

# The Jobs Letter

No. 116

24 January 2000

*Essential Information on an Essential Issue*

## KEY

JUBILEE 2000

MEETING WITH ADVOCACY GROUPS

MINIMUM WAGES

STUDENT LOANS EASE

TOO POOR FOR LOAN

NO DOLE IN OZ

LOW INCOME HOME OWNERS

## DIARY

20 December 1999

Minister of Social Services and Employment Steve Maharey holds his first official meeting with Winz CEO Christine Rankin on December 20th. After the meeting, Maharey voices his support for Rankin.

Maharey gives Rankin twelve months to make significant changes to the Winz organisation. He says he set out his expectations clearly and that he will be meeting with Winz frequently in the future.

Christine Rankin has outlined two new projects to begin to change the Winz direction. One will be to improve the definition of staff spending rules. The other is what Rankin refers to as the 'guardianship' project, in which Winz staff will be required to respect and value their customers and stop personal information leaks.

The new government holds its first cabinet meeting at which it decides to raise the minimum wage, eliminate interest on loans for students still studying, and return the Training Incentive Allowance to previous levels.

- Last Thursday, **beneficiary advocacy groups** had their first meeting with Social Services and Employment Minister **Steve Maharey** and staff from the Ministries of Social Policy and Winz. Represented at the meeting were the Auckland Combined Beneficiaries' Union, the Wellington People's Resource Centre, the Unite! union, the Downtown Community Ministry, the Auckland People's Centres, the Christchurch Beneficiaries Advocacy Service, and Te Huinga o Te Whanau advocacy service from Petone.

According to Catriona Ross, of the Wellington People's Resource Centre, a variety of suggestions were put forward at the meeting. These included ending the Winz corporate culture, work-testing, the work-for-the dole scheme, the sanction scheme, as well as improving people's rights to benefit reviews and lifting supplementary assistance grants.

- Steve Maharey says the meeting signals **a change in attitude** towards groups that are critical of government's social policy. He intends to hold **similar meetings nationwide** to tap the collective skills and expertise of advocacy groups in order to improve services.
- The first cabinet meeting of the new government has brought changes to the **minimum wage**. From March, the adult minimum wage will rise from \$7 to \$7.55/hr, and the youth minimum wage rate increases from \$4.20 to \$4.55. This rise will affect 28,606 adults and about 1,500 young people.

The Alliance did not succeed in its call to abandon youth rates but the government has promised to hold **a review of the minimum wage**. Youth Affairs and Associate Labour minister Laila Harré says the review will, among other things, look at dropping the age at which the adult minimum wage rates applies from 20 yrs to 18yrs. Harré: "There is a simple point of principle at stake with the youth minimum wage. No one should be paid less for doing exactly the same work as someone working alongside them doing exactly the same work."

- The Manufacturers Association's CEO Simon Carlaw says his organisation is pleased that youth rates have been retained but says that lifting the minimum wage **may deter job creation**. Council of Trade Union president Ross Wilson commends the "modest but very welcome increase." He counters arguments about the impact of the minimum wage rise on jobs by quoting 1999 OECD report which shows that a rise has no significant impact on overall wage levels. A study of French youth rates showed that, over 20 years, youth unemployment rose 18.2% but only 0.3% could be attributed to the French minimum labour standards.
- Cabinet has also changed the **interest schedule for student loans**. Full time students, and part-time students who earn less than \$14,768/yr, will now be able to take out interest-free loans. Interest payments

**The Jobs Letter** : ESSENTIAL INFORMATION and MEDIA WATCH on JOBS

EMPLOYMENT, UNEMPLOYMENT, the FUTURE of WORK, and related EDUCATION and ECONOMIC issues

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## DIARY

21 December 1999

Melbourne's Daily Sun newspaper says that 66,000 Australians had their benefits reduced or withdrawn in 1999 for not attending work-for-the-dole assignments.

British Airways confirms it will shed 8,000 jobs over the next two years, trimming staff by 13%.

