

# The Jobs Letter

No. 138

29 January 2001

Essential Information on an Essential Issue

## KEY

CHILD POVERTY ACTION

POVERTY MEASURES

WORKING HOURS

ABBOTT'S STICK

UNEMPLOYMENT RATE

UK NO DEAL

ROBERT REICH

## DIARY

5 January 2001

The Group of Seven leading industrial nations, the International Monetary Fund (IMF) and the World Bank have made an agreement that will cut \$34 billion from the debt burden of 22 of the world's poorest countries, mainly in Africa. Anti-poverty campaigners Jubilee 2000 have led a four-year global protest to get third world debts cancelled in the millennium year. This work will be continued by a new group, Drop the Debt. Campaigners want greater relief for those countries already helped, a widening of the scheme for countries left without help, and reforms of the international system to ensure the debt crisis is not repeated.

A \$350 million upgrade to Huntly power station will create at least 200 jobs during construction and up to 20 permanent jobs when it is up and running in four years' time.

The government expects student loan debt to reach more than \$4 billion this year. The debt is forecast to grow to \$15.5 billion by 2015.

- **Neil Mackay**, former managing director of Budget Rent-a-Car, has been appointed **chief executive of Industry New Zealand**. He will oversee Jim Anderton's "jobs machine" programmes allocating \$330m to regional business initiatives over the next three years.

Mackay has had a career in both the private and public sectors. Before Budget Rent-a-Car, he worked at Internal Affairs as general manager of business services and director of the heritage and identity group. Before that, he was chief accountant at National Mutual (now Axa) and he has also worked in companies in Hong Kong, Britain and Australia.

- With the "Closing the Gaps" initiatives now being re-defined as referring to all New Zealanders, a group of academics is urging the government to set its sights on **ending child poverty**. According to the Child Poverty Action Group, half of all Pacific Island children, a third of Maori and one in 10 Pakeha children "often or sometimes" **run out of food because of a lack of money**.

The Action Group has just released a report, entitled "*Our Children: The Priority for Policy*". It believes that children are under-represented in NZ official data and formal statistics, despite the fact that around 25% of New Zealanders are aged under 15. The report finds "... a disturbing picture of poverty among children as a group, placing New Zealand among some of the least successful countries in the international league of child poverty."

- Child Poverty Action wants to see
  - a more progressive tax structure similar to Australia and most Nordic countries (they recommend raising the ceiling of the 15% tax rate from \$9500 a year to \$12,000)
  - an increase in the threshold of \$80 a week which can be earned by beneficiaries to \$130
  - the Inland Revenue Department obligated to ensure families access their tax credits.
  - free medical and dental care provided for all children up to the age of 18
  - a Winz amnesty on beneficiary debt
  - more generous provision for before and after-school care.
- The Action Group has also called on government to immediately **establish an official measure of poverty**. Claire Dale, one of the authors of the 49-page report, says that there has never been an agreed poverty line in this country, "... so trying to discuss this gets very tangled and difficult. We need to make a decision about how we are going to measure poverty so we can track it over time."
- The de-facto measure of poverty in New Zealand can be found in the work of the New Zealand Poverty Measurement Project. In November last year, the Measurement Project released its latest figures showing that a **third of all children and a fifth of all New Zealanders are living in poverty**. The figures, compiled for the Project by Statistics New

# The Jobs Letter

## DIARY

8 January 2001

Green Party MP Jeanette Fitzsimons says the upgrade to the Huntly power station is unnecessary, and is part of a competition for market dominance between Genesis and Contact Energy. She says the upgrade could be avoided if the \$350 million for the upgrade was spent on making homes and businesses in the upper North Island more energy efficient.

A freak hailstorm in the Wairarapa causes \$12 million of damage to apple crops and will put at least 200 people out of work.

*Time* reports that the US economy is heading for a slump, but of a kind never seen before. It says the stock market is now much more volatile in the information age, and because 49% of Americans own shares, confidence in the stock market is closely linked to consumer confidence, as people spend less when their stocks are doing badly. The NASDAQ technology index plummeted 39% last year, its worst performance in 29 years, as technology industries are struggling to convince people that they need the latest in electronic wizardry. *Time* also says that this slump, unlike others, may not lead to increased unemployment, because the highly skilled workers of the New Economy who have lost their jobs find new work quickly. It also warns that the interdependent nature of the world's economies means that America's slump has the potential to produce a global recession.

