

The Jobs Letter

No. 203

29 March 2004

Essential Information on an Essential Issue

KEY

OZ: ONE IN FIVE IN POVERTY

POINTERS TO REDUCING
CHILD POVERTY IN NZ

UNEMPLOYMENT TO RISE
WITH THE DOLLAR

IMPACT OF RAISING THE
RETIREMENT AGE

CHARITIES BILL

MORE ON OUTSOURCING

DIARY

10 March 2004

One of two Taskforce Green teams begin to work helping with the clean-up of farmland in the Wairarapa. The project is a joint effort between Winz, the Greater Wellington Regional Council and Federated Farmers.

The worldwide shortage of information technology skills is the main agenda item of an Asia-Pacific Economic Co-operation (APEC) meeting of Science and Technology Ministers in Christchurch.

The practice of paying incentive payments is becoming increasingly widespread in NZ, according to an Employers and Manufacturers Association survey. Chief executives earn 21.5% of their salaries in the form of bonuses and incentives. Performance bonuses, on average, make up 6.4% of non-managerial skilled and semi-skilled workers' income.

11 March 2004

The Reserve Bank of New Zealand asks the Minister of Finance for the authority to buy or sell its foreign exchange reserves in order to try to influence the value of the NZ\$.

The Australian unemployment rate rises to 5.9% with net job growth at only 1,300 jobs. Australia lost 13,100 full-time jobs last month but a rise in the number of part-time jobs off-set the decline.

- A 15 month-long Australian Senate inquiry has found that more than **20% of Australians live in poverty**. The report, *A hand up not a hand out: Renewing the fight against poverty*, criticises the decline in income for poor households and emphasises the central role of employment opportunities in tackling poverty.

Between 1984 and 1999, the top 20% of Australian income earners saw a 1% increase in their disposable income, while the poorest 20% saw a 10% drop. Poverty rose from about 11.3% in 1990 to 13% in 2000. Twenty-one per cent of Australians — about 3.6 million people — live on less than \$A400 per week, which is \$31 less than the full-time minimum wage. One million Australians are considered to be poor although they live in households where at least one adult works. And 700,000 children are growing up with neither parent working full-time. The report also found that the poorest 20% of the population use government services less than people in the next two population bands.

The report: "Economic growth is vital but only because it represents the path to greater prosperity for everyone. The evidence to this inquiry demonstrates that the kind of prosperity we are achieving is being captured by a few at the long-term expense of the many. The Commonwealth's indifference to, or acceptance of, increasing poverty and inequality as the inevitable by product of a market economy in a globalised world, is out of step with the views of Australians who believe in a fair go for all."

- The Senate committee makes 95 recommendations for government policy which it believes would **provide hope for those Australians living in poverty**. The recommendations include:
 - developing a national jobs strategy;
 - bringing a particular focus on improving assistance to young people making the transition from school to work, training or further education to prevent life-long disadvantage;
 - conducting a review into the dynamics of the labour force, especially in relation to skill shortages;
 - conducting an inquiry into the nature and extent of low-paid employment, the problem of casualisation and employment security and the wages and conditions for contract labour;
 - guaranteeing six months paid work experience in the public or community sector for those who have been unemployed for more than two years;
 - providing employment security and social mobility to casual and part-time workers through strengthening their employment entitlements, and;
 - having an inquiry into the nature of low-pay in Australia, and poverty-proofing the minimum wage by linking it to adequate standards of living.
- The report recommends the development of a National Poverty Strategy to **harness the political will** that would be necessary to comprehensively

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12 March 2004

The threat of currency intervention by the Reserve Bank appears to have curtailed the demand for the NZ\$ which is trading, at under \$US.66, significantly lower than in recent weeks.

The US government is proposing to spend \$500 million on a "Jobs for the 21st Century" initiative to help workers get trained and educated. US Secretary of Labor Elaine Chao says that half of the fastest-growing occupations, including physicians assistants, physical therapists and computer software engineers, require at least a bachelor's or associate degree.

Waikato fruit growers are having difficulty finding enough workers to pick apples and kiwifruit. Hamilton East MP Dianne Yates says that although there are 7,697 registered unemployed people in the district, these people were not suitable for picking work. Some workers are bussing daily from Tauranga, Te Puke and other parts of the Bay of Plenty to work in Waikato orchards.

American Telephone and Telegraph is to cut 4,600 jobs this year, after having cutting thousands of jobs last year.