22 December 1999

The split of Fletcher Challenge Ltd into four stand-alone trading companies will see up to 60 staff in the group's central administration made redundant this year.

Winz was not the only department to use consultants to draw up their briefing papers for the new government. Treasury spent over \$30,000 on contractors to write their report. An infuriated Helen Clark says that the best people to write a brief are the people who brief the minister, not contractors. She urges all ministers to find out who wrote their briefing papers.

23 December 1999

A shortage of skilled workers may be the greatest impediment to NZ's economic growth, according to Manufacturer Federation president David Maloney. A Westpac Trust reports that manufacturing up is 6% on last year but Maloney says a lack of skilled workers could crimp future gains in this sector.

25 December 1999

Christmas Day.

People are turned away at the Wellington City Mission's free Christmas dinner when more people than expected turn up to eat. St Aidan's minister Bob Peters says the number of people arriving for a free Christmas dinner far exceeded any year in the past. He says that by the time 300 people were served they had run out of food and had to be told they were too late. Peters: "Our facilities were stretched to the limit. We ran out because people kept arriving." He says the real eye-opener was how many of those who came were young, needy families.

Winz boss Christine Rankin was one of the volunteers who helped serve at the City Mission dinner, and she appears in television and newspaper coverage of the event.

will be waived altogether until a student earns \$25,000/yr. Full commercial rates will apply once the student is earning \$30,000.

Minister of Tertiary Education Steve Maharey says he has called for a **report on the student loan scheme** that will address issues like loan repayments by ex-students and students being able to borrow to pay for compulsory student union membership fees.

- Green co-leader Rod Donald has called for a guarantee from Maharey that Winz will not **bungle the handling of student finances** this year. Student leaders have been critical of Winz for delays with summer allowances and problems getting through to the special 0800 number for student services. But Maharey says senior management at Winz have assured him that the situation is under control and gives his personal assurance. Maharey: "I will step in to fix any problems which emerge, but I'm happy to say there are none at present."
- The **Social Services Select Committee** includes Taito Philip Field (Labour, chair), Mahara Okeroa (Labour, deputy chair), Jill Pettis (Labour), Helen Duncan (Labour), Sue Bradford (Green), Liz Gordon (Alliance), Muriel Newman (ACT), Katherine Rich (National), Bob Simcock (National), Belinda Vernon (National).

There is no employment select committee.

- The **Winz Wairakei aircraft scandal** continues as the employment court says the sacked manager was "wronged". Newspaper reports last week quoted employment court Judge Tom Goddard in his ruling that he accepted the argument that the manager Christine Rankin blamed for the controversial chartered flights was "...not a wrongdoer but a person who had been wronged."

Minister Steve Maharey has confirmed that **an out-of-court settlement** has been reached with the manager, who was suing the department for unjustified dismissal. The settlement, reached just before the election, was confidential. But the *New Zealand Herald* quotes an unconfirmed source putting the settlement at more than \$100,000, and included an apology from Christine Rankin.

The Crown Law Office says that it would have had to have been involved if the deal was over Christine Rankin's \$50,000 spending limit. However, in another case settled just four days before the general election, a senior Winz manager received a golden handshake worth over \$110,000, of which \$50,000 was paid in cash and the balance paid as 'study leave' after the person had effectively finished working.

- Meanwhile, following the Employment Court ruling, the Act party has called on Steve Maharey to **"back or sack" Rankin**. Act social welfare spokeswoman Muriel Newman says that Maharey has to justify his confidence in the Winz Boss.

Rod Donald agrees. He says that the secret settlement shows that Ms Rankin is out of her depth. Donald: "Either she was wrong to suspend the manager, or handled the suspension badly, or both. In either case, Ms Rankin had made a serious blunder." Donald also says that Maharey

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28 December 1999

Mitsubishi Motors Australia announces its intention to cut 1,000 jobs from its Adelaide assembly plant. The Japanese company intends to cut 9,990 people from its worldwide workforce by the year 2004.

