

# The Jobs Letter

No. 223

4 February 2005

*Essential Information on an Essential Issue*

## KEY

TARGETING LONG-TERM  
UNEMPLOYMENT

PM SKETCHES MAJOR  
WELFARE POLICY CHANGES

BRASH ON WELFARE

VOICES ON BRASH

## DIARY

12 January 2005

Germany introduces a sharp cut to its generous unemployment benefit payouts in an effort to force people to find work. Many more German beneficiaries are now classified as looking for work. After they use up their unemployment benefit (which could have been more than half their previous pay packet) and still haven't found work, they will receive a reduced welfare payment. Those receiving the reduced payments may be forced to take part in government work projects if they still don't find a job.

14 January 2005

Australians working as part of the government's tsunami relief operations will be covered for workers compensation benefits.

PeopleSoft, an international software company recently purchased by software giant Oracle, lays off 6,000 of its 11,000 staff worldwide.

17 January 2005

The military should try to get more women and non-Europeans into positions as officers, according to the Ministry of Defence. An officer career management report suggest all three branches of the military should investigate how to make officer careers more attractive to women and people from diverse ethnic backgrounds.

- The government is investing \$27 million in services it hopes will get more people who are **long-term unemployed** into work. Through a raft of new measures targeting long-term unemployment, the Ministry of Social Development will introduce new wage subsidies, intensive case management, home visits, an increased availability of training, as well as a general expansion of other schemes designed to get **sickness and invalid beneficiaries** back to work.

People who have been unemployed for over three years make up about 14% of the total unemployment register of people under the age of 60. Social Development and Employment Minister Steve Maharey estimates 6,400 beneficiaries would be managed through these stepped-up services over the next three-and-a-half years. Maharey: "With unemployment at just 3.8% and employers calling out for workers, the government is stepping up its efforts to get as many beneficiaries as possible back into the workforce."

Included in the new measures:

- services for people who have been on the unemployment **benefit for over three years** who live in Wellington, Manukau and Northland, where nearly half of all the long-term unemployed live. About 1,700 beneficiaries will be getting intensive work-readiness training, increased contact with their case managers, and provided with intensive assessments to identify serious barriers to employment.
- those who haven't gotten jobs by October 2005 are considered to be in danger of becoming unemployed for four years and will be placed into **subsidised jobs**. The jobs will be with employers involved in "socially useful activity", like community or local authority work, must be project based, and additional to the employing organisation's normal activities. Meeting that criteria, employers will receive up to \$380 per week for up to nine months to employ a hard-to-place person.
- an "urban employment service" will be established nationwide that aims to see all urban, working age people who have been unemployed longer than three years **visited in their homes**. Work and Income work brokers are to work intensively to provide services and information on available jobs to these people.
- Another part of the package is to roll out of the "New Service for Sickness and Invalid's Benefit Recipients" across the country.
  - the "New Service" intends to provide **better case management** for beneficiaries who aren't working because of health issues by moving towards a goal of assigning 225 clients per Work and Income case manager — down from the previous average of 350.
  - Providing Access To Health Solutions (**PATHS**) is being **extended**. PATHS provides beneficiaries with access to health services that will make them well and enable them to get back to work. The scheme was piloted early in Manukau in 2004, extended to Wellington in December and will soon be available in Western Bay of Plenty and in three other regions yet to be announced.

# The Jobs Letter

## DIARY

18 January 2005

25% of businesses say labour is the single factor most limiting their ability to boost turnover, according to an NZIER quarterly survey. The figure is up from 22% in the September 2004 quarter. Of the 1,400 firms surveyed, 61% said it was hard to find skilled labour and 40% said it was difficult to find unskilled labour. Both figures are an increase on last quarter.

19 January 2005

Job Ads dipped in December even though the demand for workers hasn't diminished. ANZ economist John Bolsover explains the slight drop was probably due to Christmas falling on a Saturday, traditionally a big job ads day. Job ads were still 17.3% higher than at this time last year.

20 January 2005

Small company bosses in NZ spend more time worrying about key staff being poached by rivals than any other issue, according to risk and insurance specialist Marsh.

The overall cost to families of schooling for a child starting in a state high school has been projected to be almost \$10,000, according to a survey commissioned by the Australian Scholarships Group. The survey asked NZ parents about spending on school fees, donations, uniforms, sports gear, stationery, computers, extra tuition and school trips, and was adjusted for inflation. The same survey projects the cost of putting a child born today through school and university will be \$60,000.

Fishing company Sealord will lay-off at least 160 staff at its Dunedin processing factory as it plans to move some of the operation to Nelson.

