

The Jobs Letter

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Essential Information on an Essential Issue

KEY

BRIEFING PAPERS TO THE
NEW GOVERNMENT

Social cohesion and inclusion

Increasing skills and participation

In this special issue we present an essential summary of key ministerial briefing papers to the new government.

TREASURY

- Treasury Secretary Alan Bollard says that the goal of closing the gaps between Maori and non-Maori is the hardest challenge for economic and social policy. Speaking to a news conference on Treasury's briefing papers for the incoming Government, Dr Bollard says that disparities are being increased by the trend to global competition and by higher pay for the better skilled and educated. Treasury considers that protecting the living standards of those families who are the most disadvantaged "... is a prerequisite to achieving social cohesion".

The briefing paper, entitled "Towards Higher Living Standards For New Zealanders", includes extensive analysis of the need for social cohesion and discusses the problems of adequacy of incomes for the retired and the poor. Treasury: "Whilst income measures suggest that living standards have generally been protected, this may not be the case for everyone. We suggest the adequacy of living standards for low-income people in different circumstances needs further attention..."

Media commentators have observed that the Treasury advice represents a significant departure from recent briefings. An unnamed Labour government "insider" remarked to the *New Zealand Herald*: "The Treasury has discovered poverty."

- Dr Bollard told the news conference that income disparity was complex. His examples:
 - although there was evidence the top 10% had had gains in income, it was not always the same people in that top group.
 - the spread between high and low incomes had widened since the 1980s, but much less so in the 1990s.
 - some low-income families might have lower post-housing incomes in 1996 than comparable families in 1982.

Treasury: "Increasing income inequality itself does not necessarily create a problem for social cohesion if people regard the distribution of incomes as fair. To the extent that income is seen as a just reward for talent, time invested in education or extra hours at work, it will not threaten cohesion. However, cohesion may be reduced if inequalities are perceived to be excessive or unfairly generated. And there may be consequences for other social outcomes if socioeconomic disparities widen ..."

- Treasury predicts that retraining, skill updates and frequent changes in jobs will increasingly be a feature of NZ'ers working lives. It recommends that a wide variety of training options across a whole spectrum of skills be developed to meet the future demand.

Treasury: "We know that skills are a key determinant of individuals' incomes and living standards. Ultimately it is the way we apply our skills — our creativity, our technical knowledge, our social skills, ability to make decisions, manage and market — that will influence our incomes and quality of life.

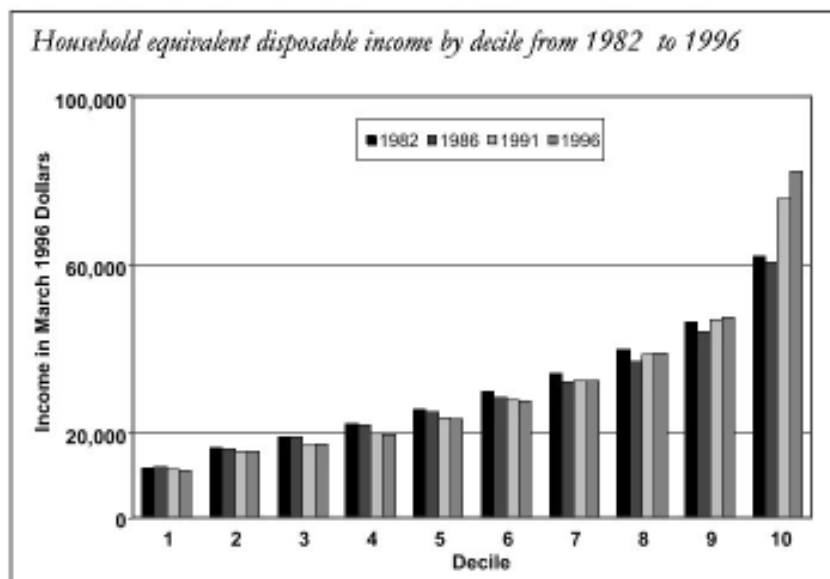
"We know that, in developed countries, the era of low skilled workers earning relatively high incomes has passed. For most people, income levels are tied to participation in the labour market — and this participation is one of the main ways people maintain and upgrade their skills. We know that higher incomes generally come from higher productivity. We also know that, at least to some extent, skills acquired at school are linked to productivity in jobs.

