

The Jobs Letter

No. 246

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Essential Information on an Essential Issue

KEY

JOB LOSSES BLAMED ON
HIGH DOLLAR

CORPORATE WELFARE OR
SOCIAL INVESTMENT?

HIGHER MINIMUM WAGE
CAMPAIGN

BENEFIT NUMBERS STILL
FALLING

LINDA CLARK ON DAWN TO
DUSK CHILDCARE

OZ TACKLES WORKFORCE
PARTICIPATION

DIARY

18 January 2006

Referrals to foodbanks from social agencies such as Work and Income and hospitals increased 38% last year. Christchurch City Mission says demand for food parcels is exceeding supply and up to 40 people a day are going away from the foodbank empty handed.

19 January 2006

The Indian IT sector is facing massive skill shortages. Ganesh Natarajan of Zensar Technologies estimates the shortage of solution architects, specialists with domain skills, designers and analysts in India may be as many as half a million workers by 2010. He encourages Indian universities to tailor their curricula around the looming need.

- Recent job losses in the manufacturing sector are being blamed on the **high New Zealand dollar**. Rotorua wood products manufacturer PanaHome is laying off 112 staff, Christchurch sheepskin product exporter GL Brown is laying off 75 staff and South Auckland beef jerky manufacturer Jack Links is laying off 102 staff. Jack Links chief John Corner says the problem for manufacturing is the high dollar. When his factory opened four years ago the New Zealand dollar was at \$US.40. Corner: "Now it is sitting at \$US.70 and has been for some time, which makes it impossible for us to compete with manufacturers in South America."

Canterbury Employers Chamber of Commerce chief Peter Townsend says **manufacturers are being hit twice** by the strong dollar. Not only are they unable to make a profit with their exports because the exchange rate eliminated margins, but they are also competing in the domestic market against imports that are cheaper for New Zealand consumers. Townsend: "My prediction would be that we're in for a pretty rough spin in the productive sectors of our economy over the next six months."

- Minister of Finance Michael Cullen says the recent job losses are "the unfortunate consequence of six years of consistently strong economic growth" and this growth has been partially driven by the high dollar. But Cullen doesn't appear to be overly concerned about the recent job losses, pointing out that most commentators are forecasting only a **modest economic slowdown** and a continuing strong labour market. Cullen predicts unemployment to rise to 3.8% by the end of the year — which equates to about 8,000 lost jobs. Cullen: "There's no trend here of massive layoffs. There will be a slowdown in the rate of growth in the economy. It will be a modest rate of slowdown."
- Westpac economist Brendan O'Donovan agrees that employment growth will slow and expects the unemployment rate will have risen to 3.6% when the next figures come out. O'Donovan predicts the unemployment rate to rise because the labour market — which traditionally lags behind overall economic conditions — has yet to respond to last year's slower economic growth.
- Currency relief may be on the way. Deutsche Bank predicts the dollar will drop by 10% by the end of 2006 and chief economist Darren Gibbs predicts job losses may not be widespread. He argues that if employers believe the dollar is going to fall, they will try to **retain their staff**. If they don't hold onto them now, the tight labour market is likely to make it difficult for them to pick staff up when they need them later.
- Sunday Star Times* business columnist Rod Oram says economic pessimism isn't warranted. Oram points out that consumer confidence and spending, construction activity, the housing market and exports are all relatively buoyant. And the traditionally conservative Reserve Bank Monetary Policy Statement in December forecasted economic

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21 January 2006

Low-income earners are to be given an opportunity to buy a stake in their homes. The government is providing \$6.7m to Housing NZ Corporation to introduce a scheme in which the state takes a share of equity in a property and eventually the buyer would buy out the state's share.

22 January 2006

South Auckland export beef jerky manufacturer Jack Links announces it will lay off 102 workers. The company is retraining about 50 staff to supply the local market.

The Irish government plans to launch a green card system to allow foreign students — many from non-European countries — to stay on in Ireland and work after they finish their studies.