— employers will also be supported and given information to help them hire and retain staff with ill health or a disability. This is intended to complement work the government says is already underway to identify the **barriers faced by employers** in hiring such staff.

- The government is also committing to better support GPs who are responsible for assessing patients for a sickness benefit. Steve Maharey says the system will mean GPs can seek a second opinion in situations where they have some doubt about a client's eligibility for a sickness benefit.

Maharey: "People applying for Invalids Benefit are assessed by doctors designated by MSD while people applying for Sickness Benefits are generally seen by their own doctors. Feedback from GPs and the learning experience of ACC shows that some doctors would like greater support in their decision making on medical eligibility. A new system is being developed which will mean that GPs can seek a second opinion in situations where they have some doubt about a client's eligibility for Sickness Benefit. This doubt may arise from the nature of the client's condition or the broader ongoing relationship that the GP has with the client and their family." The programme will be piloted in Wellington before it is rolled out around the country.

- Prime Minister Helen Clark outlined her "bold agenda" for this election year as she gave her annual state-of-the-nation speech to parliament. She says it is the government's intention to see increased workforce participation, especially for women, and she reiterated her government's plans to overhaul the welfare benefit system.

In order to get more **women back into the workforce**, the government is re-examining its childcare policies and looking at ways to increase the availability of childcare and to extend it to cover older children in ways that more mothers will use it.

At present, the government offers targeted subsidies for school-based and out-of-school **childcare** for children aged 5 to 14 but such care is only partially funded and cost, as well as availability, may deter some people using them. Clark says the government is looking at a British plan for "dawn to dusk" out-of-school care — from 8 am to 6 pm — for children aged 5 to 11, with the aim of extending it to 14-year-olds in time. One of the options is home-based childcare but she offered no details on how that might work.

The government also intends to raise **paid parental leave** to 14 weeks (up from 13 weeks) ... which is still shorter than the British model.

- Clark says the central focus of the **overhaul of the benefit system** would be on replacing the complex system of 10 base benefits — including sickness, invalids, unemployment and domestic purposes — with a single universal benefit.

Clark assured parliament that there is no intention to cut benefit levels and that people with special needs such as invalids would get top-ups to a universal benefit. The raft of add-on payments would be incorporated into the single benefit but the most important add-on — the accommodation supplement — is likely to remain unchanged.

Last October Social Development and Employment Minister Steve Maharey pointed out that the 10 base benefits and 36 add-ons in the present system was far too unwieldy. He wanted to cut the amount of time Work and Income staff spent administering benefits — reportedly 70% of their week — to better concentrate on helping beneficiaries move off welfare.

# The Jobs Letter

## DIARY

21 January 2005

While NZ nurses are going overseas chasing higher incomes, nurses from India are being recruited to relieve the serious staff shortage in NZ hospitals. A group of 15 skilled Indian nurses have done theory training at Wintec in Waikato and will spend five weeks working in the region before they are eligible for registration with the Nursing Council.

Forest owners are concerned skilled labour will be lost to the industry as it rides out a cutback in harvesting due to an oversupply of timber which is expected to last another year.

22 January 2005

NZ students are paying the fourth highest university fees in the world, according to an international survey by Buffalo University. The average NZ cost is higher than public tertiary institutions in Australia, the US and the UK.

23 January 2005

40% of information and communication technology masters graduates leave NZ to work overseas for better jobs and a more supportive industry, according to Auckland University information technology professor Reinhard Klette. He recommends NZ creates centres of IT collaboration between industry and university research centres.

Up to 120 staff at the Correspondence School could lose their jobs in the next two years, although chairperson Ian McKinnon says no decision has been made. The school has about 500 staff at four Wellington sites.

- The state of the social welfare system was the main theme of National Party leader Don Brash's annual speech at the Orewa Rotary Club. Brash says a National-led government would be determined to lower the number of people on benefits by **changing the welfare system**. He says something has gone seriously wrong with our benefit system and that welfare dependency is holding New Zealand back.

Brash's goal is to reduce the number of beneficiaries from over 300,000 to 200,000 within a decade. He pledged to make the unemployed work for their benefit, make mothers on the domestic purpose benefit with school-aged children go to work, and tighten up on sickness and invalids benefits.

