

The Jobs Letter

No. 235

25 July 2005

Essential Information on an Essential Issue

KEY

NZ 2ND IN OECD FOR JOB GROWTH

TAKING AIM AT STATE SECTOR JOBS

CHILDREN MISSING OUT TO PRO-WORK POLICIES

BRITISH SCHOOLS TO PROVIDE CHILDCARE

• New Zealand has the second highest **job growth rate** in the developed world, according to the OECD. The *Employment Outlook Report* shows the labour force grew 3.4% last year, up from 2.3% in 2002 and 2003. Only Mexico of the 30 OECD member countries had faster job growth. New Zealand's job growth is expected to slow this year but it is still one of a few countries (including Spain, Mexico and Australia) predicted to post rises of more than 2% in 2005.

OECD expects the New Zealand **unemployment rate to rise** to be 4% by the end of this year and 4.5% next year.

• Minister of Social Development and Employment Steve Maharey calls the OECD report a "**fantastic report card**" for the government's initiatives in helping beneficiaries find work. Maharey says the "Jobs Jolt" and "Work for You" programmes, implemented in 2003, along with reducing the case-loads of Work & Income case managers, have done what the OECD recommended and have paid-off with the fall in unemployment. Maharey: "We've been adamant for some time that these initiatives were making a big difference but it's great to have an independent assessment. The OECD now considers New Zealand to be among the international success stories where sound policy has led to positive employment outcomes for thousands."

• National Party Finance spokesman John Key disputes Maharey's interpretation of the OECD review, saying the report is of **little comfort** to overtaxed New Zealand workers. Key: "What this report shows is that we need better priority setting for government spending, it says Labour has created disincentives to move from welfare into work, and it says tax cuts are affordable if spending is brought under control."

• Vernon Small in the *Dominion Post* says the OECD report can be all things to all spokespeople. Small points out that although the report praises New Zealand's above-average growth rate, it says this was more the result of extra hours worked than productivity growth. Productivity still hovers at just below the OECD. It also would like to see a greater rate of participation in the workforce by mothers, beneficiaries and sole parents, and better management of public finances.

• The OECD report also comments that international labour market adjustments to globalisation are "neither automatic nor painless". Rising imports, the outsourcing of production, and inflows of immigrants all contribute to rising **job insecurity** in OECD countries. The rapid integration of China and India into the world trading system, with their huge pools of low-wage labour, and the recent enlargement of the European Union have also fuelled fears of job losses and wage cuts.

But the OECD says claims that **globalisation** is the main cause of labour market **problems are exaggerated** and only a fraction of job losses are likely to be directly attributable to trade and investment liberalisation. The report: "Job losses in some sectors, along with new job opportunities in other sectors, are an inevitable accompaniment of the process of globalisation. The challenge is to ensure that the adjustment process involved in matching available workers with new job openings works as smoothly as possible."

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29 June 2005

The National Party has apparently softened its hard-line approach to women having more children while on the domestic purposes benefit. Earlier this year, in his "Orewa 2" speech, party leader Don Brash said there shouldn't be automatic entitlement to additional state assistance for those who have further children while on the DPB. The rhetoric was absent from National's welfare spokesperson Judith Collins' address to the Party's annual conference. Collins says children have to be protected from poverty and she believes the plan was to provide "really, really intensive case-management" for women on the DPB having more children.

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1 July 2005

The number of Pacific Island people registered as unemployed has dropped from 5,532 in July 2003 to 2,622 in July 2005.

Over the last year, the roading industry has taken on an additional 1,000 employees, according to Roothing NZ.

The number of building consents issued for May were down 22% on the previous year, according to Statistics NZ.

3 July 2005

A quarter of NZ-born people who are tertiary educated live outside of NZ, according to the *NZ Listener*.

Australia ranks well down (21st) the OECD in the rate of employment of working age men. Australian Treasury Secretary Ken Henry is puzzled by the continuing high joblessness among men in their prime, saying the problem seems to be structural, not cyclic.

4 July 2005

Te Wananga o Aotearoa says its School of Sustainable Business Management's *Certificate in Small Business Management* has resulted in over 1,000 business start-ups since 2003. Director Keith Ikin says most of the people who take this course were either unemployed or workers on low wages.

Rapidly dropping migration, higher interest rates and the high dollar are accumulating to slow the NZ economy according to the Westpac bank. Chief economist Brendan O'Donovan says if it weren't for the strength of the housing market, recession would be "the talk of the day".

