

# The Jobs Letter

No. 231

1 June 2005

*Essential Information on an Essential Issue*

## KEY

BUSINESS CONFIDENCE AT '87 CRASH LEVEL

WHAT WAS IN THE BUDGET FOR JOBS?

WORK-FOCUSSED SERVICES FOR DPB, SB & IB

SWEATSHOP ENVIRONMENT FOR FOREIGN FISHERS

TAKING TE WANANGA O AOTEAROA

• **Business confidence slumped** to a 17-year low in May. The National Bank Business Outlook survey showed 57% of responding companies expect conditions to deteriorate over the next year. In March only 19.9% were pessimistic. The last time business confidence reached such a low-point was in the wake of the October 1987 sharemarket crash.

The survey's "own activity index", which measures firms' expectations of their own prospects, also fell. 9% of firms are optimists, down from 15% last month. Profit expectations were significantly negative and, as a result, businesses have reduced their employment and investment plans.

• But National Bank chief economist John McDermott has cautioned against too much gloom, saying the New Zealand economy is much more resilient than it was in the '80s. McDermott says expectations suggesting economic growth of little over 1% "seem on the pessimistic side." But he doesn't expect high growth in the short term. McDermott: "The economy will cycle down this year, trough in 2006 and then start to trend up again."

In the face of six and a half years of high economic growth, the Reserve Bank has successfully held inflation within the 2% - 3% band. However, the interest rate rises and a drop off in the number of immigrants has seen the construction sector's profit and hiring expectations fall off. McDermott says this probably needed to happen to limit inflation, as it was the construction sector that was absorbing all of the available resources within the economy. He says among the casualties of the battle on inflation have been the dollar, export performance and the cost of capital — which had risen "until finally business confidence was crushed".

• The May **Budget** announced adjustments to income tax thresholds (from 2008) and the introduction of a retirement and first home buyers savings scheme (from 2007). But what was in it **for jobs and the skills shortages** now? *The Jobs Letter* takes a look ...

*Apprenticeships and workplace training.* A \$44.6 million four-year skills package includes:

— \$6 million to expand Modern Apprenticeships by an additional 500, bringing the total number of Modern Apprenticeships to 9,000 by December 2006

— \$7 million for foundation literacy and numeracy learning in the workplace

— \$31.6 million to increase participation in industry training by about 10,000 new training places annually from 2006

The funding for industry training will see the target of 150,000 industry trainees in 2005 met, but will not be sufficient to reach the goal of 250,000 industry trainees in 2007. More funding in this area is expected to be announced in June.

## DIARY

14 May 2005

Up to 30 Fonterra staff are offered redundancy or replacement jobs as the company moves part of its Northland operation to Singapore.

The Philippines has begun to rival India for outsourced international call centre work. However, a Philippine recruitment company director Carol Dominguez says India has done a better job of moving beyond call centre work to higher-margin jobs like animation, accounting, financial analysis and examination marking. Dominguez points out that within a few years new technology will be taking over some of the "voice" work.

IBM, the world's largest computer company will cut 13,000 jobs, or 4% of its workforce.

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## DIARY

15 May 2005

Wellington City Council is setting up an in-house work experience scheme for refugees and migrants. Up to 10 refugees and migrants who are registered with Work and Income will get unpaid work experience in hopes of improving their job prospects. Eight council units — including building consents, library, service units, infrastructure, parks and gardens have been chosen to take the placements. Council community services director Wendy Walker says the project was created because of the difficulty refugees and migrants have getting NZ work experience.

As the German unemployment national rate reaches 12%, more and more Germans are going to Austria — where the unemployment rate is 5% — to work as “guest workers”. Ironically it was the Germans who coined the phrase “guest workers” to describe Turks who came to Germany in the 1960s and 70s to do the low-paid jobs the locals were reluctant to do.

17 May 2005

The *New Zealand Herald* runs a three-day feature on “the migrant experience” featuring the problems skilled migrants from Asia tend to have getting a foothold in the NZ job market.

Mental illness is now Britain’s biggest social problem, according to economist Richard Layard, who points out there are nearly one million Britons with mental health problems on incapacity benefits ... more than are the unemployment benefit.

18 May 2005

Unemployment among Palestinians increased to 32% in the first quarter of this year, leading to protest marches in Gaza.

