

# The Jobs Letter

No. 250

28 April 2006

*Essential Information on an Essential Issue*

## KEY

A QUARTER OF NZ  
GRADUATES LIVE OVERSEAS

HEALTH WORKERS  
MIGRATING FROM POOR TO  
RICH COUNTRIES

JOB PROBATION BILL  
PROMPTS UNION TOUGH  
TALK

WORKING FOR FAMILIES  
DEBATED

ADVANTAGES OF EARLY  
CHILDHOOD INTERVENTION

## DIARY

25 March 2006

Restaurant Brands, the company that franchises KFC, Pizza Hut and Starbucks, has signed a two-year agreement that will bring the wage rates for 16 and 17 yr olds up to the same level as adults.

The Australian Bureau of Statistics says the country has as many as 1.5 million people who would like a job, or to work more hours, and yet aren't counted in the official unemployment figures.

26 March 2006

Advertised job vacancies fell in all NZ sectors (except IT) in February 2006 compared to February 2005. The latest *Job Vacancy Monitor* found the greatest decline in advertised vacancies was in Auckland with 34% fewer vacancies over the previous February. The *Job Vacancy Monitor* can be found at [www.dol.govt.nz/publications/jvm/job-ad-monthly-report.asp](http://www.dol.govt.nz/publications/jvm/job-ad-monthly-report.asp)

28 March 2006

Labour productivity in NZ has grown by an average of 2.6% per year since 1988 compared with 2.3% in Australia according to Statistics NZ.

- Nearly a quarter of all New Zealanders with tertiary qualifications are now **living overseas**. The *OECD Factbook 2006* says that New Zealand has a total of 24.4% of its most highly educated citizens living outside its national boundary.

National Party education spokesman Bill English says he is astounded by the large numbers of New Zealanders with degrees who are living overseas. He comments that while it shows that New Zealand graduates are being successful in the global labour market, it shows how attractive and dynamic the New Zealand economy needs to be to keep them here.

— *OECD Factbook 2006 - Economic, Environmental and Social Statistics* table of contents and links to all sections can be downloaded from [titania.sourceoecd.org/vl=3892225/cl=12/nw=1/rpsv/factbook](http://titania.sourceoecd.org/vl=3892225/cl=12/nw=1/rpsv/factbook)

- There is no denying young New Zealanders' propensity to travel and work. So in an effort to lure young graduates home, the government has scrapped the **interest on student loans** for people who are resident in New Zealand. The Minister of Tertiary Education Michael Cullen hopes that continuing to charge interest on loans for people who are out of the country will give them incentive to return, or if they do go overseas ... not to stay away too long.

The government has also created an **amnesty for** people who are racking up late-payment penalties on their student **loans**. To a large degree, this is also focused on graduates living overseas as this group makes up a disproportionate amount of those who have defaulted on their student loans. Inland Revenue student loan manager Andrew Minto says this is often because when young people go overseas, their student loan probably isn't their highest priority. From 1 April, people have a year in which they can apply to have their penalties for defaulting on their loan voided— so long as they begin to meet their repayment obligations and carry on doing so for at least two years. The amnesty is intended to give them an incentive to begin to meet their repayment obligations.

- The drive of wealthy countries to shore up their own health services has resulted in a huge migration of highly skilled **health professionals** from poor countries. "Imported" doctors make up at least a quarter of all doctors in New Zealand, Canada, Britain and the United States. On average, one-in-four doctors and one-in-20 nurses who are trained in Africa are working in OECD countries.

This demand for health professionals in rich countries is badly **depleting the healthcare** workforce in the world's poor countries. In its *2006 World Health Report*, the World Health Organisation (WHO) says at least 1.3 billion people have no access even to the most basic healthcare and this is often because they have no health workers. Fifty-seven poor countries are short of 2.4 million doctors, nurses and midwives and the situation is costing the lives of millions of people.

# The Jobs Letter

## DIARY

30 March 2006

The National Bank's monthly survey finds business confidence rebounding as the NZ\$ drops in value.