However, the report does concede that workers who lose their jobs in sectors hit by competition from imports often **find it harder to get new jobs** and may have to accept big pay cuts. In many cases, they are older and less educated than other job-seekers, with skills that no longer correspond to current needs. The report recommends countries ensure their own labour markets are dynamic and that providing people with opportunities and incentives to work is more important than ever. The report warns that failure to acknowledge the "worker adjustment challenges" of globalisation may erode public support for open trade policies.

—*OECD Employment Outlook 2005*, published June 2005, can be partially downloaded from www.oecd.org/document/

- National Finance spokesperson John Key is promising a full review of government spending, with a close look at **state sector jobs**. Key believes there has been wasted spending and indiscriminate hiring in the state sector. He says the news that almost half of state agencies plan to increase staff numbers is because the government has given them a "clear green light" to keep hiring. Key: "The government is now in direct competition with the private sector, accelerating the pressure on the private sector to pay more, soaking up the skilled workers."
- Some professional firms told the *Dominion Post* that recruiting new staff is difficult but they don't attribute this to competition from the state sector. Accounting firm KPMG in Wellington says pay rates are rising due to a growing demand for accountants to help firms cope with new accounting standards. And legal firm Buddle Finlay says it sees the real problem is losing lawyers in their 20s who move overseas.
- The Public Service Association is concerned about National's comments. It has commissioned economist Peter Harris to analyse the "myth of the exploding public sector". His research has found that over the past five years the **number of jobs** has risen significantly in both the public and private sectors, with the public sector rising slightly more. Harris concludes this is because the public sector was coming off a very low base in 1999.

Harris also found that the **size of the public sector** in New Zealand — compared with the size of the private sector — was above the OECD average in 1999 but by 2004 it was significantly below the average. This is because, while government spending has grown, the economy has grown faster. The public sector now makes up 2.34% of the New Zealand workforce.

— *The Myth Of The Exploding Public Sector*, May 2005, published by the Public Service Association, written by Peter Harris can be found at: www.psa.org.nz/library/psa/05%20news%20stories/public%20sector%20peter%20harris%20paper.doc

- A new business survey underlines a big **demand for workers** by employers. Recruitment company Hudson NZ says recruitment expectations among the 1,700 businesses surveyed are at their highest in six years. The six-monthly Hudson report shows 43.5% of the companies surveyed expect to increase staffing levels over the next six months, up 4% on the previous half year.

Hudson NZ general manager Marc Burridge says that despite indicators showing business confidence is faltering in some areas, the research shows businesses remain optimistic in their **hiring outlook**. Burridge: "The results demonstrate how dramatic the skill shortage has been. Employers are operating on a reduced headcount and with growth predicted to continue, albeit at a reduced rate, they are still desperate to find the right people with the right skills."

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5 July 2005

South Africa will leave its current labour laws intact, at least until more detailed research is completed. The IMF maintains SA labour regulations are hampering job creation but the government says there will be no “sea of change” without more information. SA unemployment is officially 26% — but some say it could be as high as 40% if discouraged jobseekers were counted.

The Westpac McDermott Miller quarterly Employment Confidence Index finds two-thirds of NZ workers rate jobs as being plentiful. But workers think jobs will be harder to find next year.

Labour hire company Allied Work Force Group lists on the NZ Stock Exchange.

The European Commission shelves a long-term environmental strategy because of concerns it would constrict the economy and destroy jobs.

7 July 2005

Between 400–1,000 more workers are needed in Marlborough vineyards to prune grapevines. NZ Wine Growers chief Philip Gregan says there is a risk a short-term labour problem could become a long-term one, as the grape growing area is expected to expand by one-third over the next five years. Gregan: “We’ve going to need 40% more labour in five years’ time. Getting people here on a sustainable basis to prune the vineyards is a real concern.”

- The strongest **recruitment intentions** are in the Information Technology sector where 63% of IT companies surveyed plan to take on more staff. About 46% of the financial services/ insurance firms, and professional services companies are looking to recruit.

The survey also shows the **government sector** has its strongest hiring intentions than at any time in the past three years. 49% of government agencies surveyed expect to hire more staff in the next six months.

- The demand for entry- and **lower-level skilled workers** is growing. The Department of Labour has found that, in the December quarter last year, 40% of firms said they had difficulty hiring lower-skilled staff. In the March quarter this year that figure had risen to 49%.

