

The Jobs Letter

No. 189

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Essential Information on an Essential Issue

KEY

SOCIAL REPORT 2003

UNEMPLOYMENT THE PROBLEM IN THE SOLOMONS

NZ JOB GROWTH SLOWING

DEFLATION — THE NEW CONCERN

FORESTRY JOB GAINS AND JOB LOSSES

DIARY

2 July 2003

The Master Builders Federation launches a campaign to recruit skilled workers from South Africa.

3 July 2003

NZ export earnings have dropped significantly according to recent trade figures. International prices for apples, beef, wood pulp and seafood have all fallen.

Dubai-based airline Emirates receives over 1,500 applications for 19 Auckland-based job vacancies. Half of the applications were NZ'ers and half were from overseas.

4 July 2003

Sheep and beef farmers can expect a fall in profit of about 17% for the year, according to the Meat and Wool Innovation Economic Service. The rising NZ dollar and the knock-on effects of the autumn drought will see average dry stock farm profits drop from \$90,800 to \$75,100.

- The breakdown of law and order in the **Solomon Islands** is a result of a dysfunctional **economy that contains no jobs**, according to Solomon Islands expert, Australian academic Helen Hughes. As New Zealand and Australian troops go to the Solomons to restore civil order, Hughes warns that our troops will be there forever unless the underlying economic problems that have caused the disruption are tackled.

Hughes says that social breakdown and violence in the Solomons has escalated because the population has been growing at 3.9% while economic growth has been negligible, resulting in the decline of per capita income. Hughes: "Women work hard to supply food for the growing population, but in the traditional economy there is almost no work for men. In Honiara, male unemployment is officially 50%. In fact, including the villagers who drift in and out of town, it is 80%."

Hughes says that the Solomon Islands desperately need productive employment and she accuses Australian and New Zealand aid agencies of neglecting this basic requirement. "Capacity building" and "improved governance" is meaningless if they are not provided in the context of a functioning economy. Hughes: "Without a radical shift in aid to employment creation, the restoration of civil order cannot have widespread or lasting effects."

- New Zealand **employment growth** is slowing from 2.3% in December 2002 to just over **1% this year**, according to the Labour Market Policy Group (LMPG). Its *Labour Market Outlook – June 2003* predicts unemployment to rise to around 5.5% by March 2004 and then coming back to about 5.2% by March 2005. The lower employment growth figures are based on the widely expected slowing of economic growth.

The labour force participation rate has, surprisingly, declined. Historically, in times of relatively low unemployment, the participation rate has increased. LMPG believes this new trend is a result of more working-age people in study rather than work, and more people either electing to retire early or permanently giving up looking for work before they reach the retirement age of 65.

— Labour Market Outlook: June 2003 compiled by the Labour Market Policy Group can be downloaded (16 pgs, 676Kb) from www.dol.govt.nz/PDFs/Labour_Market_Outlook.pdf

- Deutsche Bank predicts the New Zealand unemployment rate will climb to 5.7% over the next year and that job losses will primarily be a consequence of a decline in export revenue. The value of exports has dropped 11.3% over the last year, a fall Deutsche Bank attributes to New Zealand now having the **highest interest rates** in the developed world. Our high interest rates have pushed up demand for, and value of, the New Zealand dollar consequently lowering the returns for exporters.

Deutsche Bank believes the Reserve Bank has been too timid with its interest rate policy and believes the rate needs to be

World Official Interest Rates %

Bank of Japan	0.00
US Federal Reserve	1.00
European Central Bank	2.00
Bank of Canada	3.25
Bank of England	3.75
Reserve Bank of Australia	4.75
Reserve Bank of NZ	5.00

The Jobs Letter — Essential Information and Media Watch on Jobs, Employment, Unemployment, the Future of Work, and related Education and Economic issues. It is published every 2-3 weeks, and is freely available on our website at www.jobsletter.org.nz. We will email you if you want to be notified of the latest issue, or sent the full letter (in PDF format). Paper, posted subscriptions are available at \$79 (incl GST, per annum).

