

The Jobs Letter

No. 205

21 April 2004

Essential Information on an Essential Issue

KEY

FLOOD RELIEF HAMPERED BY TRADESPEOPLE SHORTAGE

THE FLEXIBLE WORKFORCE ARGUMENT

YOUTH MINIMUM WAGE ANALYSIS

STATS NZ REPORT ON OLDER WORKERS

MORE ON OUTSOURCING

DIARY

15 March 2004

Gerda Yska, 1951 – 2004. Business advisor and enterprise enthusiast.

17 March 2004

The Family Tax Credit will not rise with inflation when benefit adjustments are made on 1 April. The Child Poverty Action Group says it is illogical and unfair that low-income families who rely on Family Support payments to feed and clothe their children have not received an increase since 1996.

20 March 2004

The number of clock and watch repairers in NZ is down to just 150 and five apprentices, and the numbers are likely to decline further though there is an ongoing demand for their services. Watchmaker training all but disappeared with the abolition of the apprenticeship scheme in the 1980s and the Horological Institute says the industry is too small to set up an industry training organisation.

Global oil company Shell is to cut its production costs in Nigeria. Media reports claim the company's cost-cutting strategy includes axing 1,000 Nigerian jobs.

Canadian aerospace and transport company Bombardier says it will axe over 1,300 jobs as it closes its three British train-making plants.

- A severe **shortage of skilled tradespeople** is hampering efforts to clean up the massive damage caused by the February floods in the Manawatu. Many homeowners are likely to have to wait months for even basic repairs due to the shortage across all trades. In Feilding, about 44 flats for the elderly and disabled are still two months away from being completed because of the high demand for tradespeople.

Apprentice Training New Zealand manager Bruce Howat says there are up to 500 people still unable to return to their homes. Howat: "A disaster highlights the dramatic cost to New Zealand society when we don't train people to support and run our infrastructure."

Some farmers believe the situation is being made worse by some tradespeople's reluctance to repair flooded houses because of the dirty nature of the work. Longburn farmer Morton Barnes says it's not a nice job in muddy places and a lot of the tradespeople seem to be just carrying on with their normal work, not wanting to know anything about flood damage work.

- At least \$5 million earmarked for **flood relief** is sitting in local government coffers, and another \$3 million that was donated to the Red Cross to help people whose houses and farms were ruined or damaged by the floods is also **waiting to be paid out**, according to *The Dominion Post*.

Regional recovery manager of Horizons Regional Council (Manawatu-Wanganui) Mark Harrison says the hold-up is that each individual council is setting their own criteria for spending the money. Some councils are still undecided on who should be handling the money and some councils have only just sent out application forms. Some are willing to give money to individuals while others want to give it to social service organisations for ongoing support. Harrison says that councils have also been waiting on details of the government assistance programme. Other considerations are the issues of the insured versus the non-insured.

- But those affected by the floods are getting angry at the lack of progress. The Central North Island Federated Farmers has **called for the money to be released**. Vice-president Charlie Pedersen says dozens of families are still in desperate need of basic assistance. Federated Farmers raised \$500,000 in donations but is now frustrated that the government gave its matching contribution to the Mayoral fund, which has not been spent.
- The view that **worker flexibility** is the key to lower unemployment has been challenged by reports presented last month by the Trade Union Advisory Council to the OECD. One report, by John Schmitt and Jonathan Wadsworth, looked at a "flexibility is good for you in the end" strategy as the reason for British and American job growth success in the 1990s. The premise was that lower wages paid to young people, the low-skilled and the long-term unemployed helped these people into, or

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23 March 2004

Marshall Software, a NZ specialist Internet security company, is closed down with the loss of 25 jobs. NetIQ, the US company that bought Marshall Software 16 months ago had said it would expand and invest in the NZ company but changed its mind.

A UK survey finds that half the people over age 50 expect to be working past the retirement age of 65. The Reed Consulting and Age Concern London survey also finds that one-third of these people expect to be working until they are aged 70, and nearly one-quarter intend to keep working as long "as possible". At present, just 9% of British people work past age 65.

24 March 2004

A new law requires employers who have staff who are also in the Territorial defence forces to hold their job open if they are called up to active duty.

25 March 2004

Michael Cullen says that NZ and Australia could become a single market within five years. In January Cullen and Australian treasurer Peter Costello confirmed plans to move towards integrated competition laws, a single accountancy standard and common rules for banks.

US Secretary of State Colin Powell urges India to open its markets to US goods in a bid to make up for the loss of US jobs to India. Powell asks India to reduce agricultural and industrial tariffs and quotas, liberalise government procurement rules and stiffen intellectual property protection.