23 January 2006

Oil company BP warns that another year of terrorism threats and political instability in oil producing countries will hit the NZ economy hard, especially if the dollar weakens.

The cost of buying a house in NZ's three main metropolitan areas is rated as "severely unaffordable" by the Demographica International Housing Affordability Survey: 2006. The survey rates the cost of houses against local incomes in all the major urban areas in Australia, Canada, Ireland, NZ, the UK and the US. It can be downloaded (35pg, 618Kb) from www.demographia.com/dhi-ix2005q3.pdf

Canterbury Sheepskin product manufacturer and exporter GL Bowron cuts 75 jobs. Secretary Jim McBryde says the high NZ dollar and increased competition from low labour cost countries such as China has affected the company's sustainability.

Uncertainty in the labour market is making casual workers more attractive to employers. Labour hire firm Allied Work Force says demand for casual workers in December was up 10% on the previous year.

growth to be 2.2% this year: not as robust as in the recent past but nowhere near a serious recession.

Oram also says over the past few years New Zealand manufacturers have been investing in more sophisticated machinery and skilled staff rather than depending on a surplus of low-paid, low-skilled workers. The result could be that **a lift in productivity** is on the cards. Oram: "The upsurge in capital investment began in mid-2004, in part a response to a seriously tightening labour market and a high dollar that made imported machinery relatively cheap. It began to fade away in the second half of last year, but enough new investment has happened to suggest we will see a significant increase in productivity this year."

- The loss of jobs at Jack Links is sad for the 102 people affected, but the taxpayer has also lost out, according to National Party economic development spokesperson Katherine Rich. She accuses the government of providing \$550,000 of "corporate welfare" for Jack Links in 2002 when it was touting the company as a **key example** of its "jobs machine". Rich: "The government paid for a feasibility study through Industry NZ worth \$50,000 and Industry NZ also underwrote the assistance of Work and Income to the tune of \$500,000." Rich says it is unfair to other companies that the government tries to pick winners through its Industry NZ schemes. She says the business environment should be conducive for all businesses — not "just an anointed few".
- Jack Links' John Corner says the only assistance the company received from government was \$40,000 for an initial investigation into bringing the company to New Zealand. He says the half million dollars in training provided for unemployed people — many of whom did get jobs at the factory — was not a form of assistance to the company because Skill New Zealand and Work and Income made that assistance available to anyone who was long-term unemployed.
- The former Minister of Economic Development Jim Anderton agrees the \$500,000 was a successful **investment in training** of the long-term unemployed people. Anderton says the same 150 people had been receiving benefits averaging around \$250 per week — and were costing the taxpayer nearly \$2 million per year. Had they not worked at the company for the last three years they would have been paid about \$6 million in benefits. Anderton: "I am certain that the last three - four years of employment for those who got the initial training for work at the Jack Links plant will not be wasted. These Kiwis will have gained useful skills and work habits. They will have paid taxes and their children will have dads and mums who go to work as role models. They now face a work environment that is as close to a full employment situation as we have seen in New Zealand's living memory and they will be more confident in their ability to approach the job market than if they were still on the unemployment benefit four years down the track."
- The Ministry of Economic Development has completed its **evaluations** of many of the government's 50-odd programmes that make up the "jobs machine", Jim Anderton introduced in 2000. Current Minister of Economic Development Trevor Mallard says that although no final decisions have been made, cuts are likely. He says that responding to the evaluations — even if it meant **culling some** — was important to maintaining the quality. Mallard: "We are looking at probably reducing the number of programmes and making them more flexible to ensure there is support for the really top-shelf business ideas and innovation that is coming through and which needs initial support to get to the next stages of development."

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24 January 2006

All 35 workers at a Pacific Plastics Recyclers factory are to be kept on after fire destroyed their workplace. The Otaki firm has two other factories in the Horowhenua town and staff are being re-deployed until a new factory is built.

Motorists and freight firms are hit by the steepest fuel-price rise of recent months — 6c per litre for both petrol and diesel. The rises are blamed on an intensifying militant campaign against foreign oil companies in Nigeria and rising tensions over Iran's nuclear programme. The price of oil has risen more than \$US10 per barrel in one month and is now selling at nearly \$US70 per barrel.