50,000 of the most vulnerable families and children in NZ stand to be negatively affected by the scrapping of the Special Benefit, according to a report by the Wellington People's Centre.

*Working for Families: a Benefit Cut* can be found at [www.cpag.org.nz/news/cpag-news/nr1143781467.pdf](http://www.cpag.org.nz/news/cpag-news/nr1143781467.pdf)

1 April 2006

The government unrolls the next stage of the Working for Families economic reforms which will provide more money for most working families with children. The package also removes interest on most students loans and provides tax concessions for some NZers returning from living overseas. Other changes include increasing superannuation to 66.12% of the net average wage. The biggest change is the new In-Work Payment.

Suspending interest on student loans will increase the amount of debt and the number of students taking out loans, according to official briefings. Nearly one-third of student loan repayments are currently made voluntarily but these are expected to drop by 80% now that the interest incentive is gone. This suggests that most graduates will have a slightly smaller debt but will be paying it off for longer.

2 April 2006

Many New Zealand universities and polytechnics are experiencing falling numbers of students primarily due to a drop in the number of foreign students.

More than 300 jobs may be lost at Te Wananga o Aotearoa following a slump in student numbers. It is understood that the Te Awamutu head office is likely to take the brunt of the losses. Tuia Staff Union spokesperson Tank Gordon: "If we don't restructure there will be no wananga."

Women are still under-represented in leadership positions in NZ according to a survey of NZ Census of Women's participation by the Human Rights Commission.

The report can be found at [www.hrc.co.nz/hrc\\_new/hrc/cms/files/documents/11-Aug-2005\\_21-35-04\\_CensusofWomens\\_Participation.pdf](http://www.hrc.co.nz/hrc_new/hrc/cms/files/documents/11-Aug-2005_21-35-04_CensusofWomens_Participation.pdf)

- United Kingdom-based NGO Medact estimates that since 1999 Britain alone has saved £1 billion in training costs for the doctors and nurses it had taken just from Ghana in West Africa.

The United States — which already employs more than half of the world's nurses — will need a further 800,000 nurses by 2012, a gap it cannot fill the from those trained at home. It expects to **buy in nurses** from abroad.

- The *2006 World Health Report* calls for urgent investment in training and recruitment of extra health workers in countries where they are most needed. And it calls for incentives for them to stay. But the report stops short of recommending measures to prevent health workers migrating, such as financial bonds to cover the cost of training or restrictions on exit visas. WHO's Manuel Dayrit: "We know these don't work. And WHO supports the right to people to migrate and follow their aspirations. More must be done to encourage them to stay, rather than preventing them from leaving". The report calls for half of all new donor funds for health to be dedicated to health systems and to training and retaining the health workforce.

- Britain introduced an employment code for National Health Service trusts six years ago that bans international recruitment from countries with the worst medical skill shortages. But hospitals have found ways around the ban.

— *Working Together for Health, 2006 World Health Report* can be downloaded chapter by chapter from [www.who.int/whr/2006/en/index.html](http://www.who.int/whr/2006/en/index.html)

- The **Probationary Employment Bill** that would give employers the right to dismiss a worker without risking a personal grievance during the first 90-days of service has drawn a strong reaction from the Engineering, Printing and Manufacturing Union (EPMU). National secretary Andrew Little calls the Bill "a naked attack on workers' employment rights" and promises industrial action if it is not withdrawn. The union puts the sponsor of the Bill, National Party industrial relations spokesperson Wayne Mapp, on 90 days' notice. Little: "If in 90 days he hasn't scrapped his bill to let employers sack new employees for any reason, we will launch a massive public campaign against it." Little says public protest will start with a mass stopwork meeting and march on Parliament on 20 July.
- The union comments have incensed United Future Party leader Peter Dunne who accuses the EPMU of "bully boy threats" and has firmed his party's support for the Bill. Dunne: "This is not France where industrial legislation is decided by street rioting — this is New Zealand where these matters are decided by people making submissions to a select committee and by the people's elected representatives in parliament."
- Opponents to the Bill argue that a probationary clause can be included in an employment contract under the current legislation. However, if an employer wants to dismiss a person during the probationary period, they still have to show they have a good reason — that is it has to be justified on the grounds of poor performance or misconduct and they have to follow normal dismissal procedures that include a succession of warnings. Business New Zealand's Phil O'Reilly: "It's a meaningless provision in the law because there is nothing different about the probation period and any other period of employment."
- The **French** government has scrapped its First Employment Contract (CPE) after hundreds of thousands of people across France took part demonstrations against the measure which would have created a two-year **probationary period** for all workers under 26 years.