His speech outlined several welfare areas he would **specifically target**. These include:

- requiring unemployed beneficiaries to work-for-the dole or retrain, focusing initially on people under 25 years and those who are long-term unemployed;
- introducing a three-month trial period so employers hiring beneficiaries perceived as "risky" could opt out without legal consequences if it didn't work out;
- conducting numeracy and literacy tests of those applying the dole and arrange education for those who need it;
- implementing better medical evaluations for sickness and invalid benefit applicants;
- requiring domestic purpose beneficiaries to work part-time, retrain or do community service as soon as their youngest child starts school. And when the youngest child turns 14 years sole parents would be required to work full-time;
- that there is no "automatic entitlement" for additional state assistance for women who have more children while already on the domestic purpose benefit;
- acknowledging adoption, rather than a domestic purposes benefit, as an acceptable solution for teenage women having babies;
- requiring domestic purpose beneficiaries to name the father of their child or face a significantly higher financial penalty;
- requiring vaccinations and health and dental checks for pre-school children of beneficiaries and having these health checks done as a condition for beneficiaries' children attending school.

- Brash argued that low-income working New Zealanders often find themselves no better off than their beneficiary neighbours and this has to change. Brash: "Why should Kiwi families battling to get ahead in life, working hard and coping with the pressures of raising a family and paying off the mortgage, all at their own expense, have to support numerous people who are not making a similar effort, or who have substantially contributed to the unenviable situation they find themselves in? What has happened to personal responsibility?"

Brash said the changes he is promoting are not about saving money. He says the real benefits from "defeating dependency" will be the increased self-esteem and self-confidence among beneficiaries, most especially among their children. However, he did point out that more than \$5 billion a year — or \$2,500 for every worker — is spent on the four main benefits and supplements.

— Don Brash's "*Welfare dependency: Whatever happened to personal responsibility*" speech can be downloaded (59Kb 13pg) from [www.national.org.nz/files/Don\\_Brash\\_-\\_Orewa\\_Speech\\_2005.pdf](http://www.national.org.nz/files/Don_Brash_-_Orewa_Speech_2005.pdf)

- National welfare spokesperson Katherine **Rich**'s refusal to fully endorse her leader's welfare policy speech has gotten her **sacked** from her welfare

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## DIARY

24 January 2005

More than 100 workers are currently needed in orchards in Central Otago, according to Seasonal Solutions director Basil Goodman.

25 January 2005

National Party leader Don Brash gives his welfare policy proposal speech at the Orewa Rotary Club.

26 January 2005

The European Commission's annual report finds job-creation in the EU is not keeping up with the increasing workforce. *The Financial Times* says although there was progress in some countries job-creation targets were increasingly unlikely to be met.

27 January 2005

The AMP quarterly home affordability index shows a 15.1% decline in housing affordability over last year. Westpac chief economist Brendan O'Donovan says buying a house is getting harder because wages are so far behind and prices are going up so fast.

The Real Estate Institute says young house buyers are being forced out of the house market by inadequate wages which had failed to keep pace with rising house prices and mortgage costs. The Institute urges the government to step in and help.

role and cost her her seat on the opposition front bench. Soon after Brash delivered the Orewa speech, *The New Zealand Herald* asked Rich four times if she supported the policies Dr Brash outlined and each time she refused. This raised the questions of whether she was consulted enough about the content of the speech and lifted speculation that she had been sidelined by the leadership.

Rich initially said such speculation was “absolute nonsense” but a week after the Orewa speech, party leader Brash announced that Rich would no longer hold the party's welfare role. Katherine Rich now moves from number 4 in the National caucus to number 10, and Judith Collins will take over the party's welfare portfolio. Brash: “Though Katherine had substantially completed the advance work on the welfare policy, it is fair to say she did not agree with some detail of the policy as announced at Orewa. The differences are not big but they preclude the possibility of Katherine continuing in the role as spokeswoman for welfare.”

- Green MP Sue Bradford has voiced her **disappointment with both** the speech from the Prime Minister and Don Brash. She says that in the run up to the Prime Minister's statement to parliament she was led to expect there would be details given of the government's intentions in regard to major reform of our social security law through a universal benefit, among other things. Bradford: “However, the reality of the pronouncements has proved somewhat anti climactic. We are once again told by the PM that ‘reforms to the whole structure of the benefit system’ will take place — but at a time yet to be advised, and of a nature which remains clouded in mystery. Thus we still don't know after some five years what the Government is actually planning and how it will impact on the reality of beneficiaries' lives, or how it will differ from some of the proposals emanating from other parties.”

Bradford is concerned at the part of Clark's speech that signals that her welfare reforms will “make case management of clients back into work” their central focus. She says that this only serves to accentuate all that the Labour and National parties have in common when it comes to their attitude towards welfare and beneficiaries.