A Wellington-based manufacturer is to produce a plastic pallet in China rather than make it in its Stokes Valley factory. Calvert Plastics co-owner John Matthews says he can buy the finished product in China for the price of the raw materials in NZ. The market for the pallet is in the US.

Ford will cut 30,000 jobs in North America and close 14 factories by 2012. The car manufacturer is also investing millions of dollars in the Piquette Project with the intent of producing a hybrid car from both recycled and biodegradable materials.

25 January 2006

Green MP Sue Bradford pledges half her last year's back pay to the SuperSizeMyPay.com campaign aimed at increasing the minimum wage to \$12 an hour.

The NZ arm of international IT services giant EDS has exceeded its job creation target. EDS NZ received \$1.5 million in government funding by promising to create 360 local jobs within two years. The company had created 383 jobs by the end of 2005.

Cutting costs is no longer the sole purpose for globalisation, according to accounting firm

PricewaterhouseCooper. Chief executive Samuel DiPiazza: "The economies of Brazil, Russia, India and, of course, China were once seen primarily as sources of low-cost production. However, they now represent substantial growth opportunities for multinational and locally-based companies and at the same time are producing a new crop of serious global competitors."

- Katherine Rich says the upcoming "jobs machine" cuts shows the government has failed to determine clear objectives and measurements for the programmes. Rich: "The track record of Labour's grant schemes has been poor and the announcement of restructuring by the minister just confirms it."

The "jobs machine" has drawn a lot of attention over the years, including claims it sidelined Maori businesses, that it focused too heavily on Auckland-based businesses and lacked a clear focus. In 2004, an auditor-general's report into schemes administered by New Zealand Trade and Enterprise was highly critical of the way it had handled millions of dollars in grants. It uncovered missing paperwork, loose controls on spending and breaches of Cabinet guidelines.

- The Unite Union has launched a local "Make Poverty Wages History" campaign in support of the Minimum Wage (Abolition of Age Discrimination) Amendment Bill. The campaign is encouraging people to lobby MPs to vote to send the Bill to a Select Committee after it is first debated in parliament this month. Passage of the Bill would see the **adult minimum** wage apply **to all workers** older than 15 years. The campaigners are asking people to lobby the Labour Party, the Maori Party, United Future and NZ First to join with the Green Party in voting to send the bill to committee.

The campaign is also joining forces with SuperSizeMyPay.com which is calling for the minimum wage to be raised to **\$12 per hour**. Co-ordinator Simon Oostermann says a broad range of community groups are adding their voices to the call for all workers to be paid a liveable wage. Oostermann: "Community groups are joining the fast food workers' call for McDonalds, Burger King, KFC, Starbucks and Pizza Hut, to take social responsibility for the welfare of their workers, their families and the wider community. As the biggest brands, these companies set the wage standards for the entire industry and are in a key position to play a major role in making poverty wages history in New Zealand."

- The Council of Trade Unions (CTU) is one of the organisations supporting both the "Make Poverty Wages History" campaign and SuperSizeMyPay.com. President Ross Wilson: "Poverty only exists in New Zealand as long as we continue to tolerate it. The low wages that far too many New Zealand workers are paid has a direct impact on thousands of poor families, and contributes to our unacceptable rates of child poverty. The CTU also supports the removal of the age differential for the minimum wage by scrapping youth rates. We support fair pay for a fair day's work, and we look forward to campaigning alongside other community groups this year for the abolishment of youth rates and a speedier increase in the minimum wage to \$12 per hour."

— The SuperSizeMyPay campaign website can be found at www.SuperSizeMyPay.Com

- Ministry of Social Development figures show the total number of people receiving all types of **benefits dropped** by 17,616, or 6% in the 12 months to December 2005. And since December 2000, the total number of people receiving any kind of benefit dropped by 25% — from 401,415 to 302,083.

