

# The Jobs Letter

No. 248

10 March 2006

*Essential Information on an Essential Issue*

## KEY

BUSINESS NZ: SKILL SHORTAGE SOLUTIONS

BILL PROPOSES PROBATIONARY PERIOD FOR NEW WORKERS

WELLINGTON REGIONAL JOBS STRATEGY

YOUTH AND MINIMUM WAGE DEBATE

STATE SECTOR REVIEW

KIWISAVER SCHEME

## DIARY

21 February 2006

Air NZ's wide-bodied airplane maintenance workforce, including 121 licensed engineers will be laid-off. The airline will outsource the maintenance work to a European contractor saving the company up to \$48 million over five years.

Qantas Airlines is expected to follow the Air NZ example, saying it is hamstrung by a lack of flexibility and outmoded work practices while factories in Asia and elsewhere are offering record low prices and competitive turnaround times.

22 February 2006

The New South Wales government is to cut 5,000 public service jobs and reduce employment conditions so that public servants lose protection from involuntary redundancies.

- Business New Zealand has published a report on what it believes needs to be done to address the country's **skill shortages**. *Skills Perspectives* points out that for several years New Zealand has regularly been ranked as having one of the worst skills shortages in the OECD. And Business NZ chief executive Phil O'Reilly says that skill shortages are likely to remain one of the critical issues even as economic growth inevitably slows down.

O'Reilly: "As New Zealand seeks to become more productive we will need to concentrate even more on the skills of our workforce. Genuinely addressing skill shortages will require a range of responses, both short- and long-term and involving business, employees, unions, education providers, students, parents and government."

- Business New Zealand proposes:
  - **Immigration**: streamline immigration procedures by relaxing or abolishing the requirement to prove that relevant skills are not available in New Zealand; increase the use of the 'approved employer' immigration scheme; and develop cluster schemes for entire industries to recruit overseas
  - **Training**: increase the numbers in training and apprenticeships; remove or raise the cap on funding for training; put industry training and tertiary academic training funding on a more equitable footing; ensure there are adequate numbers of trainers and teachers to meet increased demand; create a more strategic approach to training provision between education providers and industry training organisations; strengthen links between training/education and business needs; support more innovative and flexible funding arrangement between government and training providers; and consider the possibility of shorter training times
  - **Employment law**: introduce a probationary employment period
  - **Foundation skills**: create a national strategy on literacy and numeracy in the workforce; increase workplace literacy and numeracy programmes; promote the benefits of literacy and numeracy programmes to employers; train tutors and industry trainers to address literacy and numeracy gaps
  - **Trades promotion**: get more information on trades careers to young people and improve attitudes towards the trades and trade training
  - **Regulation**: ensure occupational regulation does not unnecessarily restrict participation
  - **Technology**: provide more information to business on investing in technology and promote the benefits of increased technology use to employers
  - **Retention**: improve information available to companies on staff retention strategies and encourage increased training in retention strategies
  - **Competitiveness**: address the wider issues affecting international competitiveness including tax levels, resource management law, employment relations law and other impediments.
- *Skills Perspectives* published by Business New Zealand can be downloaded (24pg, 2.3Mb) from [www.businessnz.org.nz/file/1002/skills\\_perspectives.pdf](http://www.businessnz.org.nz/file/1002/skills_perspectives.pdf)

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23 February 2006

A National Certificate in Aviation (Flight Attendants) is launched following a report forecasting the need for 360 new flight attendants each year up to 2010.

24 February 2006

High fees for medical courses in NZ have led to the shortage of doctors and dentists according to the NZ University Students' Association. Co-president Conor Roberts says the upcoming medical and dentistry funding review must address this problem as high fees either turn potential students away from studying medicine or drives them overseas once they finish.

Up to 300 dairy workers are to lose their jobs as dairy giant Fonterra plans to shut down cheese processing plants in Auckland, Dunedin and Taranaki. The company's entire cheese cutting, grating and wrapping will be done at a second Taranaki site.

The Australian Prime Minister John Howard calls for strategies to keep people aged between 55-64 in the workforce. Howard says that while the government needs to be involved, legislation is not the answer and that workforces and workplaces must be engaged in responding to the looming challenge of an ageing population.