Demand for skilled workers remains near a record high, with 60% of firms having difficulty getting suitable staff.

Another sign of the tight labour market has been an increase in **staff turnover**, which has reached a 20-year high.

— *Skills in the Labour Market*, published by the Department of Labour, last updated 23 June 2005, can be found at www.dol.govt.nz/publications/lmr/lmr-Skills.asp

- Former Children’s Commissioner Dr Ian Hassall has criticised both major political parties for pushing **mothers back to work** too soon. Hassall, who is involved in the *Every Child Counts* campaign, points out that the leaders of both the Labour and National parties used agenda-setting speeches this year to speak about getting more women into the workforce without addressing the issue of children. He criticised Prime Minister Helen Clark for her opening speech to Parliament this year about increasing women’s participation in the paid workforce, as well as National leader Don Brash’s Orewa speech about getting solo mothers off the domestic purposes benefit and into work. Hassall: “I’m not knocking that. But missing from their discussion was children’s interests. The discussion revolved around economic productivity, gender equity, limitations on welfare spending, welfare dependency, personal choice. Where were children in all of that?”

Hassall says the financial and **social coercion** for people to return to the workforce after their children are born is wrong. He says women should not be told that they were bludgers if they stayed at home with young children. Hassall: “They should be told that this is a recognised, respectable way of life — to raise children. It is very strange that we have to say this.”

- The Child Poverty Action Group (CPAG) calls for changes to the “Working for Families” package, saying it has already disappointed the nation’s worst-off children. Spokesperson Susan St John says families with any benefit income at all have missed out on the \$15 per week child Tax Credit and most had their core **benefit cut** (along with changes that have resulted in reductions to the Special Benefit) that have offset the highly publicised gains from increases to Family Support.

CPAG believes a major flaw in the “Working for Families” package is using **child payments as work incentives**. St John says many other countries don’t do this. St John maintains that people want to work but it is the availability of suitable work that is their key driver, not work-related child supplements. She argues that when the economy booms, more people get jobs but what poor families need is a secure reliable income supplement for their children that doesn’t disappear during hard times.

St John says there are better ways to encourage people to take up paid work, pointing out the Australian government uses lower rates of abatement of family assistance and generous thresholds.

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10 July 2005

The US unemployment rate drops from 5.1% to 5%, the lowest level in about four years.

The G8 leaders pledge to end farm export subsidies but set no specific deadline for doing so.

Electronics giant Sanyo will cut 14,000 jobs worldwide over the next three years.

11 July 2005

ANZ job ad indicator records a 5.5% drop in newspaper job ads on this time last year.

12 July 2005

The NZ economy appears to be growing, but more slowly than it has been. A total of 8% of businesses say their trading activity has increased over the quarter, but this is the weakest measure in nearly five years.

The government says it met its immigration target for the 2004/05 year and will keep it at 45,000 for 2005/06. Minister of Immigration Paul Swain says 48,815 people were granted residency in 2004/05, with 29,826 coming in under the skilled/business category. Swain says NZ is attracting quality migrants including teachers, nurses, tradespeople and IT professionals. 87% had a skilled job or job offer at the time they were granted residence. About 60% of the jobs were in areas other than Auckland.

- St John is critical that several millions of dollars are being channelled into an evaluation of the *Working for Families* package. St John: "In about five years we can expect the conclusion from this will be that complex entitlements do not work. People working in food banks already know this and, rather than wait for the inevitable, the government must be encouraged to rethink the In Work Payment. A better move would be to add the Child Tax Credit to Family Support for every child. This would restore the principle, of which New Zealand was once proud, that all children be treated equally. Once this is done it is time to consider making a good part of the Family Support payment a universal family benefit. The universal principle is firmly in place for those over 65. Why should New Zealand treat the young so differently?"
- Parents Centres NZ is pushing for the government to have a new look at the rebate working parents can claim back for **childcare**, saying the current **rebate** did not stack up with the government's stated policy of encouraging mothers into the workforce. Working parents can claim back \$310 per year tax rebate for childcare, a sum Parents Centres chief executive Viv Gurrey calls "paltry and insulting". Many working parents spend thousands of dollars each year on crèche fees, costs that are directly related to the second parent working. Gurrey says revisiting the childcare rebate is something the government could do to make it more attractive for women considering returning to work.