Minister of Social Development and Employment David Benson-Pope says the decrease in the number of unemployment benefits has been a key driver behind the overall drop in beneficiary numbers. Over the last 12 months, the number of unemployment benefits being paid out dropped by 14,543 or 22%. Benson-Pope: "Since 1999 we've seen 110,000 fewer

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26 January 2006

A human bird flu pandemic could ground up to 70% of the worlds' aircraft, warns Virgin Group boss Richard Branson. The only positive result would be a fall in fuel costs. Branson: "It will certainly bring down oil prices with a thump."

McDonalds fast food restaurants in parts of Britain are pioneering the use of a "family contract" which allows husbands, wives, grandparents and children over age 16 to job-share and swap shifts without notifying management.

A UN report predicts the NZ economy will grow 2% this year, while it forecasts world economic growth to be 3%. *World Economic Situation and Prospects* says the NZ economy has already slowed mainly due to the high dollar, as well as a low savings rates and high interest rates. It concludes that houses prices are at unsustainable levels and many households are vulnerable to falls in house prices.

27 January 2006

International trade unions meet with UN secretary general Kofi Annan to discuss the increasing engagement of the UN on the issue of international migration. The meeting agrees there is the need for a strong UN role in pushing for effective international action on rights for migrant workers and the need for economic development and job creation in so-called "sending countries".

28 January 2006

Timaru is touting for welders, plumbers, electricians, builders and carpenters who are also talented senior rugby players. The South Canterbury Rugby Union has placed advertisements in Auckland newspapers for rugby playing tradesmen. The union has approached local firms to provide the jobs — but demands to be first in the queue for a player contract if the firms hire any applicants with senior rugby ability.

The increase to the minimum wage from \$9.50/hr to \$10.25/hr will cost the aged residential care sector an estimated \$31m/yr. Healthcare Providers NZ says the government will need to boost funding to the sector to cover the higher wage costs.

people in receipt of unemployment benefits — dropping from 161,000 in 1999 to just over 51,000 in December 2005. That's a drop of nearly 70%."

It's not just the Pakeha/European figures that have fallen. The number of Maori in receipt of an unemployment benefit has also dropped. There were 4,033 fewer Maori in receipt of an unemployment benefit over the year to December 2005. And since 2000 the number of Maori receiving the unemployment benefit declined from 44,378 to 18,655, a drop of 58%.

The number of Pacific people on the unemployment benefit dropped 18% last year. There were more than 12,000 Pacific people on unemployment benefits in 2000 and this has reduced to 4,075.

The Ministry figures also show that the number of people receiving the domestic purposes benefit has decreased 3% or 3,037 people over the year to 106,302.

- **Sickness and invalid** benefit numbers, however, are trending upwards. The number of people on these benefits rose by 3% last year. Since December 2000, the number of people on sickness benefits rose from 33,560 to 46,862 and the number of invalids beneficiaries increased from 56,711 to 74,500. The Ministry says the long-term nature of the conditions which people receiving invalids benefits have, means that very few of the beneficiaries move from an invalids benefit into paid work or on to another benefit.

— *Benefit – Factsheets 2005*, published by the Ministry of Social Development can be found at www.msdc.govt.nz/media-information/benefit-fact-sheets/index.html

- Te Wananga o Aotearoa has **axed its pre-apprentice** carpentry and building skills courses. Former Wananga trades school head Ropata Stephens says the school averaged about 60 students per year with nearly half of the graduates going into apprenticeships and a further third into industry-related jobs. However, the cost of running the pre-trade course was high and it had become an uphill struggle to maintain numbers over the entire year. Stephens says too many students would leave the course before they completed it because they were offered jobs — not necessarily as on building sites — and the course could not cover its costs with the reduced numbers.

Te Wananga acting operations manager John Mote says the decision to close the pre-apprenticeship courses was partly financial but mostly because **not enough people** enrolled in them. Mote says young people preferred to join an apprenticeship programme and earn wages, rather than train for up to three years in order to gain the same skills. Mote: "We're certainly not abandoning the challenge of trades training. There's just been a change in the way young people want to train in the industry."