Bradford: “While Labour is undoubtedly more progressive and compassionate in its overall approach to people on benefits, it is clear that Steve Maharey and his colleagues are playing both ends against the middle in trying to undercut National by playing to those voters who like nothing more than a political campaign which demonises beneficiaries. Helen Clark's talk of increased case management into work sounds suspiciously like National's ‘Work First’ policy. Even Labour doesn't seem to recognise that some people, through illness or injury, or the fact that they are responsible for caring for children on their own simply should not be harassed into thinking paid employment is the only option for them if they're to be considered valid citizens of our country.”

- What would the **Green Party do?** Bradford says they will continue to push for initiatives like:
  - a new Social Security Act based on principles of sufficiency, simplicity and equity;
  - a Universal Child Benefit which would not only help all families, low-income ones most of all, but could also assist with capital for home deposits;
  - a rise in the minimum wage to at least \$12 per hour;
  - increased resources for state and third sector social housing where income related rents could apply;
  - more help for families trying to buy their first home;
  - and a universal student allowance system.

## VOICES

### on BRASH'S WELFARE SPEECH

*"No one wants to pay for a bludger. I don't and nor does any reasonable person. The key thing is to ensure we are working very actively at moving people who can be moved off welfare into work. There are many people on sickness and invalid benefits who would like to work if we can create the opportunities for them, taking into account their level of sickness and disability."*

— **Helen Clark, Prime Minister**

*"Dr Brash wants a return to the policies of the 1990s based on punishment rather than opportunity. A decade of applying these policies have told us that they don't work. He has mentioned nothing that will provide an incentive for people to get back into work, only to punish them for being out of work. Where are his policies for providing young people with a successful pathway from school to work, for getting sickness beneficiaries access to the healthcare they need to get back to work, for quality childcare for sole parents? Where are the financial incentives to ensure that a move into the work force is worthwhile for people on benefits?"*

— **Steve Maharey, Minister of Social Development**

*"Orewa has been another triumph for National's Leader, Don Brash. He has delivered an extremely important and influential speech which will set the scene for the welfare debate in the coming year. I share Don's vision that New Zealand has to do more as a country to make sure that our welfare system is a safety net and not a trap."*

— **Katherine Rich, National MP, before being dumped as National Party spokesperson on welfare**

*"I'm wondering what his next keynote speech is going to be ... because the spokesperson must be quaking in their shoes..."*

— **Helen Clark, Prime Minister**

*"Don Brash has never known poverty, he is in no position to lecture the most disadvantaged people in our society on how to live their lives. He has a 'work house' attitude to social security issues. Dr Brash should have learnt from his father that punishing the poor and downtrodden won't lift them up. I know from personal experience from working with beneficiary groups that this sort of negative politics has a direct and deep psychological effect on people; it makes them feel worthless and unwanted. An attack on solo parents is particularly insidious, as it undermines the self-esteem of people who are doing the most important job in society, raising the next generation."*

— **Sue Bradford, Green MP**

*"While I am heartened by National's commitment to welfare reform, I'm concerned that its timeframe of 10 years to shift people from welfare into work is too slow. ACT believes we don't have a moment to lose. Research continues to tell us that welfare is bad for families, especially for children. I suspect New Zealanders want a much shorter time frame than that advocated by National. ACT says halving benefit numbers is achievable in the short-term if we adopted my five-step plan to overhaul the welfare system."*

— **Muriel Newman, ACT MP**

*"The Maori Party is disappointed that the leader of the Opposition has approached the critical issue of welfare dependence by an attack on individual beneficiaries. Statements such as 'ripping off the system', or 'living off the rest of the community', lay the blame of our welfare system on the individual recipients, rather than focusing on how communities can address their situation. Attacks on Maori unmarried mothers are unnecessary and end up destroying the spirit of our women. Maori women made up the greatest amount of voluntary hours in the country. A dollar value has not been put on their work, but we should not forget the significance of their contribution, and others, to the social capital of this nation"*

— **Tariana Turia, co-leader of the Maori Party**

*"There was very little in Brash's speech that was new — work for the dole, though only for the under-25s in the first instance, making DPB recipients go back to work once their children are at school and using designated doctors to weed out shirkers on the sickness benefit. Policy prescriptions based on a boot-up-the-backside approach to unemployment and benefit dependency. Much of his speech would have resonated with the "Kiwi battlers" with whom he was trying to connect — like the suggestion that they were making sacrifices in terms of time with their children that the DPB relieved others of making."*

— **Tracy Watkins, columnist, The Press**

*"I think it's a sound analysis of welfare issues. It is in line with what I think are the lessons from welfare research. I don't think it is a speech that would be at all controversial in Australia, let alone the US. The basic issue Don Brash argues is not only the large cost to the country, which he is right about — and he is also right to say that hard-working New Zealanders feel unhappy when people who could get jobs in today's labour market aren't taking them — but more to the point, it is a terrible life for many people."*