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3 April 2006

The Equal Employment Opportunities Trust launches an on-line survey on how age affects people's experiences at work. Trust chief executive Dr. Philippa Reed says the research will help answer employers' questions about the needs and attitudes of older people. The survey, which will be live to the end of the month, can be found at [www.eeotrust.org.nz/survey/](http://www.eeotrust.org.nz/survey/)  
8,800 northern hemisphere jobs are to be axed with the merger of the largest US phone-equipment maker Lucent to Paris-based Alcatel. 3 April 2006

Migrants working in wealthy countries sent a record \$NZ276 billion home to their families last year. The UN Economic and Social Commission for Asia and the Pacific says that in Bangladesh and the Philippines remittances exceeded official development aid and foreign direct investment.

4 April 2006

Workers are confident about their job security but are doubtful of the chance of a pay rise or new job opportunities in the face of an economic downturn, according to the quarterly Westpac McDermott Miller Employment Confidence Index.

The number of working-age migrants in NZ from Asia, South Africa and Britain collecting the unemployment benefit has fallen 77% over the last five years, over twice the rate that overall unemployment fell. Work & Income's Auckland migrant and refugee services manager Sally Ewer says the figures reflect the buoyant labour market but also the closer focus on would-be migrants with job offers by the Immigration Service.

Manufacturing in China has allowed GPS products developer Navman to scale up production of new products very rapidly and then scale back again when sales drop. Chief operating officer Jim Doyle says if they tried to do that from NZ, Navman would have gotten a reputation of being a very "unstable employer".

5 April 2006

Air NZ staff numbers are being cut by a further 8% as fuel costs rise.

About 80 jobs will be lost at NZ Post in Auckland and Wellington as the economy slows and the state-owned enterprise begins to introduce new mail sorting technology.

Changing tack, the French government has introduced alternative measures to address youth unemployment. The new approach will provide subsidies to employers who take on 16 to 26 year olds who are considered to be "in difficulty".

- This month saw the introduction of the **In-Work Payment** that will put more money in the pockets of most working families with children. The In-Work Payment is a major part of the \$1.6 billion Working for Families package. *The New Zealand Herald* political columnist John Armstrong points out that many of those who are newly eligible for assistance will take the money in the form of an annual tax rebate and are unlikely to see the payment as some kind of welfare payment. Armstrong: "A policy that had a primary focus on alleviating poverty and getting people off benefits and into work has become a de facto tax cut policy."
- Critics of Working for Families point out that a largest proportion of those who will **miss out** on the In-Work Payment will be Maori. Official figures analysed by the Child Poverty Action Group (CPAG) show that nearly half of all Maori children will be excluded from the In-Work Payment because their family doesn't qualify. In contrast, about one-fifth of non-Maori children will be excluded from it.

CPAG researcher Donna Wynd says the new payment will widen the **income gap** between working families and beneficiaries — and therefore between Maori and non-Maori. In turn, this will widen the gap between Maori and non-Maori children in health and future success. Wynd: "Children who, as a matter of government policy, fall behind because of their family situations are unlikely to grow into the educated, healthy adults our country needs."

- The New Zealand Poverty Measurement Project calls Working for Families "a smart piece of public policy that invests in children and their families". Joint leader Charles Waldegrave points out that people's parenting phase is commonly the poorest phase in their adult life and governments in most OECD countries have developed **family assistance packages** to address this. Australia pays tax credits to 82% of families with children and Britain provides a weekly child benefit to all families as well as a tax credit for most. Waldegrave estimates the Working for Families package will reach three-quarters of all households with children and heralds the biggest financial investment in New Zealand children in three decades.