- Changes to the government's **Skilled Migrant Category** (see *Jobs Letter* No 245) seem to be working. The level of points — based on skills, qualifications and experience — needed by skilled migrant applicants in order to be automatically selected to immigrate was raised for people who didn't have a New Zealand job offer. But in December, 910 people who didn't have enough points to make their selection automatic were "invited to apply" to immigrate on the basis they had been offered a job. A year earlier only half that number of people who applied as skilled migrants had job offers. Minister of Immigration David Cunliffe says the indication is that Ministry is getting the kind of applicants New Zealand employers need.

The National Party calls the increased emphasis on **job offers** a positive move. Spokesperson Lockwood Smith says there had previously been too

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29 January 2006

The Maori Party is to launch a "continued attack on poverty". Co-leader Sharples says there is too much dependency on welfare in Maoridom and that policies need to be found that empower families and allow families to be strong in themselves, to look after their own and not to have to rely on a whole stream of welfare-type handouts. Sharples: "It's like a kid — if you keep giving your kids everything, at the end of the day they don't have the skills and knowledge to do it themselves."

The drop in international prices for lamb and beef products may slash dry stock farm incomes by \$30,000 this year. Lamb prices are down 20% over last year, pelt prices are down 30% and beef prices are expected to drop in 2006. All three major meat companies — PPCS, Affco and Alliance — warn of lower prices due to falling commodity prices and anticipated falls in the NZ dollar.

30 January 2006

Air NZ and engineering unions reach an agreement that could retain the airline's heavy maintenance base at Auckland and about 300 jobs.

NZ household borrowing is up 15.3% on what it was a year ago. Mortgages account for \$120.5 billion of the \$131.5 billion NZ consumers now owe. BNZ economist Stephen Toplis warns that the household sector won't stop spending until people started fearing for their jobs.

much weight placed on paper qualifications rather than employability. But Smith is yet to be convinced that the government has its skilled immigration policy right and says it will take time to see if the criteria are correct. Smith: "Instead of being a measure of employability, it could be a measure more of the desperation of employers."

- Neo-natal units in New Zealand hospitals are increasingly looking **overseas to recruit** specialist nurses. Middlemore general manager of the children's unit and women's health Nettie Knetsch says recruiting overseas is not only due to the demands presented by a new infant intensive care unit being opened at the hospital but is an ongoing strategy due to the general shortage of delivery and neonatal staff nationwide.

The New Zealand Medical Association warns, however, that recruiting specialists off-shore is a short-term and short sighted solution. Deputy chairperson Don Simmers says recruiting foreign-trained specialists will not remain an option for much longer because the **shortage** exists not only in New Zealand but **throughout the world**. Simmers: "New Zealand has relied for too much on that in the past but we are now going through a worldwide shortage of medical staff. We've really got to grow our own and to have a much more sustainable workforce."

- A **talent shortage** in the information technology (IT) sector is no longer a futuristic threat but will change the landscape of New Zealand business in 2006, according to computer systems company Unisys NZ. Human resources director Sandra Lyall says New Zealand's most talented employees continue to look for better opportunities in the United States, Australia and Europe or to switch to part-time and contract work. She predicts that in the coming year, New Zealand businesses will be forced to grapple with an ever-increasing shortage of IT workers. Lyall: "The talent shortage looks set to become a major concern in 2006. It has reached a critical level. In the past, talent management and retention programmes have been a perk for employees. Effective talent management is now a business imperative. Companies will no longer be able to retain a competitive advantage without it."
- Retiring National Radio NZ *Nine to Noon* host Linda Clark — a mother of young children — is unenthusiastic about pushing **mothers into the workforce**. Clark says that she may have been seen by many as a role model for working women but she says mixing motherhood and her full-time job had been too difficult. Clark says that women who look like they are managing to do it all — as she appeared to — aren't helpful to other women. Clark: "For a start, we are not managing often and it simply increases the expectation that the impossible is possible."