29 March 2004

The Maritime Union of NZ says that NZ shipping is being destroyed by "so-called competition". Secretary Terry Ryan says that Burmese sailors aboard a Korean owned vessel loading fruit at Port Nelson were being paid \$US350/mo, less than half of the ILO minimum wage for shipboard workers. Ryan: "The case highlights how floating sweatshops in NZ ports and coastal waters are ripping off workers and putting NZ seafarers on the scrap heap".

back into, the workforce. But Schmitt and Wadsworth found that the US and the UK, whose laws allow low-wages for these groups, had done no any better than countries that were riddled with "rigidities" of labour market regulations.

Looking at the ratio of unemployment for younger to older workers, the picture is even less favourable. **Youth unemployment in the US is three times higher** than prime age unemployment — only Norway and Italy show a higher ratio. The UK also performs poorly. The report: "Greater flexibility in the US and the UK appears to be associated with higher, not lower relative unemployment rates for younger worker."

A similar picture emerges from a study of low-skilled workers. In both the UK and the US, the **gap between unemployment rates** for the least educated and most educated workers is large in comparison to most other OECD countries. Schmitt and Wadsworth: "The international data for 1990-2000 gives little support to the view that greater flexibility in the US and the UK benefited less skilled or otherwise disadvantaged workers in those economies. Despite low aggregate unemployment rates in the US and the UK at the end of the 1990s, youth and less-educated unemployment rates in the two countries were only in the middle of the range for the OECD, while relative unemployment rates (measured by the ratio of youth to prime age unemployment) were often worse, sometimes far worse, than average for the OECD."

It is true that unemployment rates of marginal workers in the UK are lower now than they were 10 or 15 years ago, but the evidence is that this has been achieved not by pricing workers back into jobs but by removing them from the labour force altogether.

— *Is the OECD Jobs Strategy Behind US and British Employment and Unemployment Success in the 1990s?*, April 2002, published by Center for Economic Policy Analysis. Download (PDF, 58 pg, 163 kb) from www.newschool.edu/cepa/papers/archive/cepa200206.pdf

- A commonly held view that lifting the **youth minimum wage** reduces the likelihood of teenagers getting work appears to be contradicted by a study done by the New Zealand Treasury. *Youth Minimum Wage Reform and the Labour Market* has analysed the effects of the youth minimum wage reform that was enacted three years ago. The report found no robust evidence of adverse effects on youth employment or hours worked following a very large rise in the youth minimum wage over the period. In fact, the report found strong evidence of positive employment responses to the changes for those aged 16-17, including an increase in the number of hours worked.

Prior to 2001, the youth minimum wage (then applying to 16-19 year-olds) was set at 60% of the adult minimum wage. The reform lowered the eligible age for the adult rate down from 20 years to 18 years, immediately giving in a 69% increase in the minimum wage for those who were aged 18-19. And, it raised the youth minimum wage (now applying to those aged 16-17) in two annual steps from 60% to 80% of the adult minimum. This was a 41% increase in the minimum wage for 16-17 year-olds.

The report found significant increases in labour earnings and the total income of teenagers relative to young adults. However, there was some

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30 March 2004

The number of Indian and Chinese migrants granted residency in NZ has dropped dramatically since changes were made to immigration rules last July.

31 March 2004

Around 30 of every 100 medical graduates leave NZ by their third year after graduation, according to the NZ Medical Association. Chairperson Tricia Briscoe says the exodus is due to high student debt and the global shortage of doctors which is seeing many countries offering junior doctors better working conditions and pay. 10% of NZ medical graduates have left the country each year since 1995.

Increased demand for coal as a fuel for electricity generation could see between 50 and 100 jobs created in the Huntly area. With the scrapping of plans to dam the Waitaki River for power generation, the electricity industry is looking for further local sources of coal. Coal is currently imported from Indonesia to complement domestic supplies.

Building consents for new residences have reached the highest annual number in 34 years.

The Australian newspaper says that a confidential report to government, prepared by the Australian National University, found that participation in social or community activities by people on welfare has no discernible effect on their ability to get work.

EMI, the world's third largest music company, says it will cut 1,500 jobs as it reduces its recorded music workforce and artist stable by one-fifth.

1 April 2004

Changes to the Holidays Act come into effect which include increased payment for people on working public holidays and greater sick and bereavement leave entitlements.