Gurrey suggests New Zealand learn from **Australia's** increasingly strong **financial support** provided to families. Under new rebates in Australia, parents can claim up to \$4,000 a year per child for childcare costs. In New Zealand the maximum rebate is a flat \$310, irrespective of the number of children involved, an amount unadjusted since 1982.
- The Ministry of Social Development says the New Zealand and Australian systems for supporting families could not be directly compared because New Zealand's system was aimed at those most in need — low and middle-income families — rather than at everyone with children, as Australia does.
- The National Party says it would allow parents to claim 33% of childcare costs — capped at \$1650 per child. It would apply to any kind of childcare, as long as receipts were provided.
- According to the *New Zealand Herald*, full-time childcare in the cities costs a family upwards of \$9,360 per year, with charges in smaller centres being over \$7,000.
- National Party leader Don Brash tells National Radio's Morning Report that he could not guarantee his proposed **tax cuts** would not increase child poverty. Asked to guarantee his policies would not lead to an increase in child poverty or the use of food banks, Brash said: "There's a cycle of these things, they go up and down. I can't promise anything in that area but let me say this, the best way of dealing with **child poverty**, the best way of dealing with food banks is getting people into jobs, it's to do with welfare reform, to get welfare rorts out of the system, to deal with welfare dependency. That's the most effective way of dealing with this."
- Minister of Social Development and Employment Steve Maharey calls Brash's statement "astonishing". Maharey says virtually every other government and major political party in the OECD has made a public commitment to reduce or eliminate child poverty. Maharey: "Don Brash is refusing to promise his tax cuts won't increase child poverty and bring back food bank queues because he knows they will."

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18 July 2005

In a shake-up to tertiary education funding, the Minister of Education Trevor Mallard is putting a cap on student numbers in courses below degree level, and is replacing the localised "community education budget" with a centralized scheme. Courses found to be of low relevance by the Tertiary Education Strategy review are getting the chop and their funding (about \$160m/yr) will be redirected to numeracy and literacy courses and apprenticeships.

The National Maori Tertiary Students Association is "outraged" by the plan to cut funding to certificate and diploma level courses. Spokeswoman Veronica Tawhai says the government has taken credit for increases in Maori participation at the tertiary level and then attacks the very courses and institutions that are behind that increase. Tawhai: "More than 80% of Maori students start their studies at certificate and diploma level, and then staircase, often to higher level courses as they become familiar with tertiary study. These cuts will have a rapid and devastating impact on Maori enrolments."

19 July 2005

Computer manufacturer Hewlett-Packard will cut 14,500 jobs worldwide, one-tenth of its workforce. HP NZ staff will probably not be affected by the cuts.

20 July 2005

The decline in the use of film cameras sees film and camera maker Eastman Kodak cut a further 10,000 jobs worldwide, on top of the 15,000 job cuts announced in early 2004.

- The *Every Child Counts* campaign describes Don Brash's concession on child poverty as "disturbing". Spokesperson Murray Edridge says Brash's remarks about the impact of his proposed tax cuts on children are the sort of political attitude that *Every Child Counts* argues needs to change. Edridge: "We expect him to commit to ending child poverty."

Edridge points out that New Zealand ranked fourth worst out of 24 countries in the UNICEF report *Child Poverty in Rich Nations 2005* published earlier this year (See *Jobs Letter No 226*). Edridge: "Child poverty in New Zealand has in the past been seen as an unimportant by-product of economic policy. For example, as a consequence of the 1991 'Mother of all Budgets' it broke through the 30% level. In a country like Denmark, the elimination of child poverty is seen as an essential economic goal. It is a critical investment in the country's future."

- Most "**ideal workers**" — employees who take little or no time off work for child bearing or rearing — became that way in order to pay for their family's upkeep, according to research by two Australian academics. Lee Adams and Chris Geller found that when a family of dependents is draining the workers' wealth, they exhibit longer-term ideal worker behaviour. Their findings contrast to the previously accepted theory that ideal workers devoted most of their time to their job because they didn't have to worry about a family. The research also showed the most common reason ideal workers are able to devote themselves to their work is there is someone at home taking care of the family.

Lee Adams says as society moves progressively away from the traditional family of one breadwinner and one homemaker, government labour policies need to consider the balance between working and home life. Sole parents with caring obligations had to be supported, as they don't have the same energy or time to devote to paid labour as workers who share **caring responsibilities**. Adams: "We need to adapt work to recognise family responsibilities come with every worker."