The subsidy for placing a jobseeker through Job Plus Maori Asset is, in practice, nearly twice the subsidy provided for someone under the general Job Plus scheme. Job Plus Maori Asset scheme was established in 1995 to help Maori businesses establish themselves by providing a longer subsidy period for employees, as these businesses were seen to have fewer cash assets. Job Plus Maori Asset and Job Plus offer the same benefits, but is paid out at different levels and duration depending on the length of time the jobseeker has been without work and their level of disadvantage in the local labour market. Job Plus subsidies average \$2,467/placement while Job Plus Maori Asset averages \$4,587/placement.

fight the problem. A National Poverty Strategy would involve a summit of government and key interest groups to highlight the importance and nature of the issues raised by poverty and poverty of opportunity, and to agree on a broad plan of action. It would require a co-ordinated approach across government and policy areas, and commit to action within 12 months.

Committee chairman Senator Steve Hutchins: "To rid the scourge of poverty from Australian society we need a national inter-governmental approach that ensures people do not fall through the cracks. We need a strategy to give disadvantaged Australians a hand up when they need it so that poverty is not suffered by the next generation. Without concerted action, children and youth will become tomorrow's disadvantaged adults."

To achieve this, the committee recommends that a statutory authority be established that would report directly to the Prime Minister. This authority would develop, implement and monitor the National Poverty Strategy, develop poverty reduction targets against a series of anti-poverty measures, and report regularly to Parliament on its progress.

- Prime Minister and Liberal Party leader **John Howard** has been **quick to dismiss** this key recommendation of setting up a national poverty-fighting body, saying he has a well-known reluctance to set up further statutory bodies. Howard says changes to welfare payments and the boost in full-time jobs had greatly benefited the poorest Australians. Howard: "It's fair to say that the rich have gotten richer but the poor have not got poorer."

Government members on the committee were in a minority, and have produced a minority report **rejecting the findings** saying they were politically driven. The Federal Minister for Community Services, Senator Kay Petterson: "It's more about politics, than poverty." The Liberal Senators point out that the Australian minimum wage is among the highest in the world, and that support payments for the unemployed, disabled and seniors were also more generous than other developed nations. The minority report also rejected notions of a so-called "working poor" which the majority report said was already entrenched in Australia as a result of the increasing casualisation of the workforce.

— *A hand up not a hand out: Renewing the fight against poverty, Report on poverty and financial hardship*, by Australian Senate Standing Committee on Community Affairs, (Commonwealth of Australia 11 March 2004) ISBN 0 642 71199 2 can be downloaded from www.aph.gov.au/senate/committee/clac_ctte/poverty/report/index.htm

- New Zealand **could reduce** its rate of **child poverty** if it follows policies adopted in Britain, according to visiting Professor Adrian Sinfield from the University of Edinburgh who is also Vice-Chair of the Child Poverty Action Group (UK). Five years ago child poverty in Britain was around one-third of the child population, a similar figure to the New Zealand statistic. Sinfield, says that in 1999 Prime Minister Tony Blair promised to end child poverty by 2020 and subsequent policy changes have already brought the rate of child poverty in Britain down by 25%.

The **UK government strategy** has included keeping unemployment down, providing a minimum wage floor, making work pay, and lifting the standard of living of low-income families. One focus has been on providing a better life for all children through a child tax credit. Sinfield

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14 March 2004

The US trade deficit jumped to a record high in January, adding to the anxiety American workers have about their jobs. Congressman Sherrod Brown: "These workers look at this trade deficit and fear their jobs will be the next one shipped overseas."

US Federal Reserve Bank chairman Alan Greenspan urges Americans not to turn high anxiety about job losses into support for protectionist trade measures. Greenspan says it would be more fruitful for the US to consider reforms in the education system to ensure workers could obtain the technological skills needed by the economy.

15 March 2004

Ten months after "stress" was formally recognized as an occupational health hazard in NZ, it is too early to see an increase in legal prosecutions based on stress. But stress is now being tagged onto nine out of ten legal grievances taken out by employees against their employers, according to employment relations lawyer Karen Spackman.

Occupation Health and Safety has drawn up guidelines to combat shiftwork-induced exhaustion and is asking for public input. Draft documents can be found at www.osh.dol.govt.nz/order/catalogue/drafts.shtml

An EEO Trust survey finds 81% of its respondents say they are more productive at work if they have good personal relationships at home. When asked how their workplaces could better support their personal relationships, they listed flexible working hours, and having a manager trained in awareness of how work practices impact on relationships. 37% of the respondents say a secure and permanent job would help.

