

The Jobs Letter

No. 150

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Essential Information on an Essential Issue

KEY

INCOMES WORSE OFF

TRACKING SCHOOL LEAVERS

BRINGING THE HASSLE BACK

MYTHS OF THE DPB

POLICE RECRUITMENT BLUES

COMING BACK TO THE GOOD LIFE

DIARY

28 June 2001

Visiting American welfare analyst Charles Murray asks NZ to exclude solo parents from benefit entitlements. In this country as a guest of the Business Roundtable, Murray says that a single woman with children is "not an economically viable unit" and those babies should be adopted out. Murray: "I want a small state that has strong private institutions for dealing with human needs to try cutting off all assistance to some segment of the population – let's say girls under 21. If you don't see babies starving in the streets, then you have a basis for carrying it on."

29 June 2001

Housing NZ agrees to look at all substandard housing in the Far North and bring them up to habitable standards. Ngapuhi runanga chairperson Sonny Tau says his authority and Housing NZ will do a survey over the next fortnight and fix immediate problems like windows, doors and electrics. Tau says they will be working on both private houses and houses people are squatting in. He says emergency shelter will be found for people whose houses are found to be beyond repair.

The NZ economy had 0% growth for the quarter to March this year.

- The income of the average New Zealander is **worse off now than two decades ago**, and the gap between high and low-income households is widening, according to a new report published by the Ministry of Social Policy. The report outlines household income trends from 1982 to 1998. It shows that the average annual disposable (after tax) income per household has dropped by almost 10%.

During this period, the gap between rich and poor widened by 17%. In 1988 the top 20% of households earned 2.3 times more than the bottom 20%, and ten years later they earned 2.7 times more. The 1998 average disposable income was \$31,470.

- Analysis of annual household economic survey data during the 82-98 period shows that, when inflation and tax were taken into account, average disposable household incomes fell during the 1980s and well into the mid 1990s. This largely reflected the economic recession at the time which led to a rise in unemployment, and an increase in numbers on benefits. This trend then recovered strongly, and by 1998 household incomes were at levels approaching those of the early 1980s.

The **gap between rich and poor has widened** because incomes at the top level have recovered more strongly than incomes at the bottom of the scale (*see table, below*). The report shows that this pattern holds regardless of whether before-tax or after-tax income is considered and regardless of whether or not adjustments are made for household size.

—Distributions and Disparity —New Zealand Household Incomes by Mary Mowbray, published by the Ministry of Social Policy 2001. Available from the MOSP website at www.mosp.govt.nz/publications/docs/distributionsdisparity.pdf or a hard copy can be requested from information@mosp.govt.nz

PERCENTAGE CHANGE IN DISPOSABLE (after tax) INCOMES

Percentiles	Percentage Change			Overall 1982 - 1998
	1982 - 1988	1988 - 1993	1993 - 1998	
90	-3.9	-0.5	10.8	6.0
75	-6.9	-10.7	15.9	-3.5
Median 50	-7.7	-14.4	12.7	-10.9
25	-4.9	-18.0	10.1	-14.1
10	-10.5	-9.7	4.4	-15.7

Source: Ministry of Social Policy 2001

- The government is to start **tracking the career paths of secondary school leavers**, following concerns raised by the Mayors Taskforce for Jobs that too many young people under 18 years may be leaving school and disappearing from any systems of vocational support.

A "Destinations and Tracking" pilot project will be set up in Christchurch and Porirua this year, to collect data from approximately 2,000 secondary school leavers. The project will record the intended destinations of school-leavers at the end of the year, and then early next year, this

TRENDS

INCOME DISTRIBUTION AND DISPARITY

Highlights from the Ministry of Social Policy *Distributions and Disparity —New Zealand Household Incomes* report.

- **Beneficiaries.** More than 40% of households with a beneficiary member had disposable incomes that placed them in the bottom fifth of the income distribution in 1998.

Throughout the 90s the incomes of these households have been less than 60% of the average income for all households. Before the 1991 benefit cuts, average incomes for these households were generally more than two-thirds of the average for all households.

