ... it’s going to impact on the lives of our families’ in a very significant way. We just want some listening.”

- Minister for Disability Issues Ruth Dyson says there has been plenty of opportunity for consultation.
- With the disestablishment of the Community Employment Group, the Ministry of Social Development (MSD) is taking on new roles in **community-based** labour market development with a view to see there is coordination across government at regional and community levels. MSD is currently appointing Community Labour Market Development Managers and Advisors in each of 11 regions.

Work Opportunities remains an agency of the Department of Labour, not MSD as reported in the last *Jobs Letter*. Work Opportunities is to “provide knowledge” about labour markets at the national, regional and local levels. The Department will soon put in place 15 Labour Market Knowledge Managers around the country who will focus on sector and regional labour market strategies and provide support to the new MSD teams.

- Australia’s ageing population will contribute to creating **permanent labour shortages** across many industries by 2010, according to a report by recruitment company Drake International. The shortages will make it much harder for businesses to maintain productivity levels and meet demand. Drake predicts this could cause Australia’s GDP to fall by 1.5% over the next 40 years.

The report, *The Age Chasm — Successfully Managing Age in Your Organisation*, shows growth in labour supply will be firmly concentrated in the group aged 45 and over for the foreseeable future. *Age Chasm*: “Severe labour shortages are already being felt in the skilled trades and the automotive, education, health and transport and distribution sectors. This trend is expected to become more widespread over the next five years because of Australia’s falling fertility rate and immigration levels. We estimate 85% of all workforce growth will be supplied by people aged over 45 by 2012, up from 32% in 1992.”

VOICES

on a single benefit ...

"We think it's a good idea that people be encouraged off welfare to go back into work and that's the philosophy that will overhang everything that we do. But we'll do it in a way that respects the fact that there are some people unable to work."

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

"I am a little worried about whether or not in practice this will mean that some people will have to report more frequently, or undergo a more vigorous audit process to maintain an invalid benefit. In the past, people with permanent disabilities had been required to prove every six months they still had the same disability. That system seems to have become much more reasonable over the past two years and it would be a shame to see anything regressive occur in that respect."

— **Michael Goldsmith, senior lecturer Waikato University**

"Benefit cuts will happen, despite government claims to the contrary. For instance, the loss of discretionary benefits such as the Special Benefit will mean that many people will receive less income."

"I won't accept that Labour is genuine in its desire to get long-term invalids and sickness beneficiaries back into work until it extends the Providing Access to Health Solutions, or PATH, programme to all such recipients. This scheme, which helps people get the health treatment they need to be able to work, is an example of a successful and pro-active government programme that the Greens support."

— **Sue Bradford, Green Party MP**

"The reason offered by Mr Maharey does not make sense. He said a single benefit would dramatically reduce the time spent on administration, allowing case managers to focus more on moving people from welfare dependency into work. But it is hard to see how administration will be any easier if the standard benefit allows add-ons. Most beneficiaries will need add-ons, usually as a consequence of their reason for needing the benefit. The unemployed will need accommodation assistance to remain in areas where they are likely to find jobs, single parents will need childcare supplements, the genuinely sick will need a range of supports. In fact, when officials have finished sifting the various claims and entitlements of recipients of the single benefit, they will probably find the old system was simpler."

This sort of pointless tinkering with the system seems harmless until we hear Mr Maharey suggest the single benefit is the key to his hopes of encouraging all beneficiaries to seek paid work."

— **NZ Herald editorial**

"Labour's merging of the benefits is largely presentational. The real issue is not what we call benefits or how we administer them, the real issue is how we reduce growing welfare dependency and abuse in these times of so-called record low unemployment. "The

mark of an effective welfare system is not only how well it looks after the genuine needy, but also how quickly it helps those without a job into the workforce. I believe there is a strong case for putting an end to these institutionalised benefits by replacing them with a single 'temporary' benefit, with exemptions for people who are permanently unable to provide for themselves. For those who are sick or have very young children, there would also be exemptions from the need to take on work, but those exemptions would be temporary. Everyone else on a benefit would be strongly connected to the workforce, so that welfare again returns to being a system that fast-tracks people into jobs.

— **Muriel Newman, ACT Party MP**

"Call it what you like, a name change won't move one single beneficiary off welfare and into work. Steve Maharey promised this programme would be in place by 2002, now we're being told it won't be ready until 2007 or even later. There can't be any coincidence that this is being rolled out a month after Don Brash's welfare speech, when welfare is set to become an important election issue."

— **Judith Collins, National Party MP**

"The government's proposal for a single benefit fails to address the basic issue that the welfare system discriminates against individuals who are partnered when they are assessed for eligibility for unemployment, sickness or disability benefits. You are taxed as an individual regardless of marital status. Yet our welfare system continues to discriminate on the basis of marital or relationship status."

— **Christine Low, National Council of Women of NZ**

"The aim of a single benefit dates back to Michael Cullen's fond wish when he was welfare minister in 1987-90. But Maharey, whose thinking on this I have tracked here over several years, has added two ideas not current in the 1980s. One is the emphasis on work. The second is his ideological rationale that this is 'investment'."

— **Colin James, NZ Herald columnist**

"The change in thinking is, in itself, all stick. Work test provisions will apply to everyone seeking a benefit — throwing away any previous assumptions that invalids and women with toddlers, for instance, have an automatic excuse for staying at home."

The question is, will it make any substantial difference in practice to how quickly beneficiaries are expected to find work? Mr Maharey is vague about the factors that might, say, determine whether a solo mother is expected to find work, but suggests the age of her children won't necessarily be a factor. Her isolation from extended family and access to good childcare might be, however. And what sanctions will be applied to those who simply flout the requirement to find work? Some such sanctions exist now, but is there an expectation that under the new system they will be wielded widely and often? These are the questions that Mr Maharey has so far failed to answer."

— **Tracy Watkins, Dominion Post columnist**