The government says there were 126,870 people in industry training in 2003, a 19% increase on the previous year. The government's target is for there to be 150,000 people engaged in industry training by 2005.

says that in the UK, this does not discriminate against families receiving government assistance, as it does in New Zealand. The UK has also retained a universal child benefit despite the economic reforms of the '1980s and '90s.

Sinfield: "I am confident new initiatives can be found to lower the rate further. The important change has been from a "social exclusion" approach that blamed the poor for their condition to a "social inclusion", one which looks ahead to a society in which everyone is able to participate and contribute.

- Minister of Finance Michael Cullen has warned that he expects **unemployment to rise** over the next 18 months. Cullen told a Labour Party regional conference that he is expecting a "more challenging economic environment" because of the rapid rise in the value of the New Zealand dollar which is starting to put considerable pressure on exporters.

Cullen says he supports the Reserve Bank's proposals to intervene in foreign exchange in order to counter the effects of the high dollar. He says that for the third time in the last 20 years we are going through a period of a seriously overvalued dollar and a slowdown in growth will be likely to follow from this pressure on exporters. This will result in what he expects to be a "very modest rise in unemployment".

- As the population ages, governments will come under increasing pressure to take a **more flexible approach to the retirement age**, according to visiting British academic Richard Disney. New Zealand is virtually the only country to have raised the age at which people receive the retirement pension — from 60 to 65 years, over the 1990s — and Disney has studied the impact of that shift. The change saw a rise in participation in the workforce by older people — not only those in the 60-64 year group, but most noticeably the group in their 50s.

Disney found that raising of the retirement age in New Zealand increased participation in the workforce, and probably increased economic growth as a result. He compared New Zealand workplace participation rates by age with those of Australia over the same period. Disney: "If you assume economic conditions remained the same, the participation rates of New Zealanders aged 55-59 went up by 14%. Now ... there were other factors I am sure ... but Australian participation for the same group went down by 6%."

- Smokers may find it increasingly harder to get jobs amidst an emerging **trend among employers to hire non-smokers** who, purportedly, do more work. Examples: Bill Gallagher, chief executive of Gallagher Group, says his company wants to hire non-smokers because they took fewer breaks. The Gallagher Group has 520 staff nationwide and is one of the biggest employers in Waikato. And last November, South Island health agency Crown Public Health refused to include smokers in its 80-strong workforce.

Employers and Manufacturers Association spokesperson Tony Ward says that as companies instigate smokefree workplaces, more and more would choose not to hire smokers. Ward: "A person does not have a right to smoke at work and that is what is going against them. It is what the Smokefree Environment Act is all about — it gives the power to the non-smoker."

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16 March 2004

Minister of Social Services Steve Maharey is questioned in parliament over funds paid out to Fuarosa and Saralia Tamati under the Community Employment Group (CEG) Social Entrepreneur Scheme. The Christchurch-based Tamatis travelled to the US, Fiji and Samoa over a 70 day period studying hip hop music and culture. National MP Katherine Rich says more than \$26,000 was spent on the trip which "could hardly have been more vague or more ludicrous".

The Social Entrepreneur Fund allocates \$750,000 each year "to people who have demonstrated leadership and innovation in the fields of youth, welfare, health education, employment or economic community development". Other projects funded included establishing of arts centre, a history of the Ratana faith, establishing a Disability Arts Festival and a prison-based theatre scheme.

17 March 2004

The cost of running a beef or sheep farm has virtually remained static, putting on-farm inflation at zero percent, according to agricultural economist Rob Davison. This is the lowest underlying rate of on-farm inflation in 30 years.

In Britain, three men and a number of accomplices are convicted of immigration offences including forging documents and placing illegal immigrants into work. The fraudulent business had earned them more than \$11 million. People creating fraudulent employment recruitment businesses are exploiting the combination of Eastern Europeans desperate to get work, and some British farms and factories who are eager to hire cheap labour.

Latest US Bureau of Labor statistics show that job growth, in industries such as information technology, health care and construction, is projected to expand so rapidly that employers could have a hard time finding skilled workers within the next 15 years. Jobs for computer software engineers are expected to grow by nearly 50%, while the demand for medical assistants is projected to grow by nearly 60%.

- Last October, a survey by recruitment company Kelly Services found cigarette breaks for workers were causing division in offices and warehouses. Non-smokers commonly believe their smoking counterparts were less productive. The survey, of more than 900 workers, found 12% admitted taking time out for a cigarette. Of those, 85% took smoking breaks one to three times a day. A further 13% went four to six times a day and 2% took more than six daily breaks.