"No policy maker, though, can promise that particular skills or more skills will generate higher levels of growth — which makes designing programmes that

The Jobs Letter : ESSENTIAL INFORMATION and MEDIA WATCH on JOBS

EMPLOYMENT, UNEMPLOYMENT, the FUTURE of WORK, and related EDUCATION and ECONOMIC issues

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Source: Treasury Briefing Papers to Incoming Government 1999

enhance skills development without competing with or detracting from other goals particularly challenging.”

- The briefing papers also point out that NZ faces the challenge of a growing demographic bulge from “historically lower achieving groups”.

Treasury: “A disproportionate number of Maori and Pacific Islanders leave schools without qualifications and work in low skill jobs. Over the next two decades, Maori and Pacific Islanders will increasingly form a larger proportion of the working age population. Their continued low achievement may prove a constraint on growth...”

- Other points in the Treasury papers:

- The government has inherited an economy poised for moderate long-term growth and on the upswing of a business cycle. The challenge is to strengthen this growth path.

- pressing matters for the incoming government: relationships between the Crown and Maori, and retirement incomes policy.

- in the face of high current account deficits, the government might need to run higher surpluses than forecast in the pre-election update.

- the “extended and persistent tail of underachievement” among school leavers was a concern.

- increasing globalisation and the growing mobility of populations are likely to see New Zealand more closely integrated with the Australian economy.

- a downside to this greater integration could be NZ firms moving across the Tasman to take advantage of a larger market and economies of scale.

LABOUR DEPARTMENT

Focus on human capability

- The Labour Department’s briefing papers say that paid work is the key to economic independence and social participation. The papers also argue that the labour market works well for most of the people, most of the time. However, the department concedes that there are regions and groups for which labour market adjustment may be slow or incomplete, representing some “special challenges”. NZ’s unemployment rate is currently 6.8% and is expected to decline steadily to under 6% in 2002. The department: “However, unemployment is expected to remain concentrated in certain regions, certain ethnic groups, certain age groups, and the low skilled...”

The department also says that improving the speed with which the market adjusts to change requires an integrated view of the policies affecting capacity, opportunity and the matching process.

- The Labour Department says that there are two major concerns facing any government: how to raise potential growth in the economy; and, how to deal with the persistence of significant groups within the community missing out from participation and economic benefits.

These issues have traditionally been dealt with separately under economic/business policy (in relation to economic growth issues) and social policy (in relation to distribution issues). The department notes that this has driven successive governments into separate analysis of these issues rather than looking at NZ’s human capability as a totality.

Labour Department on Winz

- The department has developed the Human Capability Framework (HCF) which provides a systemic way of thinking about multiple social and economic outcomes. The briefing papers explain this framework to incoming ministers, and recommend that using this policy framework can help “maximise human capability and enable the government to integrate social and economic goals”.

The department: “The HCF is a way of providing an integrated view of key economic and social objectives, and of understanding the role of the labour market in understanding them. It emphasises the necessity to consider the factors that influence labour market outcomes in an integrated way. Focussing on any one aspect, to the neglect of others, reduces the chance of achieving the goals sought. Looking at the overall system allows focus on the areas where the greatest barriers exist, and to make changes which reinforce each other...”

- The Labour Department’s briefing papers say that Winz is achieving “mixed to unsatisfactory” results in putting people into work, particularly for Maori, and those unemployed for six months or more. The papers warn that the Winz first quarter results for the 1999/2000 year reinforce the Labour Department’s concern that the underlying reasons behind Winz’s poor performance might not just be transitional.