- **Children.** Households with children and dependent young people among their members have tended to cluster in the bottom two-fifths of the income distribution over the period covered by the report.

High proportions of the child population lived in the bottom fifth of households in the mid-90s (33%). This proportion had dropped back to the level of the late 80s by 1998 (24%).

- **Maori.** Households with adult Maori members tended to have below average incomes throughout the period covered by the report. Such households tended to suffer a particularly large fall in income through from the late 1980s to the low point for incomes between 1992 and 1994.

This effect appears to be strongly related to levels of unemployment experienced by a younger population that is much more reliant on income from paid work than some other groups. The position of these Maori households had improved again through to 1998, with a return to income levels nearing those of the late 80s.

A key factor in this improvement has been an increase in the overall household hours worked. However, hours worked by households with Maori adult members tend to yield a lower income than equivalent hours worked by other households.

- **Renters.** Housing rentals imposed an increasing burden on low-income households. Although renters only made up a quarter of all households in 1998, over 40% of the households in the lowest fifth of the income distribution were renters.

An increasing proportion of households in the lowest fifth paid more than 30% of their income on rent (17% in 1988, 44% in 1998).

- **Superannuitants.** Although incomes of households with beneficiary members fell in the early 90s, average incomes of superannuitant households did not. NZ Superannuation was not affected by rate cuts in 1991, and the introduction of living alone allowances in 1992 lifted incomes for some.

Beneficiary households consequently displaced many superannuitant households from the lowest fifth of the income distribution as the relative income position of beneficiary households deteriorated. In 1988, nearly half of the households in the lowest fifth of the income distribution comprised one or two adults receiving NZ Superannuation. By 1998 this proportion had dropped to less than a third.

- **Women.** Average incomes for households in which all the adults were women were consistently lower than the average incomes of households in which all the adults were men, and lower than households with mixed adult gender, regardless of whether there were children or dependent young people in the household. This gap widened during the '90s.

DIARY

2 July 2001

A European Union court determines that all workers, including short-term and contract workers, are entitled to paid holidays. The ruling will effect millions of British workers who, until now, were not entitled to paid holidays because they didn't work for the same employer for more than 13 weeks.

3 July 2001

The National Party is looking at restricting the amount of time young people can be on the dole. Deputy leader Bill English says the party is considering a policy change that would see young unemployed people's benefit either stop altogether or reduce after a set time.

information will be matched against the actual destinations. The project is being undertaken by Careers Services in partnership with Skill New Zealand. The final data will be used within schools to enhance their career education programmes, and to help identify tools and approaches to vocational support that may be more successful with young people.

- Porirua Mayor Jenny Brash says that there is a nationwide problem of young people dropping out of school at aged 16 and then **disappearing from any systems of support**. Brash: "There are too many young people leaving school without any qualifications. By the time they get to 18 years, and enrol with Winz or on a training course, its just that much harder to get them motivated to work. Tracking these young people will be absolutely essential step if our Taskforce is going to achieve its goal of getting all young people under 25 years into work or training by 2005. The trouble is, at the moment, nobody really knows where these young people are and what they are doing..."

Christchurch Mayor and Taskforce chairman Garry Moore agrees: "We don't want to see our young people going straight from school to the dole. We've got

The Jobs Letter

DIARY

5 July 2001

The Napier City Council is planning an advertising and Internet promotion campaign to help attract skilled workers to the district. The shortage of skilled workers in Hawke's Bay is a perennial problem and Claire Vogtherr of the Chamber of Commerce says this has a dampening effect on business in the region.

6 July 2001

As many as 75 staff will lose their jobs as City Super-Value supermarket in Blenheim announces it will close its doors.

8 July 2001

Minister of Housing Mark Gosche says the government is looking at toughening-up the Residential Tenancies Act to include hefty penalties on landlords who fail to comply with work orders on residential properties they own.

The Gisborne District Council condemns a Tolaga Bay house, privately administered by Minister of Maori Affairs Parekura Horomia, as unfit for human habitation. William Crawford, who has lived in the house with his family, says they had been paying \$110 per week in rent until five months ago after having complained about the state of the house to Horomia for five years. Crawford says there has been no maintenance on the property for 12 years. Horomia says the house is part of an estate and that he is the executor of the will but not the owner of the house.