The adult minimum wage increases from \$8.50 to \$9/hr and the youth minimum wage rises from \$6.80 to \$7.20/hr.

evidence of a decline in educational enrolment and an increase in unemployment and inactivity.

— *Youth Minimum Wage Reform and the Labour Market*, New Zealand Treasury Working Paper 04/03 March 2004, Download (PDF, 37 pg, 429 kb) from www.treasury.govt.nz/workingpapers/2004/twp04-03.pdf

- Some of the biggest changes in the lives of older people in recent years have been in the area of paid employment. *Older New Zealanders: 65 and beyond*, published by Statistics New Zealand, has found that a growing number of people are **continuing to work beyond the age of 65**. To a large degree, this is reflected in the employment rate for those aged 65–69, which has more than doubled between 1986 - 2001. Today almost one-in-four older people in this age group are in paid employment, compared with around one-in-10 in 1986.

The employment rate of older people has grown steadily between 1986 - 2001, rising by 62% for men and more than 50% for women over the period. The growth did not occur evenly throughout the period but it had no significant decline. This is in marked contrast to what happened to the “working age” population. In the late 1980s and early 1990s the employment rate for people 15–64 years dropped by 7%. Males were hit the hardest, dropping more than 19% over the period, and male employment rates have never recovered to 1986 levels. But this huge drop in employment amongst working age people barely made a blip in the statistics of older people who were working.

When measuring employment and ethnicity, the report found that in 2001. The Maori rate was 14.8%, the European/Pakeha rate was 11.8%, and the rate for both Pacific and Asian older people was 8.2%. The report speculates that this higher employment rate for Maori could be because a greater proportion of older Maori are in the first older peoples age group (65–69 years, the ages during which people are more likely to be in employment). Other reasons may be they lack the funds to save during the period leading up to retirement, and the types of jobs Maori do.

The proportion of older people working as employees fell between 1986 - 2001. The proportion who were self-employed rose slightly. The biggest change was in the proportion of those working in a family business as an “unpaid relative”, which increased from 5.4% to 13.6% of those employed.

People aged 65 and over were just over twice as likely to be self-employed or an employer of other people than their younger counterparts in 2001. A total of 44.5% of employed persons aged 65 and over were either self-employed or employers, compared with only 19.8% of workers aged 15–64.

Overall, older people living in rural areas are more likely to be employed than their urban counterparts. The employment rates for older people who live in rural centres is 13.3%. The employment rate for older people who live in main, secondary and minor urban areas is 9 - 10%. This may be a reflection of the fact that farming, horticulture, nurseries and gardening businesses employ the large numbers of older working people.

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A Ministry of Health report confirms that a trans-Tasman regulatory system for natural health products will cost NZ jobs and increase the price of these products for NZ consumers. NZ Health Trust spokesperson Amy Adams says many of the industry's small players will be forced to close down or move to Australia if the treaty goes ahead.

2 April 2004

A programme to provide ICT training to long-term unemployed and disadvantaged people while they work in community organisations is launched in Otara by Manukau Mayor Sir Barry Curtis. The "Cyber Communities" programme is one of the Jobs Jolt initiatives.

Acting Minister of Social Development Ruth Dyson says there are fewer than 78,000 people on the unemployment benefit, nearly half the number there were when the government took office in 1999. The number of people on main benefits (unemployment, invalid, sickness and domestic purposes) has dropped by 14% over the period, from 381,000 to 326,000.

The Capital and Coast District Health Board and the Council of Trade Unions sign an agreement that the \$303 million development of two hospital projects will help tackle the trade skills shortage in Wellington. The agreement commits both parties to maximise trade training on the sites.

4 April 2004

The Gisborne Commercial Fishermen's Association says the introduction of a quota for "by-catch" fish caught while fishing for southern blue tuna would spell the end for up to 100 small businesses. Under proposed rules, only tuna fishermen with catch histories in 1990-92 of by-catch species will be allowed by-catch quota. Association secretary Colin Kerr: "Could you just tell your fisheries ministry to act fairly towards the tuna fishermen and maybe save 100 businesses from going into liquidation?"

— *Older New Zealanders - 65 and beyond*, April 2004, by Statistics New Zealand, can be downloaded chapter by chapter from www.stats.govt.nz/domino/external/pasfull/pasfull.nsf/sitesearchview/Reference+Reports+Older+New+Zealanders+-+65+and+beyond+2004

- New Zealand businesses may be following Britain in **neglecting its best staff** — women — according to Denise Kingsmill, a visiting expert who did a review on women's pay and employment for the British Cabinet in 2001. Kingsmill's review found that in Britain, women outperform men at all educational levels. Even so, there is an 18% gap in the rate of earnings between men and women. Kingsmill says that people assume this is because mothers returning to the workforce are often in a position of playing catch-up to their male counterparts. But her review found there were other reasons women left their jobs.