9 January 2001

Figures released by Revenue Minister Michael Cullen show that former NZ students, now overseas, owe \$175 million in unpaid student loans.

Zealand, showed that 20% of all New Zealanders lived below the poverty line in 1998, the latest year from which figures were available. Of that 20%, 54% were working age adults, 44% children, and 11% elderly.

A further breakdown of the figures shows that 38% of Pacific Islanders, 28% of Maori and 12% of Pakeha/Europeans were living in poverty. And a disturbing trend is that about 42% of "other" people — mostly immigrants and refugees — were also impoverished.

- The Measurement Project research sets the poverty line at 60% of the median equivalent household disposable income. Statistics were calculated both before and after housing costs had been paid, with pre-housing cost figures showing only 15% of New Zealanders living in poverty.

In a comparison of income levels, statistics gathered from 1984 to 1998 show that the after tax income of the wealthiest 10% of households increased by 43% over that period. The bottom 50% of households dropped by 14%.

- Social policy researcher **Charles Waldegrave** has also released the results of a more general survey of low household incomes. Interestingly, the survey dispels **the common myth** that poor people waste their money on drink and gambling. According to the figures, only 5% drank more than a glass of alcohol a day in the week they were surveyed, while less than 12% had indulged in any form of gambling other than buying a Lotto ticket.

Other key household results show that

- 44% paid 40% or more of their after tax income on rent or a mortgage;
- 40% of households were overcrowded (Pacific Island 60%, Maori 51%, Pakeha 22%);
- 48% had been unable to provide a meal for their family at least once in the previous three months;
- 56% had family members who didn't visit a doctor when necessary in the previous year;
- 47% had at least one member with a chronic illness;
- 64% were in debt; and
- households coped through support from family (42%), growing their own vegetables (33%), using community support such as foodbanks (24%), or doing odd cash jobs (22%).

- Charles Waldegrave is hopeful that recent measures from the Labour/Alliance government will have a significant impact on the poor. His call: "In two years' time when we measure things again you can fully expect to see a substantial decline in the numbers living in poverty..."

Waldegrave predicts that the introduction of income-related state housing rents last December will be a key component: "Housing is the biggest cause of poverty. Statistics like this have been important in the advice given to government to go for housing in their policy restructuring. It's a costly exercise — they're building up housing stock and making it more affordable — but it will put \$20 to \$30 extra in the pockets of families per week. "

Waldegrave also points to the government's restoration of superannuation levels to 65% of the average income in April last year. When the National Government announced superannuation cuts to 60%, researchers calculated the move would put 250,000 elderly into poverty.

# The Jobs Letter

## DIARY

10 January 2001

Poorer schools are likely to be affected most as NZ suffers a severe shortage of secondary school teachers, according to the principal of Wellington's Newlands College, Paul Richardson. He says teachers can now be selective about where they teach, and state schools are becoming divided into those that are "rich and successful" and others that are "poor and failing".

11 January 2001

Australia's economy gained 39,600 jobs in December, after losing jobs in the three previous months. The official jobless rate remained unchanged at 6.6%. See story in this issue.

14 January 2001

A worker shortage in Queenstown is being blamed on a lack of affordable accommodation for employees. Winz Southern Commissioner John Allen says they have clients who could fill the positions if they had somewhere to live. He says there are 150 job vacancies in hotels and supermarkets in Queenstown.

15 January 2001

Computer mapping company Terralink collapses into receivership, putting 280 jobs at risk, although the government predicts that layoffs will be minimal. Terralink is the first state-owned enterprise to be put into receivership.

Waldegrave: "This government has revised that move and, again, it's a very costly policy, but it has prevented 250,000 elderly people going below the poverty line."

- Social Services Minister Steve Maharey comments that the child poverty report makes a number of suggestions that are **currently being considered by the Government**. He says the government is already looking into benefit reform and he supports raising the threshold of what beneficiaries can earn before money is deducted.