9 July 2001

Job vacancy ads are up 4.2% on last month and the figures are well ahead of last year's in all regions, according to the ANZ Bank job ad survey.

The student loan scheme is a disincentive for people becoming qualified early childhood education teachers, according to the Primary Teachers' Union. The union's Jenny Varney says that qualified people have a starting salary of \$22,000 but typically come into the system with a \$30,000 debt. Varney says the most recent figures available indicate that only 35% of early childhood teachers have a teaching diploma and 20% have no training at all. She blames the large proportion of unqualified staff on their unwillingness to become indebted.

to keep in touch with them when they leave school ... and make sure they get into the ethos of working."

- Last month the Mayors Taskforce for Jobs met with Minister of Economic Development Jim Anderton and Minister of Employment Steve Maharey to discuss progress on their goals and the Memorandum of Understanding (signed between the government and the Taskforce).

Jim Anderton used the occasion to announce a **major Regional Development Conference** which will be held in Rotorua on 28-29 November 2001. The Conference is expected to attract over 500 delegates including keynote speakers who are local and international regional development experts.

Anderton sees the conference as an opportunity for economic development workers, local authority representatives, iwi and local business leaders to see what is working and how it will apply in their own regions. Anderton: "I have been on 39 regional visits across New Zealand and it is clear those involved in regional development have a lot to teach each other, and they want an opportunity to network and share knowledge and ideas. This conference will provide a significant opportunity for this to take place..."

- Anderton reports that his **Regional Partnerships Programme** is already working to build strong economic networks. Under the programme, regions can apply for up to \$100,000 for the development of regional plans and up to \$100,000 for creating the capability to implement the plans. Funding of up to \$2 million per region is available to contribute to major regional initiatives from the strategies developed in the first two stages. To date, 14 regions have secured grants amounting to \$1.3 million, and \$2.2 million has been committed to 19 regional partnerships.
- A National Government would "**bring the hassle back**" for teenage mothers and people sitting on the dole smoking dope, according to its Social Welfare spokesman Bob Simcock. Speaking at the start of the National Party's annual conference last month, Simcock launched into an attack on beneficiaries, saying some of their life choices were dumb and needed to be discouraged. (*see Voices, this issue*).

In a snipe at Social Welfare Minister's pre-election promise to "get rid of the hassle", Simcock signalled that a National government would **bring back the work-for-the-dole** strategy that Labour had dropped. Simcock reported that he had heard from work scheme co-ordinators that the attitude of people on them changed as soon as they heard that the work-for-the-dole scheme would be dropped: "They wouldn't turn up on a wet day, and so on..."

He told the conference: "For people who are stuck on welfare, for people who are poorly motivated, for people who have other sources of income and for people who are just too comfortable on the benefit, National will bring the hassle back..."

Bob Simcock also confirmed that the National Party is looking at welfare policies which include a time limit on benefits and a form of unemployment insurance.

- Bob Simcock's harangue against teenage mothers living on the Domestic Purposes Benefit (DPB), has been immediately challenged by research released by a Massey University research fellow, Helen Wilson. Wilson's **research dispels the myth** that teenage birth rates have swelled since the DPB was introduced in 1973. In fact, the rate has more than halved since that time, a result of the widespread use of the contraceptive pill, and more women choosing abortion.

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12 July 2001

The Australian economy lost 3,000 jobs in June, following a 4,100 drop in job numbers in May. Even so, Australian unemployment remains the static, at 6.9% of the workforce.

The Sealord Group joint venture fishing company announces plans to create 40 NZ jobs with a new product it is developing and an additional trawler coming to NZ waters.

14 July 2001

New jobs will result from an expansion of timber processing company Juken Nissho at its Kaitaia mill in Northland, if its plans are approved. The firm has applied for resource consent to spend up to \$50 million in the expansion and that, on completion, 70 new jobs would be created at the mill.

16 July 2001

Massey University is considering raising fees by 27%, or on average \$1,089 per student, if it opts not to accept the government's funding offer for next year. It says if it accepts the offer and does not increase fees, it will have to cut \$11.5 million from its budget.