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DIARY

5 July 2003

Union membership in NZ is now less than half of what it was ten years ago. 21.7% of NZ workers now belong to a union. The only sector experiencing an increase in union membership over the last three years has been the public service.

Spanish telecommunications company Telefonica plans to cut 15,000 jobs by 2007.

Italian manufacturer Fiat will cut 12,300 jobs as it closes 12 factories around the world by the end of 2004.

8 July 2003

Unemployment in the US rises to 6.4%, the highest level since 1994.

Over the past two years, Unilever, the multinational manufacturer of many common household products, has closed 120 factories and cut 38,000 jobs worldwide.

9 July 2003

As Australia and NZ prepare to send troops to the Solomon Islands, Australian academic Helen Hughes points out that it is unemployment, particularly in the male population, that has led to the civil disorder.

10 July 2003

Tourist service business owners take issue with the Holidays Amendment Bill that will require them to pay employees time-and-a-half when they work on a holiday and also provide them with a day in lieu. Marlborough hotelier Chris Knowles says it is the nature of the industry to work on holidays and that the proposed added costs would force restaurant and accommodation businesses to close on public holidays.

Unemployment in Australia has risen to 6.1% as the economy shed 27,900 jobs in June.

brought down to 4.25% to encourage growth. Consumer prices remained generally unchanged in June and the annual **inflation rate is now only 1.5%**, well below mid-point of the 1% - 3% target range. Deutsche Bank believes inflation could go even lower, dragging economic and job growth with it, if the dollar is kept propped up with high interest rates.

- With the United States Federal Reserve Bank cutting its key interest rate down to 1%, a 45-year low, concerns are growing about the **prospect of deflation** ... something not seen since the Great Depression of the 1930s. The US economy is the powerhouse of the global marketplace — responsible for 68% of world economic growth from 1995 to 2001. But today it is barely growing ... and this under-performance is threatening the global economy. The Japanese economy has been experiencing deflation for ten years, and deflation is now also threatening the German economy — Europe's largest.

Deflation is the term used to describe falling prices caused by a slump in spending by firms and consumers. As prices drop, incomes eventually also drop because employers cannot afford to pay their staff as much if their product is falling in price. The result can be a downward spiral as consumers reduce their spending and eventually **economic activity seizes up**. By dropping interest rates, central banks try to stimulate spending, warding off deflation. But, with the US interest rates at 1%, the Federal Reserve Bank has limited scope for further cuts. If interest rates do not stimulate spending, the economy is said to be in a "liquidity trap". Monetary policy becomes powerless, and governments must turn to other measures, like tax cuts or increased spending on public works, in order to restore business and consumer confidence.

- Westpac's chief economist Brendan O'Donovan says he is yet to be convinced that deflation will take hold in the US. But he told *The Dominion Post* that if it does, then the risks to New Zealand will be great. O'Donovan: "If the US goes into deflation it's going to have huge ramifications for the rest of the world ... a very nasty scenario when you would be starting to talk about global depression".

Jerry Mushin, senior Economics lecturer at Victoria University, thinks that the **government should act to create work**: "Now is the time to build more hospitals and roads and borrow from the wealthy." He recommends "redistributive tax cuts" which would stimulate spending by people at the bottom end by increasing taxes at the top.

- A chronic **shortage of builders** has pushed the Master Builders Federation to launch a worker recruitment programme in South Africa. Federation chief Chris Preston says that the demand for new housing is not being met by the current New Zealand workforce. As a result, the Federation has scheduled three regional meetings that will host a South African employment agency that is keen to recruit on behalf of Kiwi builders. Preston also says that a number of employing builders are already booked to go to South Africa to interview perspective workers themselves.
- Wellington Mayor Kerry Prendergast has welcomed the government's new immigration policy that favours skilled migrants who have job offers outside the Auckland area. Prendergast says there are **plenty of jobs in Wellington for migrants** who have the right skills. Wellington is short of workers in all construction trades as well as doctors, nurses, teachers, accountants, senior policy analysts, IT specialists and legal professionals. Prendergast says the skills gap has been identified by the Immigration Service and was being further explored by a combined working party of local authorities, Winz, the regional chamber of commerce and the Ministry of Commerce.