In the early years of employment, men and women both leave jobs to change careers. But later on, women tend to leave jobs because they were **not getting the same opportunities** at work that the men were getting. Kingsmill maintains that in overlooking the talent women offer, companies are not managing their human resources as well as they could. Kingsmill: "What we found in 2001 was that although company bosses generally agreed that people were their greatest asset, this was not often recognised as a guiding principle of business strategy."

- A Japanese woman who **worked for no pay** at a Christchurch hotel is warning other Asians not to get caught up in the same scheme. Kayoko Sakamoto, who has a work permit, says she wanted to use her English and gain experience by working with New Zealanders, thinking that this would be better than going to a language school. She paid \$2,400 to the East Wind agency in Christchurch to secure a position at the Centra Hotel. Her fee bought her a "job" working eight hours a day serving breakfast and lunch and doing cleaning, but for no pay.

The Centra's human resources manager Marama Wallace says Sakamoto had been offered a three-month "work experience" placement through the East Wind agency but the hotel had been unaware that she had paid fees. The hotel has since hired Sakamoto.

East Wind manager Katsumi Okoshi maintains that the firm was doing nothing wrong. He says that between 60 and 70 Japanese students applied to East Wind every week looking for work placements and a weekly fee of up to \$60 was required of them. Okoshi: "What we are doing is legal. They are volunteers."

- Helping people become self-reliant and not lean on the welfare system has become a focus of the **Wellington City Mission**, which is now 100 years old. It's programmes now include Missions for Youth, for Independence, for Work, for Families and for Seniors.

The Mission for Work is co-ordinated by Mary Moon who says they are sent beneficiaries who have been out of work for more than two years, "the toughies". The Mission to gives them practical experience at its furniture restoration unit. Moon says this gives the staff a chance to get to know them and it gives the beneficiaries a chance to get into the work routine. Many are not accustomed to taking orders or keeping to a strict timetable. Moon says the biggest thing the Mission **changes is their lifestyle**.

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Loan sharks, who charge up to 60% interest, are on the increase in parts of the Wellington region. Loan sharks are preying on people who borrow because they have come up short of money, often for unexpected expenses, and then find themselves with compounding interest bills that can cost them such possessions as their car or furniture. Budget advisors say that some cash-loan companies have put up signs saying: "Beneficiaries welcome – bad credit not a problem".

The US economy added 308,000 jobs in March, the biggest monthly gain in four years.

5 April 2004

The New Zealand Herald says "sources" claim that the Otautahi Maori Women's Welfare League used Community Employment Group grant money to pay for a \$10,000 male strip performance. The money in question was granted money for a two-day hui and awards dinner in 2001.

6 April 2004

On the 21-22 of this month mayors and agencies from around the country will be in New Plymouth to talk about their successful youth-focused programmes and how these can be built on. New Plymouth Mayor Peter Tennent says that the Mayors Taskforce for Jobs is serious when it talks about getting all youth into training or employment. Tennent: "It isn't an impossible goal, it's something that can be achieved and that many cities and towns are well down the track towards addressing".

9 April 2004

The government plans to offer "new start grants" for farmers forced to leave their properties due to the February floods. The grants are to ensure that farmers are left with up to \$65,000 in equity as long as the farmer's mortgager writes off the remaining debt following the sale of the property. The government has also assigned \$11.25 million for rates relief.

The Rangitikei District is to get a new sheepmeat processing plant that will employ 220 workers. Anzco Foods is building the plant at Greatford, north of Bulls.

Many who attend the programme go on sickness and invalid benefits which Moon says they probably should have been on in the first place. But half of the unemployed people who go through the programme get a job. Moon: "It's a big buzz to see someone swan out of here with a job."

The Wellington City Mission was set up a century ago by the Anglican church when it employed William Walton to improve life in the typhoid ridden slums of Te Aro. To keep youngsters off the filthy streets, Walton set up a Sunday school and kindergarten, formed a boy's club and organised cricket teams and held regular gatherings. Today, the Wellington City Mission has 140 staff.

- Getting more people into **jobs in the retail** sector is the focus of a new government-industry relationship agreement between Work and Income and the New Zealand Retailers Association — the third formal Job Partnership to be set up as a Jobs Jolt initiative. Associate Minister of Social Services and Employment Rick Barker says the partnership would open up career opportunities in the retail industry for unemployed people and the intention is that Work and Income will act as a premier recruitment service to employers in the industry. Barker says the Job Partnership will be led by the industry and that Work and Income will make referrals that match employers' criteria, and will work closely with employers in designing training and work experience.