17 July 2001

The Green Party pulls out of the government's free-trade negotiations with Hong Kong saying that if the agreement goes ahead, the cost will be borne by NZ's 18,000 clothing workers. Green co-leader Rod Donald says the government is sacrificing thousands of our most vulnerable workers to Hong Kong traders who will not commit to meaningful Rules of Origin practices. He says that compelling evidence confirms that the only effective way to protect NZ jobs against unscrupulous traders is to keep the current tariff regime in place for textiles, clothing and footwear.

Contrary to Australian public perception, there is no "brain drain" in Australia. A study by Bob Birrell and Virginia Rapson of Monash University says Australia has gained over 155,000 more skilled workers than it lost over the last five years. Like NZ'ers, Australians have been fretting under the impression that it is losing a disproportionate number of their talented people overseas.

The figures: Teenage birthrates since 1972 have gone from 69 in 1,000 women to 29.3 in 1,000 in 1999. Teenage mothers now make up just 2.7% of DPB beneficiaries. Also, sole parents spend an average of only three and a half years on the benefit.

- Helen Wilson says the figures challenged the popular notion that the DPB was responsible for encouraging teenagers to have babies. She argues that two commonly accepted myths — that teenage birthrates had swelled since the domestic purposes benefit was introduced in 1973 and that teenage mothers took a disproportionate amount of benefit payments — have had major repercussions for young women struggling to raise their children.

Wilson, whose background includes 12 years as a Plunket nurse, does point out however that New Zealand still has a **relatively high teenage birth rate** compared with other developed nations, and was second only to the United States for most of the past decade. She says teenage pregnancy has been considered problematic since the 1940s when it was seen as a moral and later a medical problem. Today it is seen as a social problem.

- A study of welfare beneficiaries in the **United States** has also found the number of solo parents has been reducing. But the shift is being credited to the 1996 US government welfare reforms which introduced a **time limit of five years** on people claiming a benefit as well as making "workfare" or work-for-the-dole compulsory. The legislation also required women applying for benefits to identify their children's father.

Researchers Allen Dupree and Wendell Primus report that there has been an 8% drop in the number of solo parent claiming benefits in the US. Their study did not investigate the causes of the decline in solo parent beneficiaries but the authors (who say they opposed the 1996 reforms) believe the legislative changes have certainly had an impact.

Dupree and Primus say there are a number of other factors that have changed over the period. One is that most states have dropped penalties for couples seeking state assistance, a paradox that had encouraged families to separate. The authors say other contributing factors in the drop in beneficiary numbers may be the stronger US economy, lower unemployment and increases in wages at the bottom end of the income scale.

- While the US reforms may be working for some, the five-year time limits are now up for the first wave of welfare recipients to be affected by the legislation. Stephen Bradley, a member of Community Voices Heard in New York City, reports that it is **solo parents**, mostly women, who **are having the greatest difficulties** and are ending up in homeless shelters.

Bradley says that many city-run childcare centres are inadequate and some mothers refuse to leave their kids in them to do "workfare". Bradley: "The mother has to make a choice to take the benefit and go to work and leave the child at home. Women are staying home and they are kicking them off welfare. The homeless shelters are bursting at the seams with single women."

- The Police are to spend four times as much as they did last year on recruitment. National opposition MP Tony Ryall argues that this is because of a **big drop off in interest** in joining the force, in the wake of the Police budget crisis.

Ryall says that when the government promised to make recruits pay for their training, the level of enquiries from potential recruits plummeted. Ryall: "Many of those potential police officers pulled out and said forget it. Then, six months ago, the government cancelled the training of 240 police officers in order to save \$5 million. Not only did this sap morale amongst current staff, it scared off a whole load of good potential recruits..."

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18 July 2001

Tawa will lose 45 jobs as Deltec, an award-winning NZ company is sold and the new owners shift the production side of the business to China.