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11 July 2003

Fears of a fresh round of banking sector job cuts in Britain are heightened as the HSBC cuts 1,400 staff.

British Minister Patricia Hewitt promotes lifting the compulsory retirement age from 65 to 70 years as a way of "sweeping away ageism". Critics claim such a move is simply a strategy to push out the retirement age in order to alleviate the looming pension fund crisis.

14 July 2003

The 150th anniversary of NZ's first general election. In 1853, 5,849 people cast a vote.

A horticulture cadetship scheme in the Hawke's Bay has increased its student intake from eight to 21 since it started three years ago. The Hawke's Bay Fruitgrowers Association says there is new confidence in the industry and that the demand for well-trained, committed staff is encouraging more growers to use the scheme.

15 July 2003

A private training provider that had endured allegations of providing cheap overseas labour to the forestry industry has closed as its last students quit. The Fernridge Institute of Training in Masterton had been criticised in an NZQA audit and MP Winston Peters accused it of paying overseas students "slave rates" to work in forests.

On the back of 0% inflation in NZ over the last quarter, business groups and unions alike call on the Reserve Bank to cut interest rates. The Council of Trade Unions says that if interest rates are not cut, jobs would be lost.

MP Matt Robson says that illegal US tariffs on \$70 million worth of NZ steel trade is threatening NZ jobs. Robson commends the WTO for confirming the tariffs were illegal but says the WTO now must ensure they are eliminated.

- Northland's **wood processing** "cluster" of six companies has put on 149 **additional staff** over the last year. The aggregate company export revenue increased by 45% and the number of people directly employed rose from 370 to 519. Mark Hansen of the Enterprise Northland Wood Processing Cluster believes there is more to come: "In the next four or five years there will be something like a 300% increase in wood harvested in Northland, which means a lot more wood for processing." However, he cautions that the lack of skilled workers, the high New Zealand dollar, poor roading infrastructure and rising power costs are all issues that need to be addressed if the Northland industry is going to accelerate.
- **Forestry jobs are being cut back** in the Central North Island and the East Cape as some forest owners are limiting their harvest. Carter Holt Harvey has decided to reduce its annual harvest by 15% because of the high dollar, high electricity prices and high international freight costs. The move is fueling job losses. *The New Zealand Herald* reports that about 200 forestry contractors in the Central North Island have already been made redundant and another 150 jobs in South Waikato are expecting to be the next to go. Tokoroa subcontractor Jos Spijkerbosch, a 30 year veteran who has had to lay-off his team, says that he is sorry for the "boys" because many of them have houses to pay-off. He says that he and other veteran forestry workers are likely to leave the industry for good, this time. Spijkerbosch is wary of going back into the forest where there is no longer any job security: "In a couple of years when it picks up again, they'll have to import bushmen because a lot of good bushmen here have just had enough."
- The Ministry of Social Development has published its **annual review of social indicators**. The *Social Report 2003* compares the most current social data with data collected over the last 20 years. It features sections on Paid Work, Economic Standard of Living, Knowledge and Skills, Health, Civil and Political Rights, Cultural Identity, Physical Environment, Safety, and Social Connectedness. The report provides an overview of how well we are doing in addressing key social areas and improving our quality of life. The 2003 report **acknowledges the importance of** addressing specific issues associated with **children and young people**, which Minister of Social Development Steve Maharey describes as "a priority for social investment". Maharey: "We need to ensure that our young people have the best opportunities in life. Both the Maori and Pacific populations are relatively youthful, and by investing in them, we also are investing in the youth of New Zealand."
- Unemployment rates among different age groups have followed similar trends but the level among those aged 15-24 has been consistently more than double the rate for older groups. The **unemployment rate for young people** averaged 11.4% in 2002 and this group comprised 39% of all unemployed.