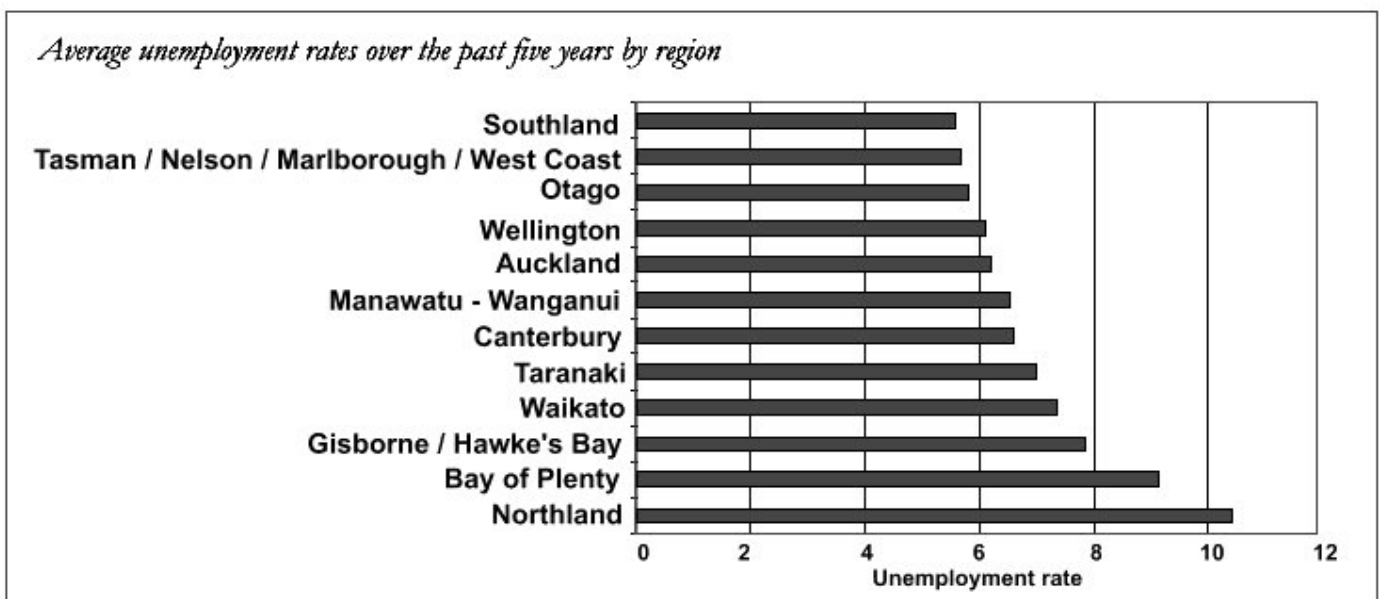
Winz was set up in October 1998 as a “one-stop-shop” for beneficiaries and job seekers, and now contains the NZ Employment Service, the Community Employment Group and Local Employment Co-ordination, which were previously part of the Labour Department.

- One of Winz’s key goals is to focus on minimising the duration of unemployment with an emphasis on long-term unemployed and Maori. But the Labour Department’s papers show that Winz did not meet expectations on reducing the percentage of Maori on the unemployment register — the percentage increased over the 1998/99 year.

Winz was also substantially (39%) below the annual target for “stable employment outcomes” (where a person gets a full-time or part-time job and stays off the register for at least three months) for all clients unemployed for six months or more.

Winz did exceed expectations in its target for managing levels of unemployment for people unemployed for more than four years, and it met its target for managing levels of unemployment for those unemployed for two years or more.

- The Labour Department says that competitive contracting to alternative providers of employment-related goods and services has the potential to increase the responsiveness of Winz, particularly for disadvantaged groups. It says that contracting would also enhance monitoring through clearer performance benchmarks, and it recommends that these options should be investigated further, possibly through pilot schemes.



