

# The Jobs Letter

No. 207

1 June 2004

Essential Information on an Essential Issue

## KEY

"WORKING FOR FAMILIES"  
BUDGET 2004 - 2007

UNEMPLOYMENT SLIDES TO  
4.3%

MAHAREY TALKS YOUTH  
TRANSITION

## DIARY

7 May 2004

Since this time last year, NZ wages rose on average 2.2%, while inflation rose 1.6%. *The New Zealand Herald* says that despite the tight labour market, inflationary pressures from wage rises and job gains were "mild".

The Australian Budget lifts the minimum wage 4.2% to \$467.40 per week.

*The Canberra Times* reports a leaked document that suggests the Australian Federal government is considering an overhaul of income support payments that would abolish the distinctions between the unemployment, parenting, and disability benefits in favour of a single payment for all working age beneficiaries.

Since last year, the US economy has had a net increase in the number of domestic information technology jobs. The small upturn (20,000 new jobs in four months) comes after a three-year slump that saw more than one million tech jobs disappear from the US.

10 May 2004

The US unemployment rate drops from 5.7% to 5.6% as the economy adds 288,000 jobs.

- The government is putting \$2.9 billion into **new social spending** over the next four years in its "Working for Families" Budget. The spend-up, which was promised last year if the economy remained robust, will see an average gain for working families of about \$66 per week when the package is completely phased in — in 2007. The income boost will be realised through increases in Family Support and the Child Tax Credits. The package also contains a number of incentive and support measures to help **beneficiaries move into work**.
- The major assistance will kick-in in April 2005, when the government plans to put \$503 million into increasing the incomes of working families with the aim of "making work pay". This will be targeted — on an increasing, graduated scale over the following three years — to working people who earn \$25,000 - \$45,000 per year who have dependent children. Benefits will also rise, but incomes for benefit-supported families will be further distanced from those of working families because beneficiaries will continue to remain ineligible for the Child Tax Credit. All families will receive the Family Support. Minister of Finance Michael Cullen: "For those in employment, the gains are very much more substantial and extend well up the income range. In particular, the incentives for moving from benefit into employment are very much increased." Once Family Support and the Child Tax Credit rise to their 2007 level, they will have on-going adjustments for inflation.

Cullen is hopeful that the "making work pay" elements of the package will help to **address skill and labour shortages** by encouraging more people into the workforce. Cullen says that part of our labour shortages appear to be caused by the fact that beneficiaries currently face very marginal gains in their income if they take on a part-time job, or if they increase the part-time hours they already work. He says the Budget ensures there are very clear returns for people who join and stick to the workforce and acquire the mid-level skills the economy needs.

- Another aim of the "Working for Families" package is to ensure "income adequacy" for low- to middle-income families with dependent children. The idea is that children growing up in families with **better, stable incomes** — rather than in poverty — are more likely to become skilled, motivated citizens.
- The third aim is to better support people once they enter the workforce so that they are encouraged to remain working. Until now, people on benefits had the financial rug pulled out from under them the moment they made their first tentative steps into the full-time workforce. Currently, about 45% of beneficiaries move into employment each year, but more than half of these return to a benefit within a year. Cullen hopes he now has the **incentives right** that will encourage beneficiaries to move into the paid workforce and to stay there.
- The *New Zealand Herald* reports that an estimated 30% - 70% of families who are currently eligible for family assistance are **not claiming** it. So that more people receive their entitlements, the government is providing a free telephone helpline: 0800 774 004

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# The Jobs Letter

## DIARY

11 May 2004

The government mounts a \$40m campaign to win back the country's share of the international student market.

The US Reserve Bank governor Alan Greenspan tells the Bush administration and the Congress that the current government spending deficit threatens the US economy.

13 May 2004

Nearly one-third of NZ'ers are on arrangements where part of their pay is tied to performance targets, according to Kelly Services.

The Australian unemployment rate stays at 5.6% after the economy adds 56,000 jobs in April.

The Australian Security Intelligence Service is to hire 1,000 new staff.

14 May 2004

A 27-year-old Korean man is hired after he runs 470km from Seoul to Ulsan in nine days, to show his keenness to get an apprenticeship at Hyundai Heavy Industries. At 8.8%, Korean youth unemployment (15 – 29 years) is two-and-a-half times the overall Korean average.

16 May 2004

Anticipating a reduction in its hoki fishing quota, fishing company Sanford sells a freezer boat, resulting in 60 lost jobs.

A Hastings plumbing firm, JJ O'Connor, received no responses when they advertised for tradesmen plumbers and now has engaged two tradesmen who are emigrating from England.

18 May 2004

Almost all of about 50 Community Employment Group (CEG) funded projects, that Minister Steve Maharey previously said had not met their objectives, actually did. Maharey says there is no suggestion the corrected answers were sanitised and he is now confident he is getting accurate information from CEG.

National MP Katherine Rich suspects that CEG had "miraculously redefined" the outcomes. Rich: "It's all too convenient so many projects have suddenly become okay."