UNEMPLOYMENT RATES (%) , by age and sex, selected years						
Year	15-24	25-44	45-64	Total 15+	Males	Females
1986	7.9	3.1	1.7	4.0	3.5	4.6
1991	18.8	8.8	5.8	10.3	10.9	9.5
1996	11.8	5.2	4.0	6.1	6.1	6.1
2001	11.8	4.4	3.3	5.3	5.4	5.3
2002	11.4	4.4	3.1	5.2	5.1	5.3

Source: Statistics NZ Household Labour Force Survey. Note: Average for December Years

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17 July 2003

Minister of Regional Development Jim Anderton calls on forestry companies to provide job guarantees for long-term young unemployed Northlanders. Anderton says the government will take responsibility for getting young people ready for work, but we need companies to agree to guarantee a job to those young people who reach the required standard.

The increase in the number of people transferring from the unemployment benefit to the sickness benefit is largely due to stress, according to figures obtained by United MP Judy Turner. Compared to two years ago, Turner says that of those shifting to sickness benefits, 55% more were claiming stress as the reason. 44% more people changed on account of depression and 30% more changed on account of musculo-skeletal disorders.

18 July 2003

US aircraft manufacturer Boeing plans to axe between 4,000 and 5,000 jobs by the end of the year, blaming continued weakness in the commercial airline industry.

20 July 2003

Ford Motor Company is to cut 2,000 salaried positions worldwide.

US president George W Bush hopes that his recent tax cuts (the third largest in US history) will result in increased domestic demand and new jobs.

- Poverty Line Threshold. The *Social Report 2003* shows that **one-in-five** New Zealand families still **live under the unofficial poverty line** ... a figure that has not substantially shifted in the past five years.

In the year to June 2001, 22.6% of the population were living below the 60% threshold, a slight increase on the proportion in the previous survey year to March 1998 (22.0%). On all three measures (low, medium, and high), the proportion of the population with low incomes increased sharply in the early 1990s, reached a peak in the mid-1990s, and declined over the latter half of the decade. However, in 2001, the proportion of the population below these thresholds was still substantially higher than it had been in 1988.

LIVING BELOW THE POVERTY LINE

Proportion of population with net-of-housing-cost incomes below the 60% threshold (benchmarked to 1998 median), 1988, 1993, 1998, 2001				
	1987-88	1992-93	1997-98	2000-01
Total Population	12.7%	26.7%	22.0%	22.6%
Total Dependent Children	14.6	34.7	27.5	29.1
Children in Sole Parent Families	18.5	65.6	59.2	66.3
Children in Two Parent Families	13.8	27.5	18.5	19.7
Total Economic Families	14.0	28.0	23.2	23.2
Economic Families				
With One Dependent Child	11.5	30.1	25.2	26.5
With Two Dependent Children	11.7	32.9	23.5	26.0
With Three or More Dependent Children	18.6	40.8	30.7	32.7
Sole Parent Families	17.4	62.5	51.9	59.4
Two parent families	12.4	25.1	17.0	17.5
Economic Families				
With Any Maori Adult	14.0	41.0	31.2	32.0
With Any Pacific Adult	24.4	48.9	44.3	40.0
With Any Other Ethnic Group Adult	23.6	42.8	53.7	35.6
With Any European/Pakeha Adult	12.6	23.3	18.5	18.7
Economic Families With Main Source of Income				
New Zealand Superannuation	7.0	8.4	9.9	6.5
Income-tested Benefit	26.0	74.3	61.7	61.6
Housing Tenure (Households with One Family Unit)				
Rented	n.a.	43.3	37.2	33.5
Owned with Mortgage	n.a.	24.3	15.3	17.1
Owned without Mortgage	n.a.	4.9	3.7	5.6