30 December 1999

In Britain, women earn 73.8% of what men do, according to UK government statistics. 20% of British women earn under £200/wk, compared to 8% of men. 12% of women hold jobs earning over £500/wk, compared to 27% of men.

1 January 2000

New Year's Day

Worldwide celebrations to mark the dawn of the new millennium.

6 January 2000

The Health Funding Authority, with staff of 400, will be disestablished by the end of this year. Minister of Health Annette King says the responsibilities of the HFA will be taken over by locally elected district health services boards.

8 January 2000

Some 315,000 jobs were created in the US economy in December. It appears that there were more than 2.5m new jobs created there in 1999 giving the US an average 4.2% unemployment rate, the lowest level for thirty years.

9 January 2000

Government is reviewing childcare subsidies for low-income earners. The Ministry of Social Policy tells the government that 30% of sole parents say that childcare is a barrier to them holding a job. To make it financially worthwhile for sole parents to get paid work, the ministry recommends that higher childcare subsidies be provided for more hours per week so that the subsidies come closer to the actual childcare costs.

10 January 2000

Job ads in Australia reach a ten-year high, up nearly 20% from the same time last year according to the monthly ANZ survey.

should revisit his public endorsement of Rankin after his first meeting with her: "If she was as good as he claims, she would have briefed him about this at their first meeting. That she didn't is outrageous..."

- Winz will come under fresh scrutiny under the **government's planned inquiry into management practices** at the department. State Services Minister Trevor Mallard is soon to announce the terms of reference for that inquiry.
- People borrowing money from Winz are being **pushed further into poverty**, according to a new report by the Wellington Downtown Community Ministry. The report, entitled "Too Poor To Help", analyses the effects of the social policy changes, including the benefits cuts, of the 1990s. The report challenges Winz to reconsider its organisational culture and reflect the 'true purpose of social security'... and it recommends that core benefit levels be increased to reflect the cost of living.
- Downtown Ministry is highly critical of Winz' extended use of loans rather than grants. It says that Winz has become "**a major money-lender to the poor**", a situation which is causing people to become trapped in poverty.

Winz provides "recoverable" grants to people on low incomes who find themselves with expenses they couldn't have budgeted for. The report says that by providing these loans, rather than non-repayable grants, the people who are most in need eventually become too indebted to Winz to qualify for further loans. Downtown Ministry: "In a perverse but all too real way, the person becomes too poor to help."

- NZ'ers going to Australia will no longer have preferential treatment at the dole office. NZ'ers will have to be resident there for **two years before they are eligible for an unemployment benefit** or for most other social welfare payments.

The Australians have co-ordinated the change with NZ officials who will have the same rules for new Australians coming here. The stand-down does not apply to families with dependent children or people on government superannuation or disabilities pensions. Over 35,000 NZ'ers moved to Australia last year, while about 12,000 Australians moved here.

- Getting **more jobs in the fishing industry for Maori** was one of the objectives of the Waitangi Fisheries Commission and the commissioner reports it has been successful. There are now 63 iwi-operated fisheries businesses in NZ and while Maori make up 8.4% of the total workforce, 22% of the fishing industry workforce identify as Maori.
- **Owning a house** is becoming **increasingly unlikely** for many NZ'ers on low incomes according to a recent study that is part of Auckland's Regional Growth Strategy. The report, entitled "Affordable Housing in the Auckland Region", says the problem is nationwide but is especially acute in Auckland, where a third of NZ'ers live.

Houses at the bottom end of the Auckland market now average \$212,000. For a low-income family, saving 20% for a deposit means saving 2.5 times their total annual income. Even a 5% deposit on a \$180,000 house leaves the borrower having to make repayments of \$1,283/month.