Canada has the second highest rate of skilled labour shortages after Mexico according to a survey by international employment company Manpower. The survey found there is a shortage in Canada of sales and customer representatives, engineers, drivers, mechanics, labourers, chefs, electricians, skilled trades and nurses.

- A group of about 80 Wellington employers, community groups, councils, industry groups and educators have come together for the first time in an attempt to **tackle** the region's worsening **skills shortage**. Porirua Mayor Jenny Brash, a core member of the Mayors Taskforce for Jobs, says that while much of the country is suffering from a shortage of skilled workers, the Wellington region has its own local issues that need dealing with. These include its large number of commuters, significant populations of young people and of retirees, and infrastructure issues such as overloaded roads. Brash says the group is developing a Wellington Regional Labour Market Strategy paper to address the range of issues — a document that will be put out for consultation later this year.

- The establishment of a 90-day **probationary period** for new workers is soon to be debated by parliament. The Employment Relations (Probationary Employment) Amendment Bill has been drawn by ballot and its sponsor National MP Wayne Mapp says the legislation would encourage employers to more readily take a chance on hiring new employees. The Bill provides an out for employers if they decide a new worker isn't working out. Within the first 90 days the employer can sever the relationship without facing the risk of expensive and protracted personal grievance procedures.

Mapp: "The Bill will be a help to new workers. It will enable people who might otherwise be on the margins of the labour force to get a foot in the door. In effect, it will provide a chance for those who find getting that first job difficult, like new migrants, young people with few qualifications and people re-entering the workforce."

Mapp points out that the government's small business advisory group described probationary periods as the "single most important change that could be made to employment legislation" that would lead directly and immediately to employment and business growth.

- New Zealand and Denmark are the only two countries in the OECD that don't have a probationary period for new employees. The most common length of probation period is three months. In Britain it is 12 months.
- Extending the adult **minimum wage rates** to cover 16–17 year olds would effect very few Wellington businesses, according to a Sherwin Chan & Walsh poll. Of the 286 businesses surveyed in the greater Wellington area, 85% said that abolishing youth rates would have no significant effect on their business.

The survey also found that even fewer businesses will be significantly affected when the minimum wage is raised from \$9.50 to \$10.25 per hour at the end of this month. And 69% of the businesses supported the government's plan to lift the adult minimum wage to \$12 per hour within three years.

- Green MP Sue Bradford says it is very heartening to see that so many Wellington businesses are relaxed and even supportive of the proposals to eliminate "poverty wages". She says they understand that lifting wages at the bottom in fact helps the local economy by putting more spending power into the pockets of those on the lowest incomes. Bradford: "I hope this survey will help put an end to the myth that increasing the minimum wage and eliminating the lower minimum rate for young people is bad for business."
- But Business New Zealand says the high support from Wellington businesses for raising the lowest pay levels is because they are more

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25 February 2006

British workers expect to retire at 65 but most companies will expect them to work longer. A survey conducted by market research company NOP signals a divide between workers' and employers' retirement expectations.

26 February 2006

27 jobs are retained at Otaki's Pacific Plastic Recyclers after Work & Income agrees to provide Task Force Green funding to help support staff while a new factory is built to replace the one gutted by fire in January.

27 February 2006

Hawkes Bay Prison inmates are working picking apples in local orchards.

A 20% drop in the number of international students coming to Wellington is costing the regional economy \$50 million. A report by Education Wellington International suggests the high NZ dollar, increased competition for foreign students, and fewer Chinese studying abroad have contributed to the drop.

28 February 2006

The largest house price rises in NZ have been in regions with the most sun — and jobs. Motu Economic and Public Policy Research has found the biggest increases in house prices have been in warmer areas with more people — especially large, northern cities and holiday destinations. House prices fell in areas of stagnating or declining population with lower economic growth.

characteristically involved in the domestic rather than the export sector. Business New Zealand chief executive Phil O'Reilly says that if such businesses are already paying more than the minimum wage, then forcing up the wage bill for their competitors who weren't paying as much was just good competitive behaviour. But O'Reilly says there is more to the issue: "If 88% of the respondents said the increase in the minimum adult wage next month might not affect them, then they might not have thought that through because it is likely to have a knock-on effect into some of the other wages."