- The unemployment rate has dropped to a **16-year low** and New Zealand now has the fourth lowest unemployment rate in the OECD. The New Zealand rate of 4.3% is only bettered by South Korea (3.7%), Luxembourg (4.0%), and Switzerland (4.2%). Statistics NZ Household Labour Force Survey says that the fall was a consequence of falling unemployment relative to the increase in the total labour force.

There were 17,000 more people working over the last quarter. There was a strong rise (3.9%) in **full-time jobs** and a "flat" result in part-time jobs. Statistics NZ believes this is a reflection of individuals moving from part-time into full-time work. Over the year, employment growth has been driven by the construction industry, communications services, and the finance and insurance industries. Significant job declines were in agriculture, forestry and fishing.

We include our regular *Statistics That Matter* summary in this issue of *The Jobs Letter*. Some highlights:

- the new jobs were taken almost evenly by males (9,000) and females (8,000),
- employment growth was significant among people over 55 years,
- unemployment dropped from 4.6% to 4.3%, or by 6,000 people, over the quarter,
- over the year, the fall in unemployment was driven by a fall in male unemployment of 10,000; female unemployment dropped by only 1,000,
- The overall number of long-term unemployed — people who have been unemployed for more than six months — has dropped by 5,200 since March 2003.

- Minister of Social Development and Employment Steve Maharey has told the Secondary Principals' Association that the key factor that indicates that a young person is at risk of not making a successful transition from school to work seems to be that they hold **low or no qualifications**. Young people are also at increased risk the longer they spend outside of work, education or training. Maharey says that young people who are not in education or employment are likely to become an increasing issue over the next decade as a looming "baby blip" cohort reaches 15 – 19 years of age. An increasing proportion of these young people are of Maori and Pacific origin, groups which already have higher rates of non-participating in education and employment than other ethnic groups.

Maharey says that, although there are 35% fewer 15-to 19-year-olds receiving benefits now than in 1999, **unemployment among young people** remains comparatively high. Maharey warns that there are major and long-term social costs associated with our young people becoming inactive. In 2002, British Department for Education and Skills found that the costs of a person aged 16-18 years who was not in education, employment or training was £45,000 in resource costs, and £52,000 in public finance costs over a lifetime. Maharey: "If we accept those findings and assume the same long-term returns in the New Zealand context, what would we find? On a very rough approximation, removing 10,000 "at risk" New Zealand young people from the inactive group and getting them into employment, education, or training could easily result in lifetime present value savings of \$1 billion.

Maharey says this isn't just about numbers, it is a matter of principle. "We've never liked the idea of young people leaving school to go on the dole. There are plenty of jobs out there now, and we need to make sure that our young people are able to take advantage of that fact."

- By mid-May, a total of 312 young people had completed a Modern Apprenticeship. Among these was Auckland's Joseph Tahaafe who became the first chef to finish his training through the scheme. The Modern

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## DIARY

19 May 2004

Operations are being cancelled at Palmerston North Hospital because it is short of 20 nurses in acute services.

US presidential hopeful John Kerry makes reversing the net loss in the country's jobs a cornerstone of his election campaign.

If the government places a levy on carbon issues on the cement industry, NZ cement manufacturers will find it very difficult to compete with overseas products, according to Holcim Ltd. Director Rex Williams says that if the levy is used to help the government meet its Kyoto protocol commitment, there is plenty of overseas competition to fill the void. Williams: "The simple fact is that if we don't produce the cement in NZ, it will be produced overseas. There will be just as much carbon produced there as there would be here."

Accommodation for vineyard workers in Marlborough is becoming a major problem as 20% more land has been put into grapes and the industry is in need of 1,500 workers for the harvest. At the same time, some motorcamps are turning longer-term vineyard workers away in favour of accommodating holiday-makers.

More than \$3 million is yet to be distributed to flood victims in Manawatu and Wanganui. \$2.7 million has already been distributed.

20 May 2004

NZ company Fisher & Paykel Healthcare is set to expand its workforce by about 10% or 100 people.

24 May 2004

Manukau City had a growth rate of 5.7% over 2003. Over 7,500 jobs, as well as 500 new or relocated businesses were added to the local economy.

About 80% of the 360 overseas teachers that have been recruited to work in NZ since 2001 either have, or are applying for, permanent residency.

Apprenticeship programme was introduced in 2000, and the numbers of participants has increased each year as it has gained profile and more industries participate. There are currently 6,580 young people training as Modern Apprentices. This year's Budget will see 8,000 Modern Apprenticeships places funded by June 2006

- The Industry Training Federation says the number of Modern Apprentices is good news for communities. However, executive director Darel Hall points out that the current rate of increase over the 2004 - 2006 period is 20%, but that in the 2002 - 2003 period training places increased by 44%. Hall: "The declining rate of increase in Modern Apprentices might be reasonable if there was good evidence to support the notion that demand for places had been met. This is not the case. Industry Training Federation research in 2003 showed demand for places between June 2003 and June 2004 was for 10,000 Modern Apprenticeship places, 4,000 more than on offer."
- Trades still have an **image problem**, according to the Northern Employers and Manufacturers Association (EMA). Chief executive Alisdair Thompson says that other jobs are often perceived by parents as being more attractive for their offspring. He says the Modern Apprenticeships scheme is attempting to cover the problem, but the cracks remain. Thompson: "It has worked well but we've got to grow it even more. It's helped but not enough. We need more of it."