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13 January 2000

The Employers Federation CEO Anne Knowles says that Winz stand-down policy encourage people to pursue personal grievance claims against their employer. Knowles says that if a person is sacked, Winz puts them on a 13-week benefit stand-down. But if they take out a personal grievance against their former employer, the stand-down period is waived. She wants to see stand-down periods apply to all sacked employees and if the person has no means of support, emergency benefits or special needs grants to be used.

Job ads in NZ, while increasing a healthy 0.9% in December, indicate a slowing of the pace of new job creation. The December increase is about half the growth rate of last year.

The Australian unemployment rate rises to 7% in December from 6.7% in November. This is in spite of 55,800 jobs being created over the month. ANZ Banking Group chief economist Saul Eslake says the rise in the number of unemployed reflects the growing number of Australians looking for work. He says that with the economy improving, people who were previously discouraged from looking for work have re-entered the labour market.

16 January 2000

Chronic unemployment in East Timor results in frustrated locals pelting peacekeepers and UN civilian police and administrators with rocks. About 7,000 people desperate for work assembled at a Dili sports area to apply for 2,000 UN jobs there. Some of the jobseekers began throwing rocks after being told they are not qualified for the jobs.

17 January 2000

As the US government offers a subsidy programme to its sheep farmers, Minister for Economic Development Jim Anderton says NZ farmers are being treated like mugs. Anderton says the US move justifies government measures aimed at protecting NZ jobs.

Minister of Corrections Matt Robson puts on hold plans to build three new prisons. The previous minister Nick Smith had plans for a prison in Northland and two in Auckland. But Robson doesn't want to see prisons become a growth industry in NZ. He says he does not accept that prisoner

Chris Kingham, a business manager for Apex Financial Services, points out that this is over \$15,000/yr ... which may work for young professionals, but is outside the range of low income earners. He warns that home ownership for low-income people will not be an option in the future. Kingham: "If you're earning \$21,000 or less, I would categorically say you're not going to be buying a house in Auckland."

- The traditional belief among economic policy makers has been that if **unemployment falls** below 5% - 6%, then **inflation will rise**. But, in the United States, unemployment has been below 5% for three years ... and wages and prices have not escalated. Our Media Watch reports that many policy-makers are now **beginning to doubt** the 'fact' that employment levels and inflation are so closely related ... although few commentators seem to be able to confirm their assertions.

- *The Economist* points out that many of the 'new' people joining the US workforce are often **desperate for work** and are at the low end of the pay scale. These include the rising number of women working to bring in a second income to support their family, solo parents forced off welfare roles, and the millions of illegal foreign workers.

US Federal Reserve Bank chair Alan Greenspan points to **job insecurity** as a contributing factor to wage stability. Greenspan is referring to workforce surveys that say that Americans are more insecure about their jobs now than they have been in over a decade. Greenspan's view is that when workers feel insecure in their jobs, they don't rock the boat by asking for more money. Their willingness to accept lower wages helps keep inflation in check.

- *The Economist* also speculates that the **strong US dollar** is part of the answer to low inflation. The high dollar has held down the cost of imported consumer goods, which takes the upward pressure off wages because workers can afford their standard of living with the pay packet they are now getting.
- Professors Lawrence Katz from Harvard and Alan Krueger of Princeton say that unemployment is not nearly as low in the US as the official figures suggest. They point out that structural unemployment figures have been dislocated by the fact that **2% of American men are in prison** and don't appear in the unemployment statistics. Katz and Krueger say that if these people weren't in prison, many of them would be unemployed.

Katz and Krueger also surmise that wage inflation is being kept in check by the fact that 10% of all new jobs in the US are **filled through temp agencies** with millions of just-in-time workers waiting in a queue for work.

- **Hong Kong** has gone through an immense economic upheaval since the 1997 Asian economic crash that has left 6% of the Hong Kong workforce unemployed. The once thriving manufacturing sector that peaked at 900,000 workers **has now been reduced** to 250,000 workers as the jobs have drained away to China where labour is cheaper.