Waldegrave doesn't agree that the In-Work Payment discriminates against families on income-tested benefits. Waldegrave: "The In-Work Payment part of the tax credit system has been planned to make work pay much more than a benefit. It is hard to see how people on a benefit are discriminated against simply because they don't receive a tax credit designed to give people incentives and traction in the labour market. Providing an incentive to move people off welfare is a rational step."

- The National Party — which promised tax cuts at the last election — says children who need help most should instead be **targeted through parenting programmes** such as Family Start and better healthcare and education. Welfare spokesperson Judith Collins calls the In-Work Payment a massive expansion of the welfare state to the middle and upper income classes.
- The government wants to end what it calls the costly duplication of courses and unnecessary **competition between polytechnics and universities**. The change is the biggest tertiary education shake-up since the National government instituted free-market education policies in 1991. Institutions will no longer be funded for courses based solely on the number of students they can attract to enrol into them.

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6 April 2006

Australia's jobless rate fell to 5% in March.

Skills shortages in Australia may force the delay or dropping of many mining industry projects according to the Association of Consulting Engineers Australia.

On the back of a 25-year "incarceration binge", the US is now facing the problem of prisoners cycling back through prisons because of a lack of social supports. The Center for Employment Opportunities in New York City has addressed the relationship between work and crime through a highly structured programme of pre-employment training, immediate short-term transitional employment, and full-time job placement services. A report on the programme *The Power of Work* summary can be downloaded from [www.mdrc.org/publications/426/summary.html](http://www.mdrc.org/publications/426/summary.html)

7 April 2006

The National Equal Opportunities Network (NEON) launches a website focused on equal employment opportunities in NZ. The NEON site can be found at [www.neon.org.nz](http://www.neon.org.nz)

8 April 2006

The Auckland City Council plans to spend more than \$15 million on an inner-city public housing project to provide housing for low-income workers. Auckland is one of only four local authorities in NZ without a public housing portfolio after the previous council sold it.

9 April 2006

Youth unemployment in West Africa is a "ticking bomb" for security according to a UN study. Special Representative of the Secretary General for West Africa Ahmedou Ould-Abdallah says unemployment feeds violence, and violence feeds unemployment.

US unemployment drops to a four-and-a-half year low of 4.7%.

Minister of Tertiary Education Michael Cullen says the **volume-based funding** formula had not worked. Cullen says that system made too many "heroic assumptions" about the capacity of individual students to predict what skills would be most valued in the labour market — and to translate that into course choices.

Courses will now be funded on a mixture of factors including volume, cost, area, and compliance with the government tertiary education strategy. This is likely to result in some polytechnics being pushed out of offering degrees and some courses might close if they compete against others in the same area.

The changes are intended to address concerns about the "blurring of the boundaries" between universities and polytechnics. Cullen: "What I definitely want to move the system away from is polytechnics feeling that to some extent they have got to ape what universities do — that this is a hierarchy where you move up to being a university. What we want is a differentiated system based on excellence."

- The Institute of Technology and Polytechnics is **cautiously optimistic** about the changes. President Neil Barns says the move to a multi-year funding agreement would remove uncertainty caused by enrolment fluctuations. Barns: "We've had a system that's forced people to run a course with the highest demand just to pay their way. I don't think there's many in the sector that would not welcome clarification of their role and a funding system to support it."
- The Quality Public Education Coalition (QPEC) had welcomed the government announcement. It says the market-led system had led to a massive transfer of funding to private tertiary providers (from \$17 million in 1999 to \$150 million four years later) and spawned an "epidemic of low-cost, low-quality courses". QPEC says a survey of 480 Private Training Establishment qualifications done last year showed that 64% of these were of low quality or low relevance. It says students on lower level courses — often Maori and Pacific students — were caught in a merry-go-round of poor quality courses and no meaningful qualifications even after several years of study.
- But the National **Maori Tertiary Students'** Association is concerned over the changes. Veronica Tawhai: "When have the choices or priorities of government ever been concerned with the needs of Maori students? 85% of all Maori study certificates and diplomas. What about the economic needs of Maori who, graduating with a certificate or diploma, are left facing income disparity with non-Maori? Only at degree level does this disparity cease. The changes made in the name of 'quality and relevance' so far have stifled, not helped, that 85% to make the transition to degrees."
- Even if the level of skills available in the country stands to improve through changes in the government's tertiary education policy, Business New Zealand says employers still need to do their part and continue to **invest in their workers' skills**. Business NZ chief Phil O'Reilly says there is plenty business people can do improve the skills of their staff and increase productivity. And O'Reilly urges employers not to drop training off their budgets if the country goes through an economic downturn.