Clark says policy makers tend to frame the work/life balance issues as one that primarily entails more childcare. She says the real answer will only come from **redefining work** so that women can feel they are achieving and be perceived as achievers without having their kids "parked eternally elsewhere". Clark: "All last year I kept mulling over that nonsense Helen Clark said about getting women out working, and dawn-to-dusk childcare. That was so enraging. We were inundated on the programme with women who were furious about that. No one who has had their child in dawn-to-dusk childcare would ever recommend it for anybody. Everybody in the family suffers. Yes, we want to work and have our careers, but workplaces have yet to come to terms with what working and mothering means when they occur side by side."

- The Australian government has created a new ministerial position for Workforce Participation. The inaugural minister Sharman Stone will be

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1 February 2006

Christchurch Hospital has been forced to cancel surgery for about 20 patients this month because it has been unable to recruit anaesthetic technicians and theatre nurses. The hospital has been advertising the vacancies for months.

A fall in Japanese tourist numbers has resulted in Air NZ abandoning its Auckland to Nagoya flight. Some flights to Taipei will also cease due to falling passenger numbers. A twice-weekly service between Christchurch and Los Angeles will also be suspended from April to October.

2 February 2006

The official unemployment rate in Palestine is 22% and half of Palestinians live in poverty, according to Reuters. In Gaza, many Palestinians live on an average of \$2 a day.

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responsible for overseeing a controversial **\$3 billion welfare-to-work** package that the *Sydney Morning Herald* characterises as aimed at “getting the sick and single back into the workforce”. The appointment comes after an opposition politician recently sparked a national debate about childcare by slamming the funding system as “a shambles”.

Stone says **working mothers are desperately needed** to help overcome Australia’s skills shortage. Stone, a mother of three who has always worked outside the home, says she is aware that the needs of working parents and these — including childcare — are her top priority. She says it’s time for the government to look at bold policy options to solve the childcare crisis. Stone: “Childcare is intimately and integrally related to the capacity of people to re-enter the workforce, whether they be single parents or a couple.”

- The Australian Labor opposition has unveiled its proposal to tackle the country’s chronic **trade skill shortages**. Leader Kim Beazley says his party would cap TAFE (polytechnic) fees for trades apprentices at \$800 and then provide every new apprentice starting a traditional trade with a “skills account” of \$800 each year to cover the cost of tuition fees and textbooks. On top of the taxpayers subsidy, some employers would also be forced to contribute to their apprentices’ skills accounts. Any funds left over after the apprentice comes out of their time could only be used for future skills upgrades. Beazley says the blueprint would cost \$170 million annually and he believes would produce an additional 13,000 qualified tradespeople each year — making a big dent in the shortfall of carpenters, welders, plumbers, motor mechanics, electricians, chefs and hairdressers.

Beazley also believes current Australian labour policy is **too dependent on** inviting in **skilled migrants** rather than training young Australians. He says since 1996 the government has accepted 270,000 skilled migrants but has turned away 300,000 Australians from TAFE training because there were insufficient training places.

- The world economy needs to add **40 million jobs** annually just to employ the people who are entering the labour market — and it’s not doing it. The UN International Labour Organization (ILO) says this global jobs crisis is one of the **biggest security risks** the world faces. Director-general Juan Somavia told leaders at the World Economic Forum in Davos, Switzerland, that the growing jobs crisis threatens democracies around the globe and he urges leaders to take concrete steps to tackle a problem that threatens to create a more fragmented, protectionist and confrontational world. Somavia: “It is time to revisit the commitments made by the global community to promote social inclusion and jobs as the basis of poverty reduction, and respect for fundamental principles and rights at work.”

Somavia advocates a shift in economic and social policies to put decent work at the centre of national and international development efforts. He says such steps would help lift tens of millions of people out of the poverty of unemployment.

The expansion of training and education, especially for young people, is another crucial step. The ILO estimates that young people age 15 - 24 make up about half — or 86 million — of the world’s unemployed. Somavia: “If we can reduce the **youth unemployment** rate by just half, we will add at least \$2.2 trillion to the global economy.”

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