There are few prospects for these redundant workers in the new Hong Kong economy. Yet ironically, there are thousands of job vacancies on offer ... but these new jobs are for software engineers, information technology specialist and web designers, and are unlikely to be filled by

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numbers will increase at the predicted rate the Ministry of Corrections briefing papers and he favours more support for rehabilitation programmes. Robson: "Our goal is to move away from the notion that prisons are ambulances at the bottom of the cliff, filling up at alarming rates."

The Labour Department and Occupational Health and Safety say they have raided 33 Auckland 'backyard' clothing factories over the last month. Chief inspector Mike Feely says charges will be laid against at least six businesses for contravening regulations. Some were paying workers less than the minimum wage. He also says that a number of removal orders were served on foreign workers from Thailand, Laos and Cambodia who were working here illegally. Feely says at least one of the manufacturers was producing clothing for a large national retailer.

Capral Aluminium NZ will shed 100 staff as it closes its Wiri plant later this year. Capral has purchased Fletcher Aluminium in Hamilton and its shifting its operation there.

19 January 2000

Steve Maharey says new abatement rates for working beneficiaries will soon be trialed. He also hopes to get something into this year's budget regarding child care costs for working beneficiaries. Ministry of Social Policy briefing papers outlined how beneficiaries are struggling to move into paid work because of high abatement rates, child care costs and income tax rates.

Maharey also signals changes to the work-for-the-dole scheme. The new approach will ask councils and community groups to offer work to beneficiaries. The government would continue to pay the equivalent of the dole and the groups then top up the pay packet to at least the minimum wage. He says ten councils are keen to participate.

Employers will soon have to report to a new bureau on the progress they have made in providing equal employment opportunities for their staff. Women's Affairs minister Laila Harré plans to establish a new agency that will combat "entrenched attitudes and institutional responses to women's and girl's perceived roles".

former machinists. The Hong Kong economy looks to be entering a low growth period due to this lack of skilled labour, the continued high unemployment, and the flow-on result of reduced consumer spending.

- With the advent of the new millennium, many social justice groups have been rallying around the call for a **"jubilee year"**, in which **debts to the poor would be forgiven**. Five years ago, aid agencies and development groups found it very difficult to get politicians interested in the effects of third world debt. But all this changed with the formation of Jubilee 2000, which has forged an international grassroots movement to change the thinking on complex issues around debt.

Drawing on Old Testament ideas (Leviticus 25), Jubilee 2000 called for a once-and-for-all loan write-off to the world's poorest countries, to coincide with the new millennium. The proposal caught the public imagination and turned the debt debate from tedious technical discussions into a moral argument about justice between rich and poor.

Last September, **Pope John Paul II** joined many other anti-debt campaigners to appeal to world leaders to take urgent and decisive action on the debt crisis. The Pope: "Debt relief is urgent ... and a precondition for the poorest countries to make progress in their fight against poverty. This is something that is now widely recognised, and credit is due to all those who have contributed to this change in direction..."

- Last June, the Jubilee 2000 process started to bear fruit with **the G7 group** of leading industrial countries promising to reduce the debt of the world's most severely affected states by \$100 billion. And just last month, **Britain** announced it will join the Jubilee efforts by writing off all the debts owed to it by the 41 countries which the World Bank says are most in need of debt relief.
- **The Aotearoa Jubilee 2000 – Debt Action Network** is active here in NZ, and has put much effort into lobbying the NZ government to play its part in "positive debt cancellation". The lobby group has met with the Ministry of Foreign Affairs and Trade, and produced a briefing paper, for the previous Treasurer Bill English, on the steps NZ could take to support the international campaign. The group intends to follow up these initiatives with the new government over the next month.

Jubilee 2000 co-ordinator Robert Reid: "New Zealand has an opportunity to take a leading role on the issue of third world debt cancellation, as it has done on international issues such as nuclear weapons, land mines or global warming. The moral argument for debt cancellation has been won with the richest and most powerful countries in the world. The problem now is to ensure that the practical application of this demand provides real relief to the people and countries of the third world ..."