Maharey also says that the government is looking at establishing an official measure of poverty. In delivering his inaugural "State of the Nation" address to the Takaro Rotary Club in Palmerston North, Maharey reported that the government is working on a series of indicators which will allow it to **chart the social wellbeing of the nation alongside the development of the economy**. Maharey: "Still too many people lack basic literacy skills, too many remain in poverty and too many people live isolated lives away from their communities. This must change and we must have proper tools to measure our progress ..."

- **Working hours.** The average number of hours worked each week by New Zealand employees in 1999 was 38.72 hours, a figure virtually unchanged in the past decade. But if you distinguish between full-time and part-time workers, the average number of hours worked by full-time workers is longer: 45.06 hours.

The construction sector had the longest hours (44.49 hours), and men worked longer hours in paid work than women — 40.43 hours, and 36.74, respectively. Aucklanders worked longer (39.02 hours) than Wellingtonians (38.05 hours).

- Council of Trade Unions president, **Ross Wilson**, agrees that a "rational approach" to redistributing working hours is needed. While he describes the French approach in bringing in a 35-hr working week ([see the last issue of \*The Jobs Letter\*](#)) as "admirable in principle", he told *The Dominion* that he is not sure whether it would suit the New Zealand context.

However, Employers Federation chief executive, Anne Knowles, believes that following France's example would have "a tremendously detrimental effect", and would impose significant costs on NZ businesses. Knowles: "The best way to boost employment is to get the economy performing better, not limiting your view to "there is X number of jobs". Wage costs in France are estimated to have increased more than 11% — a cost that employers in the small New Zealand economy would find impossible to absorb or pass on.

Knowles suspects the fall in unemployment in France has more to do with an improving world economy than any reduction in working hours: "Probably the biggest increase in employment from reducing hours has come from the increased bureaucracy needed to police it."

- Employment Minister Steve Maharey says that proposals for shorter working hours will only succeed in New Zealand **if productivity increases at the same time**. His view is that "working smarter" and exploiting new technology will have to go hand-in-hand with proposals for shorter hours. Without a productivity guarantee, he is reluctant to see New Zealand follow the French example.

Maharey agrees that there are specific groups of workers who are working "extraordinarily" long hours, while others have too little or no

# The Jobs Letter

## DIARY

16 January 2001

67 contractors who were working on an EDS project with Terralink have lost their jobs as the result of the company's collapse.

A member of the Christchurch City Council's Poverty Taskforce, Dr Paul Dalziel, says some Canterbury employers believe the unemployed are not taking the jobs available, but there is no proof that this is true. He also notes that employers believe that the unemployed did not have the skills they require, or they prefer to stay on the dole. The Poverty Taskforce will be investigating the employers' claims.

17 January 2001

In an editorial, the *Sydney Morning Herald* says if incoming Employment Minister Tony Abbott is to be effective, he will need to change his counter-productive "bully rhetoric". It says the role of Employment Minister will require him to be more sensitive to general community interests. The paper does not question that he's capable of doing the job, as long as he is able to ... "lose the attitude and concentrate on being fair – as well as firm". See *story in this issue*.

Industry New Zealand names Neil Mackay its first chief executive. See *story in this issue*.

The Marlborough economy is booming, but local employers say the region is struggling to find willing and able workers to put in the hours in orchards and vineyards, and qualified and experienced tradespeople are scarce.

work ... but he sees the problem is more that work is divided unevenly. Maharey: "We have a work-rich/work-poor divide — but I don't think it as simple as redistributing it by regulating work hours. Often people are shut out of work because they lack skills — which regulating hours would not fix."

Maharey reports that the "Futurework" project being presently undertaken by the Labour Department is looking at countries and companies (such as Volkswagen) that have shortened working weeks. The project is also looking at trends such as teleworking and the development of family-friendly work-places.

- Economic Development Minister **Jim Anderton** believes it is simplistic to say that cutting working hours can also cut unemployment. Anderton: "The challenge for us is to create jobs. Last year we got below 6% unemployment for the first time since 1988 — and that was done by creating more jobs. You can't create more jobs artificially."

Anderton told *The Dominion* that, as a businessman, he saw evidence that productivity could actually be boosted by reducing working hours. His business used to **extend long weekends three days to four**: "Theoretically the employees worked five less days in a year, but production did not decrease. It showed us people can do in four days what they would take five to do in other circumstances..."