The Employers and Manufacturers Association says the current unemployment rate of nearly 12% for 15 to 19 year olds is likely to rise if youth rates are abolished. Employment services manager David Lowe says school leavers already find it hard enough to get started and the option to pay minimum youth rates often gets teenager's careers underway. Lowe: "Abolishing the youth rates would hurt teenagers more than help them because if an employer has a choice between a school leaver with no work experience, and a more experienced worker, they will choose the worker with more experience every time, unless there is an incentive to do otherwise."

- The government says its **review of expenditure** across government departments and agencies is aimed at "further enhancing and strengthening public services" — not about cutting jobs. Associate Finance Minister Trevor Mallard — member of the Cabinet committee "razor gang" set up after the last election — says the government is committed to ensuring that core government spending is well managed and achieving the desired results. Mallard: "The reviews are not aimed at cost-cutting, they are intended to assist government to get more nimble at moving resources to where they have the greatest impact within the agency."
- The Public Service Association (PSA) has reacted cautiously to the expenditure reviews and has asked Mallard to ensure departmental chief executives work constructively with the union throughout the process to minimise the impact of any job losses. National Secretary of the PSA Brenda Pilott: "We are expecting employers in the public service to involve us fully in change management processes to ensure that up-skilling workers and re-assignment to new jobs is a top priority."
- *Dominion Post* columnist Vernon Small says the state sector spending review is, in part, a warning to state sector bosses, and by extension to state sector unions, that labour costs must be constrained and the big pay rises won by nurses last year were one-offs and not to be seen as trend setting. Small points out that the response from the unions has been characterised by a sort of guarded mistrust and a concern that what is being painted as an efficiency drive might be a veiled plan to cut jobs and limit pay rises. But he concludes that the review may be no more than a **political move** by the Labour-led government. Small: "If Labour can say it has sought and destroyed all avenues of waste, that can be used to undermine National if it tries to reprise in 2008 its promise to help fund tax cuts by controlling costs."
- The government intends to introduce its **workplace-based savings** scheme in April 2007. The scheme is being set up so people will be able use the money they put away into the scheme during the years they are working to supplement their income once they are old enough to draw government superannuation. Exactly how people will access their account when it has matured has yet to be decided.

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1 March 2006

Replacing older, more experienced doctors and nurses with younger, cheaper staff is one means of containing healthcare costs within the future budget restraints, according to Auckland District Health Board chairman Wayne Brown.

Scotland's Fresh Talent initiative aims at attracting 50,000 immigrants per year. The Scottish Home Office is appealing to people from eastern European — Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia — to immigrate. Without significant numbers of new immigrants, Scotland's population will decline and the country will be unable to carry out many projects and services.

2 March 2006

Up to 170 staff lose their jobs as Southward Engineering closes its Lower Hutt and Auckland automotive parts plants.

Western Australia's skills shortage will worsen due to the re-opening of Boddington gold mine, according to the Chamber of Minerals and Energy of Western Australia. The project's close proximity to Perth and the coast is likely to draw skilled workers away from more remote mining locations, as well as drawing in workers from non-mining sectors.

3 March 2006

Up to 25 staff who prepare food at Christchurch Airport are laid-off.

2,500 engineering and maintenance jobs at Qantas are under threat as the airline strives to cut costs to remain competitive.

KiwiSaver will be a voluntary scheme into which all employees, aged 18 - 65 years, can contribute to their own personalised account. The government will kick-start each person's KiwiSaver account with a contribution of \$1,000 and will also make a contribution towards members' fees. The money in each individual account is "locked" for a minimum of five years of membership or until the saver become eligible for New Zealand superannuation. The "lock" can be broken for cases of financial hardship, permanent emigration or to make a contribution on buying a first home.