- Not all commentators agree with the long-term effectiveness of these debt relief measures. **John Pilger**, writing in the *New Statesman*, argues that the "cancel third world debt" campaign has been **a propaganda triumph** ... with too many strings attached. He says that the poorest countries, as a condition of their relief package, will now be obliged to accept both the IMF and World Bank guidance on "how macro-economic, structural reform and anti-poverty programmes can together bring less poverty and more growth".

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20 January 2000

Residential summer schools to teach mature people new skills are being proposed in Britain. Education and Employment Secretary David Blunkett says the government can do more to help people cope with the transition to retirement, and he is keen to provide residential training courses to help people be productive in their old age. Blunkett: "We need to link that transition into the latter years of work so that people can get advice on retirement, meaningful activities, development of their own interests, and perhaps be inspired to take on a new challenge..."

Helen Clark says the government is working on legislation aimed at boosting the number of apprenticeships. The government will establish an apprenticeship incentive fund to encourage employers to take on additional apprentices. The wage rate for apprentices will be set after consultation with the ITOs and unions involved in the industry.

Clark: "The need for a modern apprenticeship system is obvious. Without the skilled workforce that apprenticeship systems are designed to deliver, New Zealand's economic performance relative to other countries, and with it our standard of living, drops. As a nation, we deserve better..."

Robert Reid of Unite! says the Employers Federation's call to deny the unemployment benefit to sacked workers lacks justice. He says that no person should be made to stay in an unsatisfactory job and that anyone who is sacked, whether it is justified or unjustified should be entitled to a benefit. Reid: "Why punish a worker and her or his family for the illegal action of an employer?"

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Pilger: "Not a single example exists where macro-economic, structural reform has alleviated mass poverty. Throughout the developing world, these programmes imposed by the IMF and the World Bank have destroyed jobs and public services, while shaping local economies to the demands of international capital..."

- Meanwhile, the grassroots Jubilee 2000 campaign has had some very welcome outcomes here at the local level. In Wellington's Island Bay, the Catholic Sisters of Compassion have marked the millennium by **writing off a \$100,000 debt** owed to them by neighbouring Tapu Te Ranga Marae. Their decision to write off the remainder of the mortgage on land which they sold to the marae 10 years ago will enable the marae to go ahead with seeking planning consent for a village and urupa (cemetery) on the site.

Marae elder **Bruce Stewart** told the *City Voice* that he was "speechless" when the sisters told him of their decision. Stewart: "Nobody comes up and forgives someone debts. People, when you owe them money, they inch it out to the last... There is all the story about the Church taking a lot of the Maori land. This was a whole different thing — them giving the land back to the Maori."

- **Jubilee 2000 resources.** On the internet:

<http://www.jubilee2000uk.org>

Videos and other educational resources are available from Caritas, P.O.Box 12-193, Wellington, or the Christian World Service at P.O.Box 22-652, Christchurch.

Aotearoa Jubilee 2000 – Debt Action Network can be contacted at P.O.Box 50-216, Porirua phone 04-237-9147 email [rreid@actirx.gen.nz](mailto:rreid@actirx.gen.nz)

## VOICES

### on WINZ FIRST MEETING WITH THE NEW MINISTER

*"One of the things I am impressed with is that this is a person who is open to the new government, who is keen to be a servant of the people of this country and who understands the climate has changed. I'm looking at a good public servant here."*

— **Steve Maharey after his first meeting with Winz CEO Christine Rankin**

*"I know you would like to think it was a truly horrible meeting, but in fact it wasn't ... The minister's been very clear about his*

*expectations, and I'm going to be working very hard to ensure that every one of those is met to the letter."*

— **Christine Rankin, talking to media after her first meeting with Steve Maharey**

*"This minister campaigned hard against Winz and its chief executive. Suddenly, when he can not only talk tough but act tough, he goes all weak in the knees."*

— **Belinda Vernon, National's social services spokesperson commenting on Steve Maharey**