Source: Derived from Statistic NZ Household Economic Survey, by Ministry of Social Development

The Social Report 2003 te puronga oranga tangata prepared by the Ministry of Social Development (ISSN:1175-9917) can be downloaded (160pg, 1.09Mb) from <http://socialreport.ms.govt.nz/downloads.shtml>

- Minister of Tertiary Education Steve Maharey has **challenged** the Industry Training Federation **to promote jobs and training opportunities** in their sectors. Maharey told the Federation's annual conference that there is little public awareness of the scope offered through industry training programmes. Occupations that require industry specific skills now extend well beyond fields that have traditionally been thought of as "trades".

Maharey says Skill NZ has launched a campaign to increase the number of people in training and he would like to see ITOs actively promoting

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21 July 2003

The number of permanent and long-term migrants entering NZ dropped in May and immigrant-fueled economic growth may be subsiding. Westpac economists predict last year's net gain of 42,500 people will drop to below 25,000 people by the end of 2003.

A Business NZ/Industry Training Federation survey indicates that 90% of firms are currently providing training. 65% of firms said they engaged in training that uses national skill standards.

22 July 2003

Job ad numbers increased in June and are now 3.8% higher than they were at this time last year.

The vast majority of people in the 40-plus age group who enroll in university courses do so for job-related reasons. A study by the NZ Institute for Research on Ageing found that many older people are motivated to study by fears of being made redundant and concerns about younger people coming in with more recent and higher qualifications.

The National Bureau of Economic Research, the committee of independent economists that officially declares the beginning and end of recessions in the US, declares that the recession that began in March 2001 is over, and that it ended 20 months ago.

learning and career options offered in their industries. Maharey: "I am not convinced that the general awareness and perception of workplace learning, particularly in terms of potential career opportunities, has kept pace with the diverse and exciting options now on offer. As a consequence, many parents, teachers and advisors are not weighing the options as to where they should encourage their kids to go based on full information. Too many young people are defaulting to study in university when a career begun with a modern apprenticeship might well be more fulfilling and rewarding."

- At the recent National Party conference in Christchurch, welfare spokeswoman Katherine Rich urged her party to embrace the Mayors Taskforce for Jobs. Rich: "Wouldn't it be a bold move to reduce unemployment for the under 25s to zero?"

Rich says that National would bring back a "work first" approach within the Ministry of Social Development, which, she contends, only spends a fraction of its time helping get people back into work. Rich: "The path to work is work ... Work has to become an expectation. Work has to remain part of everyday life. We cannot continue to have young people shrugging their shoulders and telling their school careers advisers that they are just going to go on the dole like everyone else in their family ..."

National is considering policy proposals that will implement work schemes as well as re-introduce and enhance work test requirements for certain benefits. In this regard, Rich says there is merit in debating the idea of a **job guarantee** for the under 25 year olds.

- Amid an acute shortage of social workers, there is an **decreasing number of social work graduates** in New Zealand. According to a ministerial briefing paper obtained by **The Sunday Star Times**, about 250 people graduated from tertiary institutions as social workers this past year. In contrast, there were 350 new social work graduates five years ago. The briefing paper: "It is generally accepted that social work is not seen as a desirable occupation by potential students and that strategies are required to increase the attractiveness of social work as a profession."

The lack of new talent is of serious concern to the Child Youth and Family Service. CYFS alone requires 180 new social workers each year to replace its huge frontline staff turnover rate (16% per year) and expanding caseloads. And, notified CYFS cases have been increasing at the rate of 10% per year. At the end of March the service had 2,600 cases that had not been allocated to a social worker ... 8% of which had not been allocated for more than six months.

- A job in the **public service** has been rated as the **second least attractive job option** by New Zealanders, according to a survey by recruitment company Clayton Ford. The survey revealed that the public service is perceived as boring and not particularly well paid, and the public service management is regarded as being of poor quality. The survey found that retail (the least attractive industry) is also thought to be boring, but rated lower because it is perceived as unchallenging and involved working anti-social hours.