O'Reilly believes the current skills shortage will continue for the foreseeable future because businesses are "virtually employing everybody" available. He says it is essential for firms to keep investing in their workers if they want to hold onto them. He warns that one consequence of the skills shortage is increased **worker mobility**,

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10 April 2006

Over a third of employers say they will stop hiring teenagers if youth rates are abolished, according to a survey by the Northern Employers & Manufacturers Association. EMA employment services Manager David Lowe says the survey presents clear evidence that the high teenage unemployment rate of 12% will rise higher if the Bill becomes law.

96 police recruits from Britain arrive at the Royal NZ Police College at Porirua to begin 11 weeks conversion training as a pre-cursor to working as NZ police officers.

11 April 2006

Telecom, NZ's largest listed company, is expected to cut jobs when it announces a plan to merge its fixed-line and mobile divisions.

NZ may already be in a short-lived recession, according to the NZ Institute of Economic Research.

12 April 2006

A Youth Transitions Service is launched in Manukau. Minister Social of Development and Employment David Benson-Pope says the service will provide career training, job seeking advice, information on educational opportunities and customised support for at-risk school leavers.

A large number of illegal immigrants may be working on Auckland building sites according to the Labour Department following a blitz by inspectors of 110 sites in South and East Auckland. Master Builder Peter Burghout says a lot of builders are relying on skilled labour from other countries to fill gaps in the workforce.

80 jobs are to be lost in a St John Ambulance restructure. St John chief executive James Woods says the changes are aimed at reducing the duplication of jobs across the country. Front-line staff will not be affected.

with workers being more willing to leave a job for one that provides them with better pay, conditions, challenges or opportunities.

- The government is considering a plan to allow **unskilled migrants from Pacific Island** countries to come to New Zealand to work temporarily. Foreign Minister Winston Peters says New Zealand is willing to look at the question of Pacific labour mobility as there could be benefits for both New Zealand and Pacific nations.

The question of allowing Pacific people to work temporarily in New Zealand and Australia was raised at the Pacific Forum last year (see *Jobs Letter* No 242). Pacific leaders pointed out that Australia and New Zealand have working holiday programmes for young people with many developed countries but not with Pacific countries. Australian PM John Howard immediately dismissed the idea of allowing in Pacific workers but New Zealand PM Helen Clark said she was prepared to discuss the matter further. Clark did express caution about how to ensure that temporary workers don't overstay their permits.

Peters says if such a scheme is organised at a governmental level, the contempt for government is often such that people have no incentive to return home when their permit expired. Peters: "But if it's organised by their local church and chieftainship and the local authorities, that is a significant constraint on people obeying the agreed plan and allowing others to take part in the mobility arrangements. That has not been tried before, but I think it has potential."

- The number of people in industry **training has exceeded** government targets. The government aimed to have 150,000 workers in the industry training system by the end of 2005 but there were actually 161,000 at that time.

Modern Apprenticeship numbers have also increased. They are up by 17% to 8,388 in 2005. The government aims to have put 11,000 people into the Modern Apprenticeship system by the end of 2007.

- The number and proportion of **women participating in industry training** has greatly increased. There were 45,000 women participating in the industry system at the end of 2005 — up from 37,000 the year before. More than a quarter of people in industry training are now women. The Industry Training Federation executive director Darel Hall says women's participation has been increasing at a faster rate than men because industry training is expanding into occupations and industries where women work in higher proportions.
- The Department of Labour expects the labour **market to remain strong** relative to the last 20 years and relative to other developed nations. Even so, the Department predicts the unemployment rate to rise to 4% by this time next year and to 4.5% for the March 2008 quarter.