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A Community Development approach

- The Labour Department argues that reducing disparities for disadvantaged groups in the labour market requires solutions that are appropriate, effective and responsive to the needs of these groups. It recommends a “community development” approach to the design and delivery of employment initiatives.

The department: “Given the localised nature of the problem, an approach that focuses on the community as a whole is an option worth pursuing further. Community employment approaches recognise that for some groups, with ethnic, social or cultural links, developing a sustainable community may be more likely to provide long-term opportunities than will a series of initiatives targeted at individuals...”

- The broad objectives of a community employment approach involves strategies which
 - improve the quality of life and encourage social participation.
 - increase community capacity to develop solutions to local problems and act on local opportunities, and mobilise community participation.

- The department says that the key point about a community employment approach is that it involves a “partnership” between government and local communities: “This is critical to the ultimate outcome of sustainable communities. It is essential that the community ‘owns’ the problem and the solutions to it...”

The department recommends several role models to draw on in order to further develop the concept of community employment initiatives. These include Winz’s community employment functions (downgraded from a separate agency, last year), the various British social inclusion strategies (such as the Scottish Enterprise Agency’s social inclusion projects) and the US Jobs-Plus Community Revitalisation Initiative for Public Housing Families.

- The Labour Department’s papers also reinforce that training is an important component of the menu of assistance available to move people into employment. It notes that the vast majority of those who have been unemployed for a long time have very low skill levels.

BRIEFINGS ON THE INTERNET

Most of the Briefings to Incoming Ministers are available to the public on the internet.

TREASURY

type Acrobat (.pdf) file

internet link: <http://www.treasury.govt.nz/pubs/bmb/brief99/higherliving.pdf>

DEPARTMENT OF LABOUR

type: Acrobat Reader (.pdf) file

internet link: <http://www.dol.govt.nz/about/publications/whole%20bim.pdf>

WORK AND INCOME NZ

Briefing papers are not available on the internet.

MINISTRY OF SOCIAL POLICY

type: MS Word (.doc) file

internet link: <http://www.mosp.govt.nz/comms/files/msp%20peb.doc>

TE PUNI KOKIRI (MINISTRY OF MAORI DEVELOPMENT)

type: MS Word (.doc) file

internet link: <http://www.tpk.govt.nz/publish/SubjectPublications/peb1999.doc>

MINISTRY OF YOUTH AFFAIRS

type: Acrobat (.pdf) file

internet link: <http://www.youthaffairs.govt.nz/pdf/bim2000.pdf>

The Training Opportunities Programme (TOP), administered by Skill NZ, is the largest source of government-funded training for the unemployed ... and the department says that it is essential that TOP and other active labour market measures reinforce each other.

The department: “The international debate has tended to assume that present levels of labour force training are not optimal. This may not be true for New Zealand. A recent report comparing 11 OECD countries found that 46% of NZ’ers aged 25-64 received education or training in the 1994/95 year, compared to an average of 36% in the other countries studied. Similar relativities arise for different demographic groups, industries and educational levels. There remains room for improvement in terms of access to training by some groups...”

“However, it is more likely that we need to improve the quality and appropriateness of training. Whilst some people may receive a lot of education, it may not help them in getting jobs in growth areas, or in establishing their own businesses.

“For example, firm-based training assistance is delivered through Industry Training Organisations (ITOs) and Skill NZ. Whilst the scope and flexibility of training has improved considerably

since the days of apprenticeship training, ITOs still tend to be focussed on low growth areas, and may be inadvertently contributing to the development of skills with a limited future in the knowledge economy...”

WORK AND INCOME NZ

Part-time steps to the goal of full-time employment

- Work and Income NZ briefing papers suggest that unemployed people can no longer aspire to full-time employment as an immediate goal, and the department observes that full-time work for young people and the unskilled is now becoming “problematic”. Winz recommends revamping unemployment benefits towards helping people into full-time work in stages.