Alliance policy is to extend the existing three weeks' minimum paid holiday to four weeks — in effect, compelling people to take more time off.

- The unemployed in Australia have been put on notice to expect to do more for their welfare payments. The **incoming Australian Employment Minister, Tony Abbott**, is keen to see them involved in structured activities for two days a week, to prevent them from becoming "work wary". In an interview with the *Sydney Morning Herald*, Abbott reiterates his often-expounded belief that people who are unemployed need to be treated with **a stick rather than a carrot**, and that government intervention is needed to ensure that they use their time appropriately.

Mr Abbott, who will be sworn in at the end of the month, says he would not tolerate avoidance by the unemployed of what he describes as their **"mutual obligations"**. Abbott: "The idea of any excuse will do, I reject that. You have to be firm but fair."

Abbott comes into the job as Australian employment growth is slowing, the existing participation in work-for-the-dole is relatively low, and further changes to the welfare system are looming.

Under the new welfare guidelines announced late last year, people who have been unemployed for more than six months must do some activity to qualify for full payments, with those under 40 eligible for work-for-the-dole. Activities can range from joining the Army Reserve to training and literacy and numeracy programs.

- The Australian Council for Social Services (ACOSS) condemns Abbott's plans as illogical and wasteful. ACOSS Deputy President Eleri Morgan-Thomas says a work-for-the-dole scheme is not designed to get people into jobs, and is **a political gimmick**. She says the government should be giving more money to existing programmes, to provide the unemployed with education, training and job experience that is aimed at individual needs and the local job market.

# The Jobs Letter

## DIARY

18 January 2001

Job ads have dropped sharply in Auckland, Wellington and Christchurch in December, and fell nationwide by 0.8%, according to the latest ANZ job ads survey. The survey said ads usually declined over Christmas, but the fall was greater than in previous years.

- Acting Australian Opposition party leader Simon Crean also attacks Abbott's plans, calling it harsh and "blaming the victim". Crean has called for the **major political parties to work together** to help lower Australia's unemployment levels, instead of blaming the unemployed for their plight.

Crean: "What's really needed to help the unemployed is to widen the gap between welfare and work and also encourage people to actually train while they are undertaking the work experience. But the government has cut the training programs..."

- Australia's chief statistician, Dennis Trewin, believes the official measure of employment **does not reflect the true jobless rate** and

## ROBERT REICH on the FUTURE OF SUCCESS

- Ten years ago, Robert Reich published his analysis of the new economy called *The Work of Nations*. It gave many people their first look at the implications of an increasingly globalised labour market, a free flow of capital chasing quick returns around the world, and a growing gap between rich and poor.

Reich, who in the interim served as US Secretary of Labour during Bill Clinton's first administration, has now published an update on his views on the new economy. In a new book called *The Future of Success*, he describes an economy that is a boom for consumers, with the internet and e-commerce giving us an "Age of the Terrific Deal".

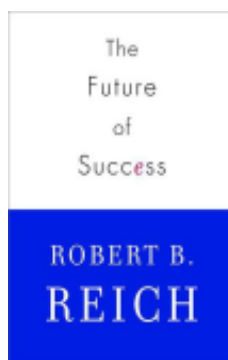
But the hitch is that we don't live all our lives as consumers. Reich: "The easier it is for us as *buyers* to switch to something better, the harder we as *sellers* have to scramble in order to keep every customer, hold every client, seize every opportunity, get every contract..." In other words, it is great for consumers to hunt on the internet for bargains ... but they also realise that their boss is looking just as hard for ways to replace them with something cheaper. The result is an anxiety amidst plenty that, according to Reich, is reshaping both the workplace and society at large.

- How does someone maintain a good livelihood amidst such anxiety? Reich's short answer is self-

promotion: employees have to learn to sell or "brand" themselves.

Reich: "Even if you are *called* a full-time employee, you are becoming less of an employee of an organisation than you are a seller of your services to particular customers and clients, under the organisation's brand name. The incentives today are on the side of investing in one's personal brand rather than devoting time and energy to the organisation..."