When asked what company they most favoured working for, most men in the survey said "themselves". Overall, self-employment rated the second most the most attractive business to work for. The top rated company, Telecom, was perceived to pay well and provide good career opportunities.

Remuneration was well ahead of any other reason for taking a job for people of all ages, gender and qualifications. Clayton Ford remarks that this goes against the accepted convention that people with higher qualifications are more interested in job satisfaction than the money.

- The government's election pledge to **review the student loan scheme** will take a major step forward as it releases a discussion paper on the issue.

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23 July 2003

A lack of skilled forestry professionals is forcing companies to look overseas for staff. The NZ School of Forestry says there are annual vacancies for at least 70 people with bachelor of forestry qualifications, but last year there were only 18 NZ graduates.

The first group of NZ defence personnel leave NZ for deployment in the Solomon Islands.

24 July 2003

The Reserve Bank cuts interest rates .25% to 5%.

25 July 2003

The NZ trade deficit hit a 10-year high in June. The BNZ says export earnings have been "clobbered" by the rising NZ\$, the softening world demand for our products and the seasonal change to the meat kill.

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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

The paper is expected to include some radically new options, including:

- a flat 3% interest rate for all borrowers (down from 7%)
- no longer writing-off interest on loans while the student is still studying
- supporting private saving schemes in which employers and families pay into a child's education fund
- a 10-year or 20-year time limit for repayments, after which loans are wiped
- linking eligibility for student loans to academic achievement

- Just over half of the students at 34 private training establishments (PTEs), and one public tertiary institution, failed or quit their course before it ended, according to the Tertiary Education Commission. Nine of these PTEs kept fewer than half of their students until the end of their course. The Commission has refused to name names but the Minister of Tertiary Education Steve Maharey warns the poor performing **PTEs** that their **funding is under threat** if they don't improve.

Course completion rates are expected to be one of the criteria in the new funding system to be introduced by the Tertiary Education Commission next year. The new system is also expected to reward performance as well as increase the accountability of training organisations that receive public funding.

- Winz is preparing to defend itself against a **lawsuit** that argues it has been misinterpreting the Social Welfare legislation **in regards to Special Benefits**. It is Winz interpretation that a Special Benefit application could only be approved if "special and unusual circumstances" applied. These circumstances should be an extra-ordinary expense like an unexpected dentist bill or the unforeseen cost of replacing a washing machine. Under the present Winz criteria, people on low-incomes are denied a Special Benefits top-up if their financial shortfall is due to nothing more extra-ordinary than their basic living expenses exceeding their income.

In December 2000, the Social Security Appeal Authority ruled that the Winz interpretation of the legislation rendered its own assessment process meaningless. However, Winz has continued to decline the benefits without adjusting its assessment process. Now, a Wellington woman (who has applied for name suppression) is to sue Winz on behalf of every person who has been turned down for a Special Benefit for the same reason she was, since the Appeal Authority ruling.

- The structure of the **Japanese workforce is changing** as one-in-nine Japanese workers between 15 – 34 years now move readily between jobs, and often work part-time, in contrast to the Japanese tradition of staying with one company for life. The Japanese call these casual workers "freeters" and government analysts are concerned that increasing numbers of these low-paid workers will result in falling tax revenue. Freeters could affect Japan's future economic productivity since few of them receive specialised training, an important feature of high worker productivity. There is also concern that freeters are not having children. This may be a reflection of their disinterest in joining in with the traditional Japanese work-lifestyle, but another factor could be that they don't earn enough to support a family. With an already declining birth rate, this will further threaten the future viability of the Japanese pension system.

Many freeters say they are choosing the work-lifestyle because they don't have enthusiasm for life-long careers. Others simply have trouble finding full-time permanent work as the unemployment rate in Japan is nearing record highs.

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To develop and distribute information that will help our communities create more jobs and reduce unemployment and poverty in New Zealand.

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