- KiwiSaver details:
  - all workers are automatically enrolled (at 4%) unless they tell their employer (within six weeks) they don't want to be part of the scheme
  - there are two rates of contribution to the scheme: 4% or 8% of gross earnings
  - the contribution will be deducted each payday by the employer, as is done with PAYE tax
  - people can take a "contribution holiday" of five years
  - people take their account with them as they change jobs
- **First home owner scheme.** KiwiSaver is doubling as a **first home ownership scheme**. When eligible people have been KiwiSaver members for at least three years and are ready to buy their first home, they will be allowed to use the money in their KiwiSaver account towards the deposit. And the government will contribute an additional \$1,000 for each year they have been paying into the scheme — up to a maximum of \$5,000 — towards the deposit.
- Minister of Finance Michael Cullen says enrolling employees automatically into KiwiSaver makes participating in the scheme easy. Cullen: "This is the best way ahead. Workplace schemes have the advantage of reaching a broad section of the population and international research shows more will participate if enrolment in retirement schemes is automatic."
- Cullen expects that employers will, in time, begin contributing to a worker's KiwiSaver scheme as part of their employment package.
- Not everyone is likely to find the KiwiSaver scheme affordable. Family Budgeting Services Federation co-ordinator Jarrod Rendle says saving 4% per week wouldn't be possible for many of the clients he sees. Many budgeting services clients are already in debt and contributing \$15 per week would mean spending less on essentials such as food. Rendle: "It gets to the point where \$10 or \$20 makes a difference at the end of the week."
- The Maori Party says the KiwiSaver Bill is a good idea but has been designed by people who are divorced from the reality of the whanau of the **working poor**. MP Hone Harawira says a minimum savings rate of 4% is a real problem for low-income working families. Harawira: "We note here that for a young family with the breadwinner on a minimum wage, that will mean a drop in wages which they simply cannot afford. We note that at 4%, the Bill also makes it impossible for beneficiaries to join the scheme, and given that unemployment for Maori is three times higher than for the general population, Maori will be doubly penalised."

Harawira points out that few Maori live past 65 years — the age at which people could expect to benefit from the savings scheme. Harawira says that while Maori, like everyone else, will be encouraged to join the KiwiSaver scheme, less than **4% of Maori** will actually live long enough to derive any benefits.

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5 March 2006

150 staff lose their jobs in the IT department at Carter Holt Harvey fueling speculation that the company will be broken up sooner rather than later following its takeover last year.

The average NZ pay packet has lost value over the last 16 years, according to the *Sunday Star Times*. Quoting Statistics NZ figures, the paper points out that in 1989 the average NZ worker earned \$530 per week. But the average wage at the middle of last year was \$592 per week. Allowing for inflation, workers 16 years ago were earning the equivalent of \$740 in today's dollar.

Minister of Finance Michael Cullen argues that whether workers are better or worse off depends on what type of work they are in. He says there have been changes in relativity over the last 20 years. Cullen: "Freezing workers are an obvious example — they were right at the top for non-professional jobs 25 years ago but are much less so these days. But if you look at people like teachers and nurses, then no, there hasn't been a squeeze on those income in comparison with a broader range of incomes."

China needs to create 9 million jobs a year just to maintain its official unemployment rate at 4.6%.

- Some **inmates** serving time in Hawkes Bay prison are coming out each day, accompanied by a prison officer, to work **in apple orchards**. There are over 20 men currently picking fruit and prison authorities hope to get that number up to 60 inmates.

Apple pickers commonly pick three to five bins of apples per day at an average rate of about \$30 per bin but instead of paying the inmates, labour contractors pay the Department of Corrections. In turn, the department pays the inmate workers between 20c and 60c per hour — the amount they would receive working in any custodial job. The department uses the balance of the inmates' "pay" to cover their transportation and extra supervision costs.

Orchardists have welcomed the prison workers, given that the seasonal demand for labour is intensifying. The Hawkes Bay Horticultural Contractors' Warren Templeton points out that the Hawkes Bay unemployment register is "just about non-existent" at this time of year — so the prisoners aren't taking away anyone's job.

- Following the recent high-profile redundancies at its jet aircraft maintenance divisions, Air New Zealand is now **laying-off 470** head office staff. The announcement lifts the recent round of redundancies at the airlines to over 900 people. Air New Zealand chief executive Rob Fyfe says the airline has been sliding backwards financially and the major problem is the cost of fuel. Aircraft fuel prices have risen 36% over the last six months. Fyfe: "This is not about outsourcing, this is fundamentally saying for the last six months our fuel price is up \$174 million. These are valuable people — today making a valuable contribution — but simply the economics of the business don't allow us to continue to be able to commit resources to some of those functions."
- Green MP Sue Bradford says there was no consultation with staff prior to these latest Air New Zealand redundancies and criticises the company's "slash and burn" policies towards its workforce. Bradford: "Air New Zealand is 82% owned by the tax-payers of NZ. We bailed out Air New Zealand because of the disastrous decisions of the former owners and management. We did not do this to see Air NZ become a mean, anti-worker company making more bad decisions. The government shareholding ministers can no longer wash their hands of the shocking industrial relations behaviour of the airline."
- The Information and technology (IT) industry is **not attracting women** to work in it the way it attracts men. Women currently make up about 25% of computer science students at Waikato University and, according to the 2001 Census, less than 25% of IT managers, 16% of applications engineers and only 11% of systems technicians were women.