Minister Steve Maharey concedes that the government is **playing catch-up** to the 1990s when there was a move away from apprenticeship training. Maharey: "Our problem is the deficit. You cannot turn around that level of deficit within a decade, it's going to take a while to rebuild that workforce."

- In his recent Budget reply speech, Australian opposition leader Mark Latham announced that Labor Party policy now includes a "Youth Guarantee" which would provide education, work and training **opportunities to all young** Australians. Aimed at tackling high levels of youth unemployment, Labor would give young people two options: learning or earning, with "no third option of sitting around doing nothing". Latham says a Labor government would provide additional work and training opportunities for young people who would be obliged to take them up.

The Youth Guarantee, which Latham costs at \$700 million, would abolish TAFE (Technical And Further Education) fees for all secondary school students. This would encourage an extra 15,000 students to stay on and undertake vocational education and training while still at school. It would also create 7,500 new apprenticeships and 7,500 TAFE places for 15- to 18-year-old students; as well as provide wage and training subsidies to give 10,000 early school leavers opportunities in the workforce.

The Youth Guarantee would initially employ 1,100 **Training Mentors** to work directly with young people who are at risk of dropping out. The mentors would help with education and employment, as well as social skills. It would also establish a National Mentoring Foundation to provide training support and other resources for 10,000 further mentors.

- Winz has held off requesting permits for foreign workers to work in western Bay of Plenty kiwifruit orchards until as many unemployed New Zealanders as possible took up the jobs. Regional commissioner Craig Crafar has been under pressure from growers to allow foreign workers to help with the harvest. But Crafar maintained that Winz had 200 people on its books who were suitable for kiwifruit work. Crafar: "I'm willing and have got a system in place to commence that process for fast-tracking work permits within two days. But at the moment there are New Zealanders who should be employed before foreigners."

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25 May 2004

A Massey University poll of professional NZ'ers living overseas finds that nearly half of them intend to return to NZ to live. More than a quarter will stay in their adopted countries, and the rest are undecided.

The first Tararua District farmers who suffered losses during the February floods receive payouts from the district's Mayoral Flood Relief Fund.

26 May 2004

Closure of the Sunbeam electric blanket factory in Palmerston North will see 122 people lose their jobs. The company is shifting its production to China.

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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](http://www.jobsletter.org.nz)*

Before any new permits were issued, about 100 seasonal meat workers at Affco's Rangiora processing plant were laid off earlier than usual. These meat workers have increased the pool of people able to do kiwifruit work which meant that Winz did not have to "push the button" to initiate the standby 48-hour system for issuing temporary work permits for foreign visitors.

In the end, Crafar did notify the Immigration Service that there might not be enough available New Zealanders to do the work and as a result, 13 foreign visitors were issued temporary work permits to work the kiwifruit harvest in the western Bay of Plenty.

- **Research into staff and skills shortages** in the Nelson-Marlborough region is being undertaken by the Nelson Regional Economic Development Agency and the Marlborough Economic Development Trust. The agency's chief, Neil Hodgson, says the research should provide a clearer picture of business staffing needs, and ideas on how to address these. At certain times of the year and in certain industries there are plainly not enough workers to go around and there is a lot of anecdotal evidence about staff shortages, but Hodgson says there is not much concrete data. He expects the survey to help Winz and the local Institute of Technology to identify training gaps. The survey will also look at other employment issues, such as whether pay rates in the regions are lower than they are in other parts of the country.
- Thirty-seven Australian business, union, academic and political leaders came to Wellington in May to meet with a similar New Zealand delegation to push the case for **closer assimilation** of the Australian and New Zealand economies. The first *Australia New Zealand Leadership Forum* identified issues it believed to be vital to strengthening the trans-Tasman relationship, and to improving the economies of both countries. Before next year's follow-up meeting, the forum agreed to press their respective governments to move towards establishing a common border, remove differences in business regulations, and raise labour standards to protect the threatened common skill base.
- Recruiting more women into "stereotypical male" occupations is the **answer to skills shortages**, according to the Equal Opportunities Commission (EOC) in Britain. Its investigation into gender segregation in work and training reveals that women are under-represented in key areas including construction, where they make up just 1% of the workforce. While the gender gap has closed to virtual parity in high-status professional sectors, the percentage of women going into building, plumbing, engineering and information technology has barely altered in the past ten years.

EOC chairwomen Julie Mellor says that occupational segregation also helps to maintain the gender pay gap. In Britain, women in full-time work are paid on average 19% per hour less than men. The research also identifies the barriers to women joining certain "male" occupations.

— *Plugging Britain's skills gap: challenging gender segregation in training and work*, May 2004, can be downloaded from [www.eoc.org.uk/cseng/policyandcampaigns/occsseg.asp](http://www.eoc.org.uk/cseng/policyandcampaigns/occsseg.asp)

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