— *Regulating at the Work-Life Boundary: Towards Re-Integrating the Household into Labour Market Policy* was presented at the Labour Law, Equity and Efficiency: Structuring and Regulating the Labour Market for the 21st Century conference at the University of Melbourne, 8-9 July 2005.

- Australian Prime Minister John Howard's government is about to embrace labour reforms similar to New Zealand's **Employment Contract Act** (1991) that did away with the award system, required workers to have individual employment contracts and relieved employers of having to negotiate with a union — even if their employee was a member. Howard believes similar moves in Australia would increase productivity and economic growth.

However, research shows that both New Zealand's **economy and its workers suffered** under the economic reforms that included the Employment Contract Act. A paper, published in the *Review of Political Economy* in 2002 by New Zealand economist Paul Dalziel revealed, that during the New Zealand economic reforms, gross domestic product was reduced, the average unemployment rate increased substantially, productivity growth declined, and the real income of low-income households declined. In 1996, the poorest New Zealanders had 3% less household income than they had in 1984.

Domestic productivity in New Zealand grew just 5.2% between 1987 and 1998 while Australia productivity rose by 21.9% during a similar period. The paper says the recognition of this fact was one of the considerations leading to a Labour-led coalition government to replace the Employment Contract Act in 2000. The paper: "The hope in 1984 was that economic

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21 July 2005

The National Party promises to make the interest payments on student loans tax deductible in an effort to stem the brain drain. Under the proposal, people with student loans would automatically get income tax rebates. Leader Don Brash says this would significantly reduce the time it takes for working New Zealanders to repay a student loans.

NZ University Students Association is not impressed by the National Party proposal, saying it is a policy of tax rebates for the rich and would miss some of those most in need. Co-president Camilla Belich points out that borrowers who take time off work, or those on low incomes wouldn't benefit. Belich: "What we'd like them to do is to commit to increasing eligibility to allowances and commit to not increase fees, or lowering them."

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reform would reverse the trend of the previous 30 years. Seventeen years later, with higher unemployment and lower real incomes at the bottom end of New Zealand's income distribution, it is clear that the comprehensive reforms of the late 1980s and early 1990s did not achieve that core objective."

- The British government has launched a £680 million initiative to help support working parents with childcare. The plan is to keep **schools open during parents' common working hours** in a move designed to end the culture of "latch key kids" who go home after school to no supervision. Education Secretary Ruth Kelly says, "If we want to keep children from hanging out and causing trouble, and parents to go out to work, the days of schools opening 9am - 3pm are over."

The new "Kelly hours" are seen to be a way to bring school hours into line with the routine of working parents. Under the proposal, by 2010, all parents of primary age children should have access to affordable childcare — at or through their school — 8am - 6pm all year round. All secondary schools will also be open from 8am - 6pm all year round. And all three and four-year-olds will receive 15 hours of free "integrated early learning and care" for 38 weeks of the year.

"Kelly hours" will see schools running breakfast clubs before class (something some UK schools are already doing) and a range of after-school programmes such as language clubs, indoor rock-climbing, music, drama and arts, depending on local needs.

One key feature, aimed at getting support from schools, is that teachers won't be required to participate. Volunteers, community groups or private companies will provide the "Kelly hours" programme.

- The National Union of Teachers says the funding for the plan sounded larger than it was. It points out that £680m across 23,000 schools, averages about £30,000 per school.

David Hart, general secretary of the National Association of Head Teachers is supportive of the plan but says it is "fanciful" to suggest that the extra hours would not make extra demands on teachers and headteachers. Mr Hart also warned that parents would undoubtedly be charged for the clubs.

- The European sugar industry estimates as many as 100,000 farm, processing and associated jobs could disappear if **price supports and guarantees** are dropped. French, Irish and German farmers and producers say the proposed 40% cuts to guaranteed prices are far too high and unnecessary. It claims the move could push smaller producers like Italy, Ireland, Greece and Portugal out of the industry altogether and could concentrate the industry into just half a dozen big processors.

However, the European Commission says sharp cuts to guaranteed prices for farmers and millers are necessary. EC Agricultural Commissioner Mariann Fischer Boel argues that the EU sugar regime has been left untouched for 40 years and has **inflated prices** to three times their level on the world market. The Commission is taking aim at the €1.24 billion sugar industry support system that results in European producers illegally dumping their excess production on the world market thereby displacing industries in some developing nations.

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