Winz: “Changing employment trends requires that the traditional role of income support be revisited. This is highlighted in the widening gap between the HLFS survey figures of unemployment and those registered for the Community Wage. The ‘unemployed beneficiary’ now includes many people who are working and participating in regular part-time jobs whilst still requiring some income support. “Participation in work rather than full-time employment is the immediate goal and income support in many cases should be viewed as a ‘top-up’ to earned income. We need to examine the kinds of assistance we are able to offer the part-time employed to help them more progressively into full-time work...”

- The briefing papers note:
 - that the rise in part-time and casual work has increased job instability
 - that access to full-time work for youth and the less skilled is becoming more problematic.
 - the casual and part-time trends have been of direct benefit to working women. In 1988, participation rates in employment for women were 53%, by 1999 they had increase to 57.3%.
 - unemployment rates for youth have increased by more than 50% in the last decade (from 10.7% in 1988 to 16.4% in 1998).

Training that leads to jobs

- Winz reports that job growth is being generated in a new environment in which employers now require “extended skill sets” from job seekers. Whilst literacy and numeracy skills are basic competencies, the emerging knowledge economy emphasises the need for high levels of these competencies as well as a demand for people with some computer literacy.

Winz: “These changes are having a particular effect on new job entrants and the post-45-year age group as they grapple to gain relevant work experience and meet the new labour market demands. Employer surveys and the department’s own experience indicates that, when selecting staff, employers now place a greater emphasis on the interpersonal, attitudinal and teamwork skills of job seekers. The emphasis on flexible and adaptable personal attributes from employers is exposing a widening gap between the attitudes of many job seekers and attributes that are actually in demand...”

- The implication for Winz in these trends is that, while full-time employment may be highly desirable, it may not be achievable by all job seekers unless we can invest in improving their skills base. Winz sees a need for:
 - maintaining the focus on encouraging those on community wage to participate in whatever work (be it part or full-time) that is available in the local labour market.
 - establishing a culture of life-long learning to encourage job seekers to up-skill or re-skill, so that they can remain productive during their entire working lives.
 - increasing flexibility to enable customers to mix and match Winz products and services to respond to changing labour markets.
 - re-examining definitions of stable employment to incorporate changes in employment patterns.

Work tests for over-55s?

- The Winz briefing papers signal that beneficiaries aged over 55 may have to prove themselves to be work-ready ... or lose the benefit. Until now, those over 55 years have been exempt from compulsory work, training or voluntary work opportunities, except for a six-month work-testing period.

The department now holds the view that present administration rules requiring work testing only for people aged 55 and under is encouraging older people to retire early, leading to high benefit costs and “diminished human capital”.

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Winz suggests work testing should be extended to older groups: "The entitlement for national super has progressively moved from 60 to 65 years. The expectation is for individual's productive life to be extended to 65 years and beyond. Benefit administration rules of not work testing those over 55 years in effect supports early retirement at 55 years and is inconsistent with changing work expectations..."

"The loss of human capability and experience is a direct cost to the country in extended benefit payments and diminished human capital at a time when older workers will be in increasing demand to meet the needs of the labour market."

- The papers show that the numbers of unemployed aged 55-60 has more than doubled in the last ten years to 4.5% (about 6,000 people). The introduction of work-testing to this group means that these beneficiaries could be penalised by having their benefits reduced if they choose not to take up recommended job opportunities, training or voluntary work.

The Maori gap

- Winz notes that there is a disproportionate number of Maori amongst groups getting income and employment support from the department. Maori represent 15.2% of the NZ population. Yet at the end of September 1999, 30.5% of the registered unemployed (69,400) were Maori, as were 34% of domestic purposes beneficiaries, 39% of community wage training beneficiaries, 20% of community wage sickness beneficiaries, and 28% of community wage job seekers.