— **Roger Kerr, the Business Round Table**

*"Essentially, Dr Brash is resurrecting the work-for-the-dole scheme of the late 1990s, even though it is considered widely to have failed. The main problem, at least according to the Department of Work and Income, was that it stopped participants looking for real jobs. What Dr Brash does not explain is how and why National's revamped scheme would work this time."*

— **Editorial, New Zealand Herald**

*"It's socially destructive in a number of ways. It assumes beneficiaries are poorly motivated and don't want to work. His arguments are absolutely unrelated to the evidence here and around the world about people on benefits and their circumstances, and about their lives and aspirations. Brash says we shouldn't punish children, yet he proposes cutting benefits if mothers have another child, or their children aren't vaccinated or going to school. He says children shouldn't be harmed, then gives proposals that would do exactly that."*

— **Mike O'Brien, Massey University School of Social and Cultural Studies**

*"I think it's sad that politicians go for popular divisive ideas. It goes back to the idea of benefit bashing in the 1990s. It's apathetic attempt at vote catching. He's got no idea what it's like."*

— **Jill Preston, Nelson Beneficiaries and Unwaged Workers Trust**

# The Jobs Letter

## DIARY

28 January 2005

The NZ economy has averaged 3.8% growth over the last five years, a rate greater than Australia, the US and the OECD average. Reserve Bank governor Alan Bollard warns that if a high growth rate is to be continued it must be done through increased productivity per worker rather than increased use of resources.

Illegal workers are still working in Hawke's Bay orchards. Immigration officials have caught some 20 people without valid permits over the past two months.

29 January 2005

The NZ Nurses Organisation says the UCOL institute of technology programme in India to qualify Indian nurses to work in NZ raises ethical issues for the industry. NZNO chief executive Joy Bickley says that on an international level there is widespread concern about the poaching of nurses from developing countries. Bickley: "It means the health-care needs of developing countries are being sacrificed." She says nurse training resources should be focused on preparing NZ nurses at home to work at home.

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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)*

- Thousands more at-risk school leavers will be assisted in the **transition from school** to work as the Ministry of Social Development expands the Youth Transition Service into five new areas. Manukau, Hamilton, Gisborne, Hutt/Upper Hutt and the Far North are the next five sites. The announcement follows the five sites announced in August 2004 and are due to be formally launched in New Plymouth, Porirua, Rotorua, Waitakere, and Whangarei this month. The programme will be launched in a further four communities by 2007.

The Youth Transition Service provides funding for regional programmes which provide at risk youth with access to career planning and job-seeking help, encourage and assist youth to take advantage of education and training opportunities, provide school-leavers with customised support and guidance to facilitate their pathway into work, education or training. It is funded by the Ministry of Social Development and implemented in partnership with the Mayors Taskforce for Jobs.

- The government is considering whether it will table a bill making it mandatory for future governments to produce annual reports measuring New Zealand's social performance. Minister of Social Development Steve Maharey says the intention is to make governments **accountable for their social policy**. He portrays a social reporting law doing a similar job as the Fiscal Responsibility Act — implemented by the former National Party government in the early 1990s — to make the government prudent in its budgeting. Maharey want a similar requirement of governments in the area of social policy.

Since 2001, the government has produced social reports that measure how the country performs in areas such as education, employment and health and uses a series of indicators to show how New Zealand compares with other OECD nations. And last month, the government produced *Opportunity for All New Zealanders*, (see *The Jobs Letter* No 222) a multi-department report examining the government's response and priorities to social issues. Maharey wants such a report to be compulsory for all future governments.

- The New Zealand education export industry is advocating for **foreign students** to be given the **option to work** while they are here studying. Education New Zealand (ENZ) proposes that the more than 50,000 English language students be allowed to work for up to 20 hours per week. It is part of an ENZ plan to attract more English language students to New Zealand, which has suffered a decline over the last two years. ENZ chief executive Robert Stevens says allowing foreign language students to work would renew interest abroad in New Zealand as a destination for English language students. New Zealand competes in a global market and Stevens maintains that restrictive policies can affect prospective students' decisions on whether to study in New Zealand or go elsewhere.
- Critics say such a move would result in too much competition in the part-time job market. New Zealand First leader Winston Peters says the proposal is "not a goer" until every New Zealand student trying to get through university has the job they want first. New Zealand University Students Association co-president Andrew Kirton says more emphasis should be placed on international students' well-being rather than "marketing ploys". Minister of Immigration Paul Swain says he will consider the issues as part of a service review of student policy. Officials are expected to report back in April.

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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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