*Long-term unemployed.* \$21 million of new funding will be added to programmes targeting the long-term unemployed to move into jobs. The funding will provide intensive case-management, wage subsidies and an Urban Employment Service (See *Jobs Letter* No 223) for clients who have been unemployed for more than three years.

*Working parents.* An extra \$55.2 million over four years for childcare and Out of School Care and Recreation (OSCAR). The additional support is over and above the widened eligibility and rate increases that are part of the “Working for Families” package.

*Sickness and invalid beneficiaries.* \$27.7 million is to be spent over four years to expand services to get more sickness and invalid beneficiaries into work. This includes:

- “preparing for work” assessments that identify what a client is able to do the support they need to get a job. This funding will enable 2,500 clients to be assessed each year.
- individual employment support for people with disabilities, and their employers, to meet the specific needs the person may have in order to work, such as specialist equipment and workplace modifications. An additional 1,000 clients are to be helped in 2005/06 with an ongoing funding commitment for 1,500 clients each year after.
- fees for Work and Income designated general practice doctors and psychologists increase to \$119.25 per visit and medical specialist fees increase to \$168.75 per visit.
- the nationwide rollout of a programme enabling doctors to seek second opinions when determining an individual’s eligibility for the sickness benefit.
- an employment co-ordinator role will be established in each of the 11 Work and Income regions. These employment co-ordinator’s principal tasks will be to develop and deliver an appropriate work brokerage service for clients with ill health or disability. This will involve putting in place processes to retain people’s employment connections when they first come on the benefit. They will also develop close working relationships between Work and Income and local organisations that assist these clients into work, including community employment initiatives and contracted services such as supported employment.

*Changes to tax thresholds.* Personal income is taxed at four different rates, with increasing percentages of tax paid on the higher levels of a person’s income. Over the years, many people have moved into higher tax brackets simply as their income has gradually lifted over the thresholds set in 1999. The Budget will raise these income thresholds levels so that, from 2008, the raised thresholds will compensate for about 2% per year inflation for the three previous years. Every three years thereafter similar adjustments will be made.

*Workplace savings.* The government is encouraging people to save by creating a workplace savings scheme into which people can put either 4% or 8% of their earnings, to which the government will add \$1,000. The scheme will be locked until retirement although middle-income earners may be able to access the money to buy their first house. If a worker does not want to participate in the scheme, they will have to actively opt-out as any employer of more than 10 people will be responsible to automatically enrol their staff in the scheme.

*Students allowances.* People on a students allowance will be able to earn more (\$180 per week, up from \$135) and still maintain their

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19 May 2005

Minister of Finance Michael Cullen delivers the government's 2005-06 Budget.

20 May 2005

The Green Party is calling for submissions on the Flexible Working Hours Amendment Bill. A copy of the Bill or a guide to making a submission can be obtained from: Danna.Glendinging@parliament.govt.nz

eligibility for the allowance. The Budget has also raised the income threshold for the parental means-tested student allowance. The thresholds are also raised for students' whose parents are separated or who have more than one child in study.

- **Work and Income is to trial a new work-focussed service for all beneficiaries.** Minister of Social Development and Employment Steve Maharey says the services will focus on work outcomes for all beneficiaries, not just the 20% on an unemployment benefit. Maharey: "Sole parents and people with disabilities or illness will have access to a full range of specialised employment services, including work seminars, job matching and training. Rather than categorising people on the basis of why they are unable to work, the service will focus on what support people need to help them move into work, regardless of their benefit type."

## VOICES

### on the Budget

*"I am confident that history will judge Budget 2005 as an important further step towards putting New Zealand back in the top half of the OECD."*

— **Michael Cullen, Minister of Finance**

*"We will not be getting into a tax cut and spending auction for this election because we do not believe that is in the interests of good economic management."*

— **Helen Clark, Prime Minister**

*"This Budget is slow Punch and no Judy. Frankly, working New Zealanders should feel insulted they've had to wait so long, to be promised so little."*

— **John Key, National Party Finance spokesman.**

*"Labour has today sealed their fate in terms of the pending loss of the seven Maori electorate seats. A piffling \$1.2 million treaty exhibition tour will do nothing to restore the confidence of tangata whenua, that this Government respects Te Tiriti o Waitangi as the constitutional foundation of this land. Tangata whenua have disappeared off the radar with this Budget, replaced by the 'Kiwi' breed which is mentioned 26 times in Dr Cullen's speech."*