Winz: "These disparities have been well documented and in large measure have been resistant to current interventions. The disparities have been exacerbated by the significant restructuring that has occurred in industries where Maori were traditionally employed — agriculture, food processing and manufacturing. As Maori are over represented in low skill occupations, they are more vulnerable during periods of economic recession. At the same time, Maori also make up a growing proportion of the population."

"From its field experience through daily contact with Maori beneficiaries, iwi and communities, the department is acutely aware that the issue is complex. Maori disparity requires a multi-faceted response by specific government and non-government agencies in partnership with iwi, which together are capable of addressing issues such as education, health and housing. The department has identified this issue as one of its key strategic goals."

A SOCIAL POLICY SNAPSHOT

AT HOME

Households better off this decade: 10%,
Households worse off: 70%
One-person households: 20% (14% in 1976)
Containing couples with children: 32% (48% in 1976)
Home ownership: over 70 %
Households Receiving accommodation supplement:
more than 300,000 people, 49% of them renting privately.

THE FAMILY

Sole parents with paid job: 65% (40% in 1976)
Partnered mothers with paid job: 65% (40% in 1976)
Families with no parent working: 23% (14% in 1986)
Children living with one parent: 41 % (Maori), 29%(Pacific Island) 17% (European)
Families on benefit for 10 years: 20,000+
Families with severe multiple disadvantages: 25,000

AT WORK

Proportion of part-time jobs: 24% (17% in 1986)
Beneficiaries in part-time work: 15% (10% in 1992)

MAORI GAP

Maori Leaving school without qualifications: 38%
Non-Maori Leaving school without qualifications: 13%
Unemployment among Maori aged 15-24: 28%
Unemployment among Non-Maori aged 15-24: 12%

GROWING OLD

People 65-plus today: 12% of population
People 65-plus by 2031: 21% of population
Workers to superannuitants today: 4:1
Workers to superannuitants by 2041: less than 2:1
Cost of super: \$5.3 billion (in 1998-99)

Source — Ministry of Social Policy Briefing to Incoming Government 1999

The profit lure for job-hunting

- Winz is also recommending that the government use benefit money to pay profits to private agencies that find jobs for the unemployed. The briefing papers recommend that the “result-based payment system for private providers” be trialed here in NZ. Winz officials are preparing detailed recommendations for pilot projects, to be presented to the government in March.

The department says that more resources would be focussed on getting people back to work and lowering benefit costs if its services were opened up to competition and providers allowed to make profits. It concedes that using private providers would work against one of Winz’s main aims of integrating services into “one-stop” shops.

Winz suggests that the pilot programmes be established to increase contestability, and should be based on models used in Britain or Australia. In Australia, private providers are paid to find work for the unemployed, with some money paid up front and the rest paid if the person finds work for a certain period. In some parts of Britain, public and private providers are given nine months worth of benefit and employment-assistance money for each unemployed person. If the person gets a stable job before the nine months are up, the provider can keep the money.

MINISTRY OF SOCIAL POLICY

- The Ministry of Social Policy says that rescuing about 25,000 NZ families from a long-term poverty trap is the biggest social challenge facing our politicians. The ministry says that about 5% of families remain seriously disadvantaged and excluded from NZ society.

The ministry: “Without attention, this could lead to the long-term disengagement of part of our society and threaten social cohesion. It is also a source of fiscal vulnerability and could jeopardise economic growth.” The ministry suggests more early intervention to help these families along with better childcare and financial incentives to encourage the parents off benefits and back to work.

- The briefing papers note that overall growth in benefit numbers and welfare spending is starting to slow. But almost one in five NZ’ers aged between 15 and 64 years is still a beneficiary.

The papers also urge the new government to stop thinking in three-year budget cycles and take a longer-term view of tackling welfare problems. Innovative solutions may cost more at first, but as the state will spend about \$60 billion on benefits in the next ten years, even a 5% reduction in payments would save us \$3 billion.