Work and Income in Wellington and Auckland have been running a retail programme placing 100 job seekers in retail employment over the last two to three years. The new Job Partnership will expand this over the next three years into "retail hot spots" around New Zealand. The first stage will involve 60 participants in the Christchurch, Central and Bay of Plenty regions.

The Retail Association and the Retail Industry Training Organisation will identify intermediaries that can assess Work and Income job seekers for qualities needed in retail. They will also assist in the arrangement of a structured training programme, including pre-placement, and on the job training. To address the problems of retention in the industry, the intermediary will also give follow-up support to job seekers after they get a job and help them to develop and implement a six-month career plan.

- New Zealand has been ranked 12th in the world as an **attractive country for outsourcing** by global consulting firm A T Kearney. The *Offshore Location Attractiveness Index* identifies New Zealand as one of the small, highly developed economies (like Singapore and Ireland) which offer excellent infrastructure, high education levels and business-friendly low-risk environments that make them attractive outsourcing locations.
- The outsourcing of jobs continues to make its mark as a campaign issue in the run-up to the US presidential election to be held later this year. Democrat challenger John Kerry has accused President George W Bush of indifference to the plight of average Americans and of encouraging the flight of US jobs overseas. Kerry has focused his criticism on the drain on US manufacturing jobs. He is promising to eliminate all tax breaks that make it profitable for companies to move jobs abroad. Kerry says the move would save \$12 billion, money that he would use to fund a 5%

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11 April 2004

The government launches a postgraduate studies diploma to train 40 nurses for work in rural medical clinics.

The Australian unemployment rate drops from 5.9% to 5.6%, the lowest level in 14 years.

12 April 2004

The BNZ forecasts economic growth to be lower over the next five years than it was over the last five years, with employment growing at an average annual rate of 2% rather than 2.5%. The bank predicts unemployment to temporarily rise to 5% as the economy moves into the slower growth cycle.

China plans to slow down the closure of inefficient state-owned enterprises and make it more difficult for companies to sack workers. The moves are part of an effort to hold down rising unemployment.

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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

cut in the corporate tax rate for the 99% of US companies that do not outsource jobs.

- A very **different view of outsourcing** is presented by University of Chicago assistant professor Daniel W Drezner in the publication *Foreign Affairs*. He says that when a US presidential election year coincides with an uncertain economy, campaigning politicians invariably invoke an international economic issue as a dire threat to the well-being of Americans. Drezner believes this is why we are reading so much about outsourcing in the media at the moment. He says the short-term political appeal of protectionism is undeniable and scapegoating foreigners for domestic business cycles is smart politics.

But Drezner argues that the numbers being thrown around are vague, overhyped estimates. What hard data exists suggest that gross job losses due to offshore outsourcing have been minimal when compared to the size of the US economy. Drezner says that during the 1990s, offshore outsourcing was not uncommon, but no one much cared because the number of jobs leaving US shores was far lower than the number of jobs created in the US economy.

Drezner predicts that **most jobs will remain unaffected** by outsourcing because close to 90% of jobs in the US require geographic proximity. Drezner: "As for the jobs that can be sent offshore, even if the most dire-sounding forecasts come true, the impact on the economy will be negligible. The prediction of 3.3 million lost jobs is spread across 15 years. That would mean 220,000 jobs displaced per year by offshore outsourcing, but total employment in the US is roughly 130 million and about 22 million new jobs are expected to be added between now and 2010. Annually, outsourcing will affect less than 0.2% of employed Americans."

- The high-level clamp-down on Community Employment Group Social Entrepreneur grants — see issue [204 of The Jobs Letter](#) — prompts the question: just **what is a "social entrepreneur"?**

New Zealand Herald business columnist Colin James has a go at defining it. He says a social entrepreneur, like a genuine business entrepreneur, builds something new, creates something out of ideas and energy that would not otherwise happen. Business entrepreneurs create economic wealth; social entrepreneurs create social connections or improvements — social wealth, or social capital.

James: "Social entrepreneurs are not numerous. They are unpredictable, idiosyncratic, as herdable as cats and can't read rulebooks. They are polar opposites from the risk-averse public servants who dole them cash. They are attractive to cash-constrained modern governments because they extend governments' reach, are more effective than lumbering, rule-bound state agencies and can be value for money."