Annika Hinze, a senior lecture at Waikato University, says the reason behind this is that computer science is subconsciously being presented as a topic for boys. Hinze says the computer industry is perceived not only as a domain for men, but also as one for geeks, a label that puts a lot of women off. Hinze: "It's the way that it's taught. It's the environment that is presented in the sense of, 'Oh, the guys are really good at this', so women get the feeling they are not wanted there and this is not for them."

Sydney IT consultant Maggie Alexander says that better marketing of computer science courses is the key to getting more women working in the industry. Alexander says young women aren't told about the benefits of working in IT and they often don't get the right information from their schools about the kinds and varieties of careers there are in the industry.

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6 March 2006

The new owner of NZ's most visited website Trade Me says the website will begin advertising job vacancies from the middle of 2006. Newspaper publisher Fairfax bought Trade Me for \$700 million.

7 March 2006

A glut of new restaurants opening in Queenstown and not enough trained chefs has led to restaurants cutting back on both menus and opening hours to keep going.

8 March 2006

Up to 30 jobs will be lost at the Christchurch College of Education as part of restructuring.

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

- An advertising campaign aimed at “career changers” interested in **taking up dairy farming** — rather than young people not yet in the workforce — has had a “deluge” of applications, according to industry organisation Dairy InSight. Chairman Doug Leader was hoping for a steady stream of responses to the campaign but it has received 1,700 inquiries within three weeks. Leader says those responding to the campaign are being given “plain, unvarnished” facts about the dairy industry. Those keen to look further are strongly encouraged to “try before they buy” by visiting farms to gain first-hand experience.
- Dairy Farmers of NZ Marlborough vice chairman James Shallcrass points out that one of the reasons the dairy industry is having difficulty attracting **young workers** is because it is increasingly difficult for young farmers to make the leap from farm worker, to sharemilker and farm owner. In the past, sharemilkers had incentives to increase production allowing them to build equity to purchase their own properties. Now they have to buy additional shares when they increase their supply and the fact that those shares are more expensive than the payout gives young farmers no leverage to buy their own herd. Shallcrass: “The steps are just too big. If we didn’t take the plunge 10 years ago we would not be farm owners.”
- The government is launching a \$100,000 initiative to help create **career opportunities for top athletes** in sports-friendly workplaces. Minister for Sport and Recreation Trevor Mallard says the Avenues programme aims to help top athletes prepare for and find careers with employers that understand the pressures of being an athlete and to help retiring athletes enter the workforce following a career in sport.

Avenues will help athletes find jobs that recognise the lifestyle needs of an elite athlete. Avenues assisted athletes will have access to specialist consultants at human resources company Adecco, and career planning, psychological and general profile screening. The scheme will be promoted to employers who can cope with employing a worker who is also a top athlete and needs the flexibility that allows them to train to reach their potential.

- In a bid to address **Queensland’s** skills shortage crisis, the state government is shortening the time it takes for people to complete their apprenticeships. Apprenticeships across the construction, automotive, engineering and hospitality industries will be reduced by between six and 12 months from the start of next year. Queensland Premier Peter Beattie says the overhaul of the apprentice system will shift the focus away from “time served” and instead place emphasis on the competency of apprentices. Apprentices will be awarded their qualifications once their training provider and employer deemed that they were fully competent.
- The **Canberra** chamber of commerce says bringing in foreign workers will be essential in dealing with the city’s skills shortage. ACT Chamber of Commerce chief Chris Peters says the crisis in the city’s restaurant trade — which triggered the mass importation of Filipino guest workers on temporary visas last year — was only the tip of the skills shortage iceberg. Peters: “We’ve got an acute skills shortage in virtually everything, and it’s going to get dramatically worse in the next five to 10 years. The only effective short-term solution is to import people.” The chamber has initiated a recruiting drive to bring doctors from Belgium, tradespeople from Germany and accountants and bookkeepers from Bangladesh.

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