The director of anti-tobacco group ASH, Trish Fraser, says that ASH does not encourage a policy of exclusion because it doesn't want to see smokers marginalised. But the Human Rights Commission says there is no law to stop employers discriminating against smokers.

Council for Civil Liberties chairman Michael Bott says the practice of excluding smokers from the workplace is a draconian approach. He is concerned that the stance could set a precedent to discriminate against other lifestyle choices.

- Dozens of highly qualified Asian graduates have signed up to a recruitment initiative where they pay the fees that are normally paid by the employer. The scheme has been started because of the **difficulty Asian graduates face** getting into the New Zealand workforce. In the new scheme, instead of the recruitment agency charging the employer, the graduate pays the \$5,000 recruiting fee.

Asian students who want to stay in New Zealand must find work in order to maintain their residency status. Irene Huang, a business diploma graduate who has paid a \$5,000 recruitment fee: "We need to stay here, we need the job. Job is more important than the money for us." A survey of Asian students who graduated in 2002 found that a third of them were still unemployed six months after being capped. It also shows that they were twice as likely to be jobless as European/Pakeha or Maori.

- The Dunedin City Council is using television commercials, ads on buses, billboards and print ads in a **campaign to attract skilled tradespeople and professionals** to the city. The Council's general manager for strategy and development, Peter Brown, says it is about promoting Dunedin as a lifestyle option for North Islanders sick of wasting time and effort as they try to increase their standard of living. Brown: "We are saying to North Islanders, Dunedin is where you should be if you want a life that's worth living. The added value is our city's easy accessibility to work, home and school, outdoor recreation, natural beauty, stunning architecture, and lower cost-of-living."

The television commercials highlight traffic jams in Auckland and Wellington, and bus and static billboards in each city have been placed in high-traffic-density areas to contrast with the trouble-free lifestyle in Dunedin. The "Are You Ready?" campaign intends to build on the recently marketed "I Am Dunedin" brand through a testimonial campaign that shows previous immigrants to the city in their new work environment as well as enjoying their new lifestyle.

— The "Are You Ready?" Dunedin website can be found at www.WorkOtagoNZ.co.nz

- The Green Party is alarmed by aspects of the government's proposed **Charities Bill** as the new legislation enters the Select Committee

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18 March 2004

As many as 80 forestry contracting jobs could go in the Central North Island as management at the Kaingaroa Timberland, the country's second largest forestry estate, decides to extend the life of its trees before harvest. Over the past ten years, the age of trees that Kaingaroa has been harvesting has fallen from 30 years to 26 years and the company intends to reverse this. In the longer term, the forest owners say those who process the timber will have larger, more profitable logs to work with.

More media and political outcry erupts over the CEG Social Entrepreneur Fund as Katherine Rich reveals that \$7,000 was paid for two women to travel to the United States to study ways to encourage gay and lesbian Maori and Pacific Islanders to take part in sport and cultural activities.

19 March 2004

One year anniversary of the US-led invasion of Iraq.

Katherine Rich questions whether the \$23m administered by the Department of Labour for community employment and development is being spent wisely. She calls for an inquiry into the 1300 grants given out by the Community Employment Group (CEG).

CEG General Manager Charlie Moore says that recent revelations over the Social Entrepreneur Fund have forced the agency to review its spending.

process. Green Party Community and Voluntary Sector spokesperson Sue Bradford warns that the Bill, as written, could be an attempt to control or kill off groups **who carry out lobbying alongside their service** function, and there is a real danger that community groups who perform advocacy work will not be eligible for charitable status.

She describes the Bill as discriminatory and unrealistic as it disqualifies people who have any convictions carrying potential imprisonment of two years or more from being an officer of a charitable entity. This would ban people convicted following political activism, such as Bradford herself, and people with a range of other convictions, unless they successfully applied for a waiver from the new Charities Commission.

Bradford is also concerned that that **many new reporting requirements may be introduced** by regulation after the Bill is passed. Bradford: "Is this Bill a Trojan Horse to bring in very high levels of financial and organisational accountability, with the associated compliance costs, at a time when many groups are collapsing from under funding?"

Bradford is calling on community organisations to study the proposed Bill and make submissions to the Social Services Select Committee.

- **Flexible working conditions** — making family and work commitments easier to juggle — are being embraced by some of Australia's biggest employers. Australian subsidiaries of IBM, Orica (the world's largest industrial explosives maker) and Autoliv (the world biggest manufacturer of cars airbags) are among the companies who now offer work options that include job-sharing, working from home, unpaid leave and "leave-buying". The companies are all boasting savings or negligible costs from providing their workers with these flexible conditions of work.