The Department also expects annual employment growth to slow as the economy slows. Employment growth has been 1.5% this year (a five-year low) and the Department expects it to ease further to 0.7% to the year to March 2007.

— *Labour Market Outlook — April 2006*, 12 April 2006, published by the Department of Labour, can be downloaded, (5pg, 163Kb) from [www.dol.govt.nz/PDFs/labour-market-outlook.pdf](http://www.dol.govt.nz/PDFs/labour-market-outlook.pdf)

- **Worker accommodation** in Marlborough is so restricted that a labour hire company has bought a motor camp to help house its contract wine industry workers. Allied Work Force says the accommodation shortage in

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17 April 2006

Builders from Germany, where the economy is in the doldrums, are arriving in numbers in the UK where there is a building boom.

18 April 2006

The government launches a plan to build a competent and experienced Maori health and disability workforce. Associate Minister of Health Mita Rinui says the 10-to-15 year plan will focus on promoting career opportunities to secondary school leavers, older Maori and Maori with careers in other sectors.

25 April 2006

ANZAC Day.

### Editors

Dave Owens  
Vivian Hutchinson

### Associates

Jo Howard  
Rodger Smith

*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)*

Marlborough is particularly restricted and purchasing a motor camp near Blenheim means the company could guarantee people it brings into the district will have a place to live. Allied Workforce expects to have 400 workers contracted to Marlborough vineyards this winter. Nationwide, the company draws on a pool of 8,000 workers making it one of New Zealand's largest employers.

- Researchers for the Low Pay Project in Australia have found that people living on low-pay tend to find their social **relationships break down**. A survey of people working as cleaners and in childcare show that they have feelings of humiliation, deprivation, being "squashed", time deprivation and social exclusion. Researcher Barbara Pocock: "Being low-paid narrows the world of the workers, their household and children. It imposes steady pressure to budget, juggle time and to stay in relationships, while family formations are deferred. It erodes health, social connections and social fabric."
- **Pre-school intervention** with disadvantaged children provides measurable, positive life-long results, according to a Noble prize-winning economist. James Heckman of the University of Chicago says that the way a person's brain develops is heavily influenced by their interaction with their mother, father and any other care giver. The environment a new brain needs is one that is nourishing, nurturing and both intellectually and emotionally stimulating. Children often lack these if they come from families that are **disadvantaged by poverty**, the absence of a parent, the absence of wider family support or by the parents' lack of education or child-rearing skills.

Heckman did a follow-up study on a group of black children in Michigan who had been identified as having low intelligence and given special pre-school training that helped boost their IQ. The Perry intervention programme, which lifted the children's IQs initially, was later deemed a failure because the gain these children made seemed to be lost by the time they reached age 10. But 30 years later, compared to a control group, the Perry programme children had finished high school in the minimum amount of time, earned more money, owned their own homes, had never been on welfare and were less likely to have been arrested. Heckman says the difference was the "emotional intelligence" the children obtained during their special pre-school training when their brains were forming.

**Emotional intelligence** is how well people get along with others, how motivated they are and their ability to persevere and be tenacious. These are the attributes — combined with IQ — that helps people succeed. Heckman concludes that the emotional intelligence that disadvantaged children can gain from early childhood intervention results in their doing better in school, raises their productivity as workers, reduces welfare dependency and reduces crime. Heckman says the community benefits by eight-fold the cost of the early childhood intervention programme.

- Heckman also argues that early childhood interventions are much **more effective** than those used on older disadvantaged people. He points out that public job training schemes — that try to improve the behaviour of late adolescents who have under developed emotional intelligence — provide, poor results by comparison. Heckman: "Society puts its faith in public training programmes to make up for 17 years of neglect. It's nuts. And the success rate is even worse for convict remediation programmes."

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**The Jobs Letter** — P.O.Box 428, New Plymouth, New Zealand phone 06-753-4434 fax 06-753-4430 email [editor@jobsletter.org.nz](mailto:editor@jobsletter.org.nz)

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