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

*"We've been calling for some time for initiatives to help Kiwis buy their own home and save for their retirement and this Budget deserves praise for following our advice. However, we're also concerned that the Budget doesn't do enough to help low-income Kiwis and young people, future-proof the economy, or encourage more environmentally-friendly business and living."*

— **Rod Donald, Green party co-leader**

*"The inflation adjustments aren't tax cuts at all. They are six years too late and don't kick in for three years. A tax cut across the board for New Zealand's over-taxed workers has been earned, is long overdue and should have been delivered."*

— **Rodney Hide, ACT Party leader**

*"It is a Budget of bizarre priorities which emanates from Labour's strategy of focus group polling and trying to keep pressure groups happy and pandering to immigrants."*

— **Winston Peter, NZ First Party leader**

*"We welcome the \$12.4 million increase for home support services for older New Zealanders. We're yet to be convinced that the announcements today will do more than maintain the often-perilous status quo for many Christian-based residential aged care providers. The government has also missed a great chance to show some vision for the future mix of aged care services, which we're frankly disappointed with. Band-aid solutions won't work in the long term."*

— **Jeremy Irvine, NZ Council of Christian Social Services**

*"Students will welcome the small improvements to the way that student allowances are administered but these will do little to solve the current student debt crisis."*

— **Camilla Belich, Co-President of the New Zealand University Students' Association**

*"Well, Rome wasn't built in a day and neither will one Budget be sufficient to satisfactorily address New Zealand's savings and asset ownership challenges. But yesterday's Budget was the first in many years to contain deliberate policies to encourage personal savings and asset ownership. Such policies are long overdue and Michael Cullen and his colleagues deserve credit for this change in policy direction."*

— **David Skilling, NZ Institute**

*"Aspects of Budget 2005 signal a move in a direction consistent with the aims of Every Child Counts. However, the Budget doesn't sufficiently acknowledge that children are our most important human resource, and their development is essential to achieving the best possible social and economic outcomes for all New Zealanders."*

— **Emma Davies, Every Child Counts**

*"Worked out how you are going to spend your tax cut? All \$6 to \$10 of it? No hurry. You've got the best part of three years to think about it."*

— **John Armstrong, political correspondent NZ Herald**

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## DIARY

22 May 2005

NZ University Students Association urges school leavers to delay doing tertiary study until they are at least 25 years old in order to outgrow the parental means tests for a student allowance. Less than one-third of tertiary students qualify for a student allowance primarily because they are ineligible due to the amount their parents earn.

Far more teachers than expected opted for redundancy when the government closed 12 Invercargill schools in its controversial "school network reviews". Southland Boys High rector Ian Baldwin blames the speed of the Invercargill review for driving so many teachers out of education. One result has been the government will not make the savings it budgeted for over four years by the school closures, because it has spent much more than anticipated on redundancy payouts.

23 May 2005

The National Party confirms it plans to cut jobs in the state services. National finance spokesperson John Key says it would not cut frontline the jobs like teachers and nurses but says he would find "pretty chunky savings" by cutting what he believes is a bloated government bureaucracy.

A mining company has delayed opening its Australian copper mine by four months after a shortage of skilled workers slowed construction. Straits resources chief Milan Jerkovic says the construction of the mine was shut down for a few weeks because labour was unavailable.

Maharey says the new work-focussed service underpins the single core benefit to be introduced in 2007. From June the new work-focussed services will begin in sites in Whangarei, Auckland, Otara, Hamilton, Tokoroa, Gisborne, Waitara, Masterton, Naenae, Nelson, Riccarton and Dunedin South.

- Kerikeri's biggest fruitgrowing company Kerifresh has hired 20 **workers direct from Samoa** for their permanent workforce. The Samoan workers will mainly prune and pick lemons, which ripen throughout the year. The company paid their new workers' air fares as a loan and will take the money back in deductions from their wages. It has put the workers up in a school camp and is bringing them to the lemon orchards in vans until it can find houses for them to rent with their families. The money paid in the orchards, not much above the minimum wage, is still attractive to the new arrivals. One worker, Toiloto Apelu, a former senior constable with 14 years experience, says he earned less than \$80 per week in Samoa.