Making the return to work worthwhile

- In the papers, the Ministry of Social Policy criticises attempts by the previous National administration to push beneficiaries into jobs which could make them worse off. It says that the combined cost of childcare, tax and abatement rates gives domestic purposes beneficiaries no incentive to work full-time.

The ministry: “When the cost of childcare is subtracted from their gross earnings, they are better off staying on the benefit and working part-time. It could be argued that it is unfair to coerce people into taking up jobs which do not leave them financially better off than if they stayed on the benefit.”

- In a national survey last year, 30% of sole parents described childcare as a barrier to having a job, with cost as the biggest factor. The ministry recommends increasing the 50% childcare subsidy rate for low-income parents, and paying it for more than the present maximum of 30 hours a week.

TE PUNI KOKIRI

- Te Puni Kokiri, the Ministry of Maori Development, says that while current employment policy has focused on reducing the percentage of long-term unemployed, the policies have failed to make a positive impact on Maori unemployment as a whole.

TPK: “Maori unemployment has been trending up in both net and relative terms for the past three years. This suggests that the system is more efficient at ‘churning’ the unemployed, but that the underlying causes of employment disparities remain unaddressed.

Valuing unpaid work

- TPK notes that the treatment of and value attached to “unpaid” work in employment policy is an area of difficulty yet to be adequately resolved: “Currently, ‘work’, as a concept, is closely associated with paid employment. This tends to devalue the contribution that can be and is made through people undertaking unpaid activity, such as voluntary work or parenting. Current policy acts as an impediment to community development and demonstrates how the system continues to enshrine gender bias in its resource allocation systems (as caregivers and voluntary workers are predominantly female)...”
- The TPK briefing papers also argue that there is a need to better link employment and training programmes together, so that beneficiaries can ‘staircase’ into sustainable full-time employment. The ministry points to the Schools Employment Programme (SEP) being run in Christchurch as a good example of a locally-grown initiative attempting to meet the need for staircased services: “Employer-community networks are an important informal mechanism for linking job seekers with employment opportunities. Staircasing compensates for the under-representation of Maori as employers and the consequent lack of these networks...”
- TPK also criticises government employment and training initiatives for not being linked to economic and community development policies: “In employment-poor communities and regions, current employment and training products and services are too restrictive to support staircasing communities as a whole towards greater levels of self-reliance, asset development and business growth.”
“Communities and regions with underdeveloped economies need to focus on developing those economies before they can worry about the niceties of employment policy. The rules that are required to protect an employment-rich environment are an impediment to the efficient use of human capabilities to meet community needs and goals in an employment-poor environment. More thought will need to be given to further developing the means to use local discretion in applying/relaxing employment policy strictures...”

MINISTRY OF YOUTH AFFAIRS

Young people's income has decreased by nearly 45% in the last decade

- The Ministry of Youth Affairs says that better income, work and education is critical if New Zealand is to boost the development potential of young people. While today's young New Zealanders are better educated than previous generations, young people have higher unemployment rates than other groups.
- The Youth Affairs briefing papers reveal that :
 - a greater proportion of young people live in low-income households
 - an even greater proportion of young Maori and Pacific Islands people (than the rate of young people) live in low-income households.
 - research also shows that many young people who live in such households do so to supply income, rather than to be supported.
 - those aged 20-24 who are employed are more likely than any other age group to earn the adult minimum wage (\$7 per hour)
 - 16-19 year olds have a youth minimum wage of \$4.20
 - young people aged under 18 are not benefit eligible except for a small number who receive the Independent Youth Benefit
 - young people aged over 18 who receive benefits are more likely than other age groups to be on the lowest rate (that of a single person).
 - Between 1986 and 1996, the median young person's income decreased by nearly 45%. The figures: the median annual income of 15 to 25-year-olds has fallen from \$14,700 in 1986 to \$8,100 in 1996.
 - youth suicide rates have been increasing since 1984, and New Zealand has the second highest youth suicide rate in the OECD after Finland.

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