19 July 2001

Same sex couples will soon be treated the same as heterosexual couples in regards to benefit eligibility and entitlements. Until now, gay relationships have not been recognised by Winz and people in same sex relationships have been treated as two single people rather than as a couple. Single people are entitled to higher benefits and their eligibility does not have to consider a partner's earnings.

21 July 2001

Beneficiaries and solo parents are a focus of the inaugural speech at the National Party's conference. Social services spokesperson Bob Simcock promises to clean-up the job register saying that people who need an income will be required to work under a National government.

Nearly 500 people have been on the domestic purposes benefit for 20 years according to Winz statistics.

25 July 2001

Nearly one-third of all Americans live in "critical hardship" according to *Hardships in America*, a report prepared by the Economic Policy Institute. It assesses critical hardship as the inability to afford low-cost housing, licensed childcare and health insurance. It also says that one-quarter of all working Americans can not afford more than their basic housing costs, leaving healthcare and childcare out of reach. EPI chairman Peter Edelman says there are too many jobs that don't pay enough to live on. Edelman says President George Bush's proposal to rely on religious organisations to provide social services is a "phoney magic wand".

Police now plan to **spend a million dollars on recruitment** activities this year, compared to \$281,000 last year. The Commissioner of Police has confirmed to Ryall that the current recruitment drive will only maintain existing sworn police numbers, and that the million dollar campaign aims to **recruit 400 extra staff**. Ryall: "Last financial year it cost around \$650 for each recruit. This year it'll be \$2,500 each. This should not have happened..."

- A new programme designed to **assist skilled immigrants** into productive work has registered more than 120 Information Technology professionals. Only two months old, the Auckland Chamber of Commerce scheme is meant to match the shortage of IT workers with the large number of underemployed immigrants with IT skills. Employers and immigrants can register at www.newkiwis.co.nz or contact Leah Gates at: lgates@chamber.co.nz or phone (09) 309 6100.

Meanwhile, another service for immigrants which helps **fast-track residency applications** for people with IT skills has been operating since 1999. The Information Technology Association of NZ (Itanz) provides letters of support that are recognised by the Immigration Service as supporting evidence to an immigration application. Jim O'Neill from Itanz says that more than 370 people have received letters of support from the service. He says that 70% of their successful residency applicants came from South Africa and the UK and most applicants had already arrived in NZ on visitor's visas and wanted to acquire residency status.

- Skilled workers who have returned to NZ after working overseas are **looking for the "good life"** with family and friends, according to a recent on-line survey by the recruitment company TMP Worldwide.

The survey asked 750 people a series of questions on the reasons for working in NZ and for working overseas. Lifestyle factors such as the easy access to outdoor pursuits (82%), reduced commuting and travel time (36%) and the favourable climate and environment (60%) were listed as the attractive features that brought the expats home.

TMP National Director of Strategy Dr Kaye McAulay says that the survey shows that **NZ needs to promote itself** so that it becomes an attractive stop off point for the global talent pool. Dr McAulay: "We are aware of at least 80,000 NZ'ers in Great Britain who are registered with Monster.com. Industry and government must assist with developing strategies to attract the talent back here."

- The traditional "OE" destination of Great Britain still attracts Kiwis looking to work overseas. 56% of those surveyed who have already worked outside NZ have done so in the UK followed by Australia (53%), USA (28%) and Asia (21%). The pool of countries available for New Zealanders to work in is growing as more countries open their doors to skilled workers. In the last year alone, Italy, Sweden, Holland and France have joined the more traditional Commonwealth "OE" destinations as being places that New Zealanders can acquire working visas.

Dr McAulay: "The promise of higher remuneration, a broader variety of roles and more challenging projects are the recurring reasons cited by respondees for taking up work overseas. Many stated that the lure of the high dollars being offered off-shore were an incentive to go and earn money to pay off student loans and to save for mortgages. High income earners — the skilled people that New Zealand needs to move towards economic prosperity — also responded that escaping domestic high tax rates was an incentive to work off-shore..."

Respondents to the survey offered **suggestions to the government** in order to retain skilled workers: reduce the cost of tertiary education; better recognise the qualifications of immigrants; reduce the tax on higher incomes; and look at an apprenticeship system for recent graduates who could not find work.