There are over 3,500 people on unemployment benefits in Northland, but only about 70 in Kerikeri and most of these are over 60 years old. It follows that people not living in the town would incur the expense of running a car in order to work in the Kerikeri orchards, paring down their disposable income. Even so, Adam Smith, a 20 year old from Hokianga with some orchard experience, says it's not fair to lend people airfares to fly from Samoa but not to help locals who can't afford cars to drive the half-an-hour to Kerikeri. "Would we get the right to buy a car and pay that back on hire-purchase?"

- Last year, Work and Income hired buses to bring unemployed people from Kaeo, Kawakawa and Hokianga to the orchards and those who refused had their dole cut. But this still didn't get the work done in the orchards. Regional commissioner Marama Wiki says some of the workers got other jobs and the numbers on the buses dwindled. If offered, most people will take a permanent job over the uncertainty of seasonal work.

Labour contractors believe the long-term answer is to find other **work in the off-season** so seasonal workers can earn a year-round income. This is working for some who go on to Kaeo for the oyster season, while others go to Dargaville to harvest pumpkins. Cliff Colquhoun, manager of the Community Business and Employment Centre in Kaitaia, says providing satisfying, year-round work for Northlanders would be hard at first but the pay-off in social dividends would be huge. Colquhoun believes that if a real effort is made now, in five or 10 years there won't be any unemployment in Northland. Colquhoun: "There is going to be that much work happening around the area that the unemployed can be absorbed. But that won't be unless we make the effort."

- The income threshold requirement for Samoan and other Pacific Island **people wanting to immigrate** to New Zealand has been lowered despite reservations by the Department of Labour, Housing New Zealand and Treasury. In 2003 and 2004, New Zealand was unable to fill its expanded quota of Pacific Island immigrants. Minister of Immigration Paul Swain says the income requirement was too high, effectively ruling out many applicants and this was one of the main reasons why the quota had not been met.

In order to qualify to immigrate, Pacific Island applicants had to have a job offer that paid \$31,566 (\$15 per hour). The government changed the income threshold to \$25,585 (\$12.30 per hour). The new figure

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## DIARY

24 May 2005

The Ministry of Social Development has signed yet another “jobs partnership”, this time with the intention of seeing unemployed people trained for work in the hospitality industry. The “jobs partnership” with the Lion Nathan School of Business, called “Straight to Work” will initially see 50 people move off the dole and into work as trained baristas and bartenders.

Women’s ability to participate as fully in the workforce as they choose will be one of the Ministry of Women’s Affairs’ priorities during the next three years, according to their *Statement of Intent 2005-2008*.

The OECD predicts the NZ unemployment rate will average out at 4% this year, rising to 4.5% in 2006.

The International Labour Organisation says international youth unemployment is rising. Youth unemployment affects 88 million young people, almost 15% of all young people, and the majority are women.

25 May 2005

The PATHS scheme is extended to the Bay of Plenty. PATHS provides funding for eligible beneficiaries who are prevented from working by health conditions that can be treated to enable their quicker return to work.

is based on the unemployment benefit plus the maximum accommodation allowance, which is, broadly, the average income of Pacific people working in New Zealand. Swain says the quota numbers are now “tracking well”.

- However, papers released to ACT MP Muriel Newman under the Official Information Act, show that government agencies did not support lowering the minimum income level requirement for Pacific People. The Department of Labour said an income level reduction could impact on housing, education and health costs and could increase the level of state support needed for low-income families. The department also warned lowering the income threshold could increase financial pressure on Pacific Island families already living in New Zealand, and raise overcrowding issues.
- Interviews with **foreign fishing crews** — working on contract to New Zealand companies — have revealed allegations of pay rates as low as \$195 per month (with 40c of every dollar going to overseas agents) as well as violent abuse by supervisors and cavalier attitudes to safety at sea. Andrew Annakin, deputy secretary at the Department of Labour, says that if the allegations are true, and he has no reason to doubt them, the conditions amount to little more than sweatshops.

Foreign crews working on foreign-owned boats chartered by New Zealand companies catch about 40% of the fish brought up from New Zealand waters. Workers employed directly or through charters are required to comply with New Zealand law. But Annakin says it is difficult for his officials to verify pay and condition details because foreign boats come to port infrequently, employment records are not done to standard.

Peter Talley, who owns New Zealand-based Talley’s Fisheries’, told the *Sunday Star Times* last September: “We pay the same price for fuel as a joint venture vessel. We pay the same for fishing nets. We pay the same providing costs. There is no cost advantage in a joint-venture vessel. Where they clean us up is in the cost of labour.”