Autoliv Australia's chief executive Robert Franklin says he began introducing changes to work arrangements seven years ago. At the time, he was criticised by other employers for creating unjustifiable precedents but he says they were being short-sighted. It now costs Autoliv \$100,000 per year to provide flexible work hours, but reduced staff turnover has saved the company about \$3.6 million.

- One of Autoliv's innovative arrangements is to allow workers to **buy a year's annual leave**. Workers can elect to take home 80% of their pay and after four years they can take a whole year off work, while still being paid at 80%.

The Australian Council of Trade Unions is lobbying the government to allow all workers the option to "buy" six extra weeks annual leave, paid for through money deducted from their regular weekly wages.

- *More on Outsourcing...* Changes in the US economy in recent years have made some people's jobs more valuable and secure than ever, while pushing others — even those with skills generally regarded as highly valuable — to the margins, according to a special report on "the Future of Work" in *Business Week Online*.

The key difference between jobs that are here to stay and jobs that aren't is whether a job can be "routinised", or broken down into repeatable steps that don't vary much. Such jobs are easy to replace with a clever piece of software or outsourced to a lower-paid worker often outside the country.

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20 March 2004

The government reveals it froze the Social Entrepreneur scheme administered by the Community Employment Group (CEG) last November. The scheme has come under scrutiny after several unusual "social entrepreneur" project make newspaper headlines.

Media reports reveal that Fuarosa Tamati has close family relatives on the staff of funding agencies. Her husband, Vic, is a funding adviser for the Department of Internal Affairs and her brother-in-law works as a field worker CEG, the agency that awarded the \$26,000 Social Entrepreneur grant. Media also reports that Tamati also took a stopover in Paris which she did not disclose to CEG, and that she and her daughter used some of the cash to "chill out" in Hawaii and Fiji.

22 March 2004

More flak flies in the media over the CEG Social Entrepreneur Fund. The government reveals that Steve Maharey had asked for a review of the scheme last August, and that was why the fund was frozen in November.

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Research sources for the main items in The Jobs Letter are available in our internet edition at www.jobsletter.org.nz

- Economists Frank Levy of the Massachusetts Institute of Technology and Richard J Murnane of Harvard University, in their book *The New Division of Labor: How Computers Are Creating the Next Job Market*, say that **two kinds of jobs will remain** impossible to routinise. One kind involves complex pattern recognition such as spotting business opportunities or repairing complicated machinery. The other relies on complex communication skills. These are the jobs that will pay well in the future because they are hard to reduce to a recipe. These jobs — from factory floor management, to sales, to teaching, to the professions — require flexibility, creativity, and lifelong learning. And they generally require subtle and frequent interactions with other people, often face to face.

In the US, a substantial majority of the jobs are already non-routine. In the relentless pursuit of productivity, the US companies have **demolished millions of routine jobs** in manufacturing, clerical work, programming and other fields. You don't need an advanced degree to have a non-routine job, but you do need to do something that can't be boiled down to a repeatable procedure or that requires a lot of human interaction. The jobs that have survived are those that downsizing experts haven't figured out how to reduce to software or to outsource.

- *Business Week Online* says that some jobs that are highly compensated today may soon be routinised. Powerful computers and advances in software, along with the connectivity provided by fibre-optic networks, have vastly increased the vulnerability of routine work. Well-paid legal researchers, tax preparers and accountants, for example, are seeing their jobs outsourced abroad. Stock traders could eventually be replaced by automated trading systems. Computer programming used to pay well because few people could do it, but already part of the work has been taken over by clever software and other parts have been exported to lower-wage nations.

Levy and Murnane say that some people will find work as barbers, truck drivers, hospital orderlies, or waiters because those jobs can't be outsourced or done by machines. But wages for these will be depressed because so **many people will be competing** for the them.

- The growing importance of non-routine work increases the **value of education**. The unemployment rate for Americans with a bachelor's degree or higher is just 2.9%, compared to 8.5% for people who never completed a high school qualification. University of Phoenix, which caters to working adults across the US through campuses in 30 states and online courses, has 186,000 students after a huge increase in enrolments last year. Todd Nelson, CEO of the university's parent company: "Fear of outsourcing is absolutely a key factor in driving our enrolment."

— *Business Week Online* Special Report "Where are the jobs?", 22 March 2004, can be found at www.businessweek.com/magazine/content/04_12/b3875615.htm

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