In Reich's view of success in the new economy, you go to a brand-name university not to imbibe the wisdom of its professors — but to make impressions and connections. You pick a niche that can bring attention to yourself and then develop your personal public relations efforts to let the world know who you are. You don't worry about loyalty to others because they are now all free agents and they are not worried about loyalty to you. And this is a "Terrific Deal" ?



### The Future of Success

by Robert Reich  
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[www.amazon.com/exec/obidos/  
ASIN/0375411127/](http://www.amazon.com/exec/obidos/ASIN/0375411127/)  
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### A REICH (pronounced "raish") READER

1. Strategy+Business "Thought Leader" interview with Robert Reich  
<http://www.strategy-business.com/thoughtleaders/00409/page1.html>  
also available in pdf format at  
<http://www.strategy-business.com/pdf/00409.pdf>
2. "The Reich Stuff" — Context magazine interview Aug/Sep 2000  
<http://www.contextmag.com/archives/200008/Feature0TheReichStuff.asp>
3. "Your Job is Change" — cover story Fast Company October 2000  
<http://www.fastcompany.com/online/39/jobischange.html>

# The Jobs Letter

## DIARY

19 January 2001

Government ministers are debating how much public money should go into setting up the new NZ Post-run "People's Bank". Cabinet's business committee is expected to discuss a detailed proposal for the bank next Wednesday, and the full Cabinet is likely to discuss the proposal at its meeting the following week. NZ's biggest retailer, The Warehouse, is also currently working on a similar project.

21 January 2001

The Child Poverty Action Group releases its report into the impact of Government policy on child welfare. See story in this issue.

British schools are now so desperate for teachers they are travelling to NZ to recruit staff, and concern is increasing in NZ that the country is heading for a teacher shortage crisis. The secondary school teachers' union, the PPTA, predicts that another 2,500 secondary school teachers will be needed to cope with a peak in the secondary school roll in 2007.

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*The Diary is sourced from our media watch of New Zealand daily and weekly newspapers.*

*Research sources for the main items in The Jobs Letter are available in our internet edition at [www.jobsletter.org.nz](http://www.jobsletter.org.nz)*

he is pushing for his international colleagues to impose a more realistic measure. He says this is needed because the current definition set by the Geneva based International Labour Organisation (ILO) is flawed. Under this definition — used by Australia, New Zealand and most other developed countries — people only have to be in paid work **for one hour a week** to be classified as "employed".

Trewin argues that changing the definition of "employed" from one hour of paid work to 10 hours a week would be a better measure. He is aware of the political implications of the change: under such a new definition the unemployment rate in Australia would **increase from 6.6 to 9 per cent**. Trewin cautions that the international community would have to agree to any change before Australia adopted it ... and he expects that the ILO may agree to the new measure within five years.

- The latest Bureau of Statistics figures show that 212,100 Australians were counted as having a job even though they worked for less than 10 hours and many of these people received unemployment benefits. Under a new "definition" these people would be counted as unemployed, increasing the number searching for work in Australia from the present unemployment estimate of about 640,000 to almost 850,000.
- Britain. A National Centre for Social Research study, commissioned by the British Government, has delivered **an embarrassing verdict** on New Labour's £5 billion "New Deal" programme. The study finds that as many as 80% of the jobs filled for six months by the long-term unemployed **were likely to have been created anyway**.

The study surveyed 3,209 organisations that hired the long-term young and adult unemployed and found that as many as one in three New Deal recruits were not retained by employers at the end of their six-month period.

Almost half the young people participating in the programme were no longer employed by the company within nine months of starting. 72% of employers surveyed reported that their involvement in the programme made no direct impact on their activity and 52% admitted that their main motive in agreeing to participate in the programme was to reduce labour costs. The average gross starting hourly wage paid to young people under the scheme was £3.50 per hour, which is 20p less than the national minimum wage.

- Also in Britain, the *New Statesman* reports that this year, for the first time, **more UK women than men got first-class degrees**. It notes that female educational achievements are going from strength to strength, in a world where knowledge analysis and interpretation are crucial for economic success.

Writer Geraldine Bedell speculates that one reason for the success in first-class degrees may be that students are now given greater credit for the year's coursework as a part of their examinations. Bedell: "In the past men have been able to outflank us with the occasional bold flourish [at exam times] ... it has been possible for them to survive on 98% laziness and 2% chutzpah ..."

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