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27 July 2001

National Party MP Marie Hassler supports paid parental leave, subsidised child-care and tax rebates in order to get the population increasing. These changes would encourage NZ'ers to have more children and, along with relaxing immigration rules, would result in an increasing population that she says is critical to increasing NZ's economic development.

State Insurance announces it will close its 120-staff Hamilton call centre and its 55-staff Tauranga call centre by the end of the year. The company will also close half of its "sales centres" which currently employ about 70 people. State's David Smith says that all staff are being encouraged to apply for new jobs in the new national structure.

On Energy's customer service staff are likely to lose their jobs as the company has sold its retail customer base and has no more customers to service. Some 200 staff in Christchurch, 60 in Hamilton, and 40 in Wellington are affected.

29 July 2001

US fibre-optic communications equipment maker JDS Uniphase has made 16,000 people redundant after posting a \$US50.6 billion loss, thought to be the largest annual loss ever recorded.

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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

VOICES

on BRINGING THE HASSLE BACK

"It is wrong to sit on the dole in Gisborne when there is a good job available if only you are willing to get off the dole."

"It is wrong to accept the dole when you have another, undeclared income."

"It is wrong for a child to become a parent when they are 14, and it is very wrong for parents not to do everything they can to stop that happening."

"A family where two mature committed parents work to make a life for their children is preferable to a family that consists of a 16-year-old mother with two children..."

— **Bob Simcock MP, National Party spokesperson on Social Welfare**

"Why Gisborne? Why not Northland or Southland, or the Chatham Islands or better still why name a place at all?"

"The reality is that neither Mr Simcock nor his National colleagues would know much about Gisborne because I doubt they have bothered to come here and talk to those who understand the big picture."

"Nor, when they were in government for nine years, did they do anything in the wider social field. Instead they perpetuated a situation which they are now experts in changing..."

— **John Clarke, Mayor of Gisborne**

"To my mind the tragedy is that more than two thirds of all of the young women who went onto the DPB as teenagers have stayed there. Some have been on the DPB for almost 30 years, having had many more children. None of these women has had the full support of the fathers. Many of these kids have grown up without a dad in their lives."

"Statistically, mature women who were perhaps in a relationship which failed, go on the DPB for a relatively short time — till they get back on their feet. But not teenage mums. It is clearly a trap for them."

— **Muriel Newman, Act Party spokesperson on Social Welfare**

"Through important debates such as this, it is important not to generalise. Everyone in a group is not in the same situation. They have individual requirements and problems to be resolved. There has to be a spirit of trust and support in how social security is administered."

"Taking a position of misplaced moral judgement and removing income support from a vulnerable section of the population will not help. The government and the law cannot discriminate on perceived moral grounds..."

— **Steve Maharey, Minister of Social Services**

"Social Services Minister Steve Maharey and the Government have sent the strong message that people are welcome to live on welfare and that this is a better option than working for those in low-paid jobs. Mr Maharey has increased benefits, abolished the limp requirement of the last government that able-bodied beneficiaries might do some community work in return for the dole, even made certain that only beneficiaries, not workers paid less than them, have access to the community services card's cheap doctor's visits."

"With an already generous welfare system made even more so, it is no wonder that there are more beneficiaries of working age now than when unemployment reached its post-World War II peak in 1991. A decade ago, with the unemployment rate at 10.9%, 294,000 were on the dole or the domestic purposes, sickness and invalids benefits. Today, with unemployment halved to 5.4% and 352,000 more people with jobs than in 1991, a staggering 357,000 working-age people live on welfare. The budget predicted numbers would reach 382,000 by 2005, an indictment of Mr Maharey's policies."

"The Government's priorities are ridiculously misplaced. Welfare should be a safety net, not a long-term way of life for the indolent..."

"But increasing numbers of people have lived on benefits for years. Some sole parents have drawn the DPB almost since its inception in 1973. While the average length of time spent on the DPB is only 3.7 years, it was 2.5 years 20 years ago, and 23,010 people of the 110,000 currently drawing it have done so for more than five years..."

— **Editorial in The Dominion 27 June 2001 "Welfare out of control"**

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