- Ministry of Health is asking for feedback on a plan aimed at building up the number of **Maori working in the health and disability sector**. Matire Harwood, an executive member of the Maori Medical Practitioners Association told *The Press* that studies had shown some Maori had chosen not to see a doctor if a Maori health professional was not available. Harwood says Maori are 15% of the population but only 2% of the medical workforce.

*Raranga Tupuake* — *Maori Health Workforce Development Plan*, the Ministry’s discussion document, says that capable and competent Maori health workers are pivotal to providing appropriate care to Maori. It states that the Ministry of Education, the Tertiary Education Commission, Career Services, training providers, industry training organisations and wananga will play important roles in attracting Maori into the health sector.

However, Hector Matthews, the business development manager for the Canterbury District Health Board’s Community and Public Health says Maori youngsters need to be encouraged to consider a career in health long before they made decisions about tertiary education. Matthews: “My next step would be funding DHBs right around the country to go into schools and into Maori settings right around the country and actively recruit.”

— Raranga Tupuake — *Maori Health Workforce Development Plan* — Discussion document can be found through [www.moh.govt.nz/moh.nsf/by+unid/6006D518AD9AFDFDCC2570040075FAFB?Open](http://www.moh.govt.nz/moh.nsf/by+unid/6006D518AD9AFDFDCC2570040075FAFB?Open)

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## DIARY

26 May 2005

The average student loan debt is \$14,871. There are now 708 people who have student loan debts of over \$100,000. Collectively 460,000 students and ex-students owe \$6.9 billion.

27 May 2005

NZ is benefiting from an exodus of South African medical graduates who are leaving their home country.

Malaysia, in the throes of a severe labour shortage, is encouraging migrant workers to come to the country on tourist visas to find work. The move comes as a complete reversal of the Malaysian government's concerted effort to expel 380,000 of these same people, primarily from neighbouring Indonesia, earlier this year.

28 May 2005

National Party finance spokesperson John Key says he is looking at the feasibility of offering tax concessions to employers who pay off their workers' student loans.

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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)*

- Alarm bells are ringing as the government intervenes in the running of the country's largest tertiary education institution. Professor Ranginui Walker is one of many who watched in despair as Minister of Education Trevor Mallard declared **Te Wananga o Aotearoa** insolvent and gave notice he was dissolving the board and appointing his own commissioner to run the institution. Mallard said the situation was serious and alleged problems with its accounting and management systems.

Part of Te Wananga's much reported cashflow problem is due to the slump in the number of students enrolled this year. The roll dropped from 34,000 full-time equivalent students last year to 22,000 this year. Mallard says the strong growth in Maori employment is a factor in the decreased roll.

- But Te Wananga blames the recent flurry of **negative publicity** for the sudden drop in student numbers. And there is speculation about whether the institution is really in financial trouble or if the government is just responding to the fast growing tertiary institution taking up too much of the education dollar. Professor Walker says the real trouble is that when stones were thrown in Parliament by opposition MPs, Mallard ducked. Walker points out that the Tertiary Education Commission said Te Wananga wasn't broke. Walker: "He has moved against the wananga, but it wasn't broken. Three polytechnics went to the wall — Wanganui, Northland and Wellington — but did you hear fuss about that?"

Professor Walker says Te Wananga's sidelined chief executive Rongo Wetere's primary objective has been to **increase Maori participation** in tertiary education, to close the educational gap with Pakeha. Walker: "He has taken in the ones who failed in the Pakeha education system, the ones who dropped out, the ones who were kicked out, the ones who ended up in low-paid jobs on welfare and became a burden on society."

Political columnist Chris Trotter notes that Mallard's announcement that the government would lend the wananga \$20 million to relieve its cashflow difficulties should be seen in the context of his earlier decision to withhold a \$15 million "suspensory loan" (essentially a gift) owed to Te Wananga by the Crown in fulfilment of a Waitangi Tribunal settlement.

Trotter also points out: "Mr Mallard's actions are without precedent in the tertiary education sector. Never before has the Crown considered it necessary to assert its jurisdiction in so **extreme a fashion**. Were it to happen to Victoria or Otago University, the public outcry would be deafening." Trotter says we are witnessing "the dissolution of a politically autonomous Maori institution by the executive branch of the government — a process set in motion to facilitate the liquidation of millions of dollars worth of Maori property. What we're seeing is a raupatu: confiscation 21st-century style."

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