

The Jobs Letter

No. 152

22 September 2001

Essential Information on an Essential Issue

KEY

WAR

RECESSION

AIR NZ ANSETT

GOLD MINING

DIARY

20 August 2001

Conservation Minister Sandra Lee denies the Australian mining company GRD Macrae an extension of its gold-mining access arrangement for an area in the Victoria Conservation Park near Reefton. The company has gained the necessary resource consents to dig a one-kilometre, 275-metre-deep pit. The tailings dams would have been the size of an average dairy farm. The company claimed the project will provide more than 200 jobs and pour \$500 million into the economy over the next 12 years.

The Police launch a new campaign in Auckland in an effort to attract 600-700 new recruits. Police Minister George Hawkins says the campaign was particularly designed to get more Maori, Pacific Islanders, Asians and women on the beat.

21 August 2001

New Zealand Insurance will be cutting staff by about 100 over the next few months.

Business and union leaders, and opposition MPs join a chorus of condemnation from the West Coast at Sandra Lee's veto of the proposed gold mine.

- Following the 11th September **terrorist attacks** on the World Trade Centre and the Pentagon, the **world economy has sharply contracted**. Stockmarkets have suffered falls reminiscent of the crashes of 1987 and the grim days of the Great Depression ... and **hundreds of thousands of job layoffs** have been immediately announced throughout America and Europe.

The American economy had been riding close to a recession in the months before the terrorist attacks. In the week just before the attacks the US unemployment rate jumped sharply to 4.9% after businesses eliminated more than 100,000 jobs in August alone. Wall St immediately greeted these worse-than-expected jobs figures by wiping billions off the value of company stocks, with the fear that US consumer spending would soon weaken.

But after the unprecedented attacks on the US mainland, and the subsequent mobilisation for war, these fears of an economic recession seem certain to eventuate.

The **prospect of a US recession** comes at a time when Japan and much of the rest of Asia are already stalling economically ... and growth in Europe has slowed to a crawl. This will have a definite impact on the New Zealand economy, despite the generally good economic figures the government has been showing for most of this year. The United States, Japan and Australia are NZ's most lucrative export markets ... and sales of NZ products **are sure to suffer**. Tourism, one of the strongest sectors in our economy, will also be hard hit.

- The world's **central bankers** co-ordinated their efforts to prop up financial markets in the face of recession. The Federal Reserve lowered its funds rate by 0.5% just before Wall St re-opened after the terrorist tragedy. The Feds also injected unusually high volumes of cash into the finance markets, to give lenders the confidence to extend credit without disruption. The European Central Bank followed suit, as did other central bankers in Japan, Hong Kong and Canada ... and the Reserve Bank here in New Zealand. There is also a high likelihood of further rate cuts before Christmas.

The bankers argue that while the attacks might discourage domestic economic activity in the meantime, the response from governments will **see other forms of spending** which will help pull the economy out of its recession dive.

President Bush has authorised financial assistance for airlines (who were already facing uncertain times before the attacks) and Congress has authorised spending of \$40 billion to repair the damage from the attacks and to beef up airport security.

- The New Zealand government seems set to join an international spend-up in order to stave off an economic recession. Finance Minister **Michael Cullen** said last week that he was prepared to augment the Reserve Bank's interest rate cuts by **bringing forward planned capital**

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A public meeting in Reefton urges government to overturn Sandra Lee's decision. Union Church pastor Ian Davidson, who is also a DoC Ranger, says almost 100% of the town supports the expansion of the goldmine. Davidson: "Church people are praying for employment and progress in the town..."

22 August 2001

A self-employed couple is taking Winz to the Court of Appeals because the department refuses to backdate their claim for an accommodation supplement to the time when they became eligible. After the man had heart surgery, the couple applied for and received an accommodation supplement, but now argue that their entitlement should have been backdated to when they became eligible, rather than when they applied. They have already lost appeals to challenge the legislation through Winz, the Social Security Appeals Authority and the High Court.

Fujitsu, Japan's largest personal computer manufacturer, plans to cut 16,400 jobs.

23 August 2001

Representatives of environmental and conservation organisations from throughout NZ give Conservation Minister Sandra Lee a standing ovation at the ECO annual conference being held in Wanganui.

27 August 2001

Shell New Zealand says the company will spend hundreds of millions of dollars and create hundreds of construction jobs as it develops its Taranaki energy assets. At the centre of this activity will be the Pohokura field, a huge gas and condensate discovery just off the North Taranaki coastline.

Cabinet is unable to reach agreement on what form the paid parental leave scheme will take. Minister of Women's Affairs Laila Harre had said details would be finalised this month but the coalition government has not been able to agree on the specifics of how much time or at what rate the scheme will pay.

works — effectively pumping money into roads, new schools and other building projects.

Cullen was careful to point out that he would hold other government spending in check, but he believed that bringing some projects forward in time would not compromise the longer-term financial outlook, and had the advantage of getting work done more cheaply during the downturn. He says the improved infrastructure will prepare the economy to be in a better shape for the next upturn.

- If all these immediate measures by central bankers and Finance Ministers feel like a **"Keynesian" response** to the threat of global recession ... then it probably is. Larry Elliot, writing in the UK *Guardian* this week, points out that the terrorist attacks have instantly put **economic activism back into fashion**. He argues that it represents a significant rethink on the monetarist orthodoxy that has gripped economic policies in the West for nearly 30 years.

Larry Elliot: "Since the 1970s, macro-economic policy has been governed by the idea that inflation is the real threat to prosperity. The theory was that trying to inject demand into economies would lead to higher inflation rather than lower unemployment. [...] This no longer has quite the same resonance after what happened last week. Central banks everywhere are now getting the message loud and clear, and have acted in concert to cut interest rates, fearing that the likely impact of the damage to New York and Washington will be a pronounced fall in consumer spending that will lead to a recession, not just in the US but in Europe, Asia and Latin America as well. The priority is international cooperation to boost growth.

"Of course, there may be pressure for business as usual once the crisis is over, but that's hardly the way it feels at present. Take the example of the airlines, now facing catastrophic losses. Airlines are a low-profit business and the market solution to the industry's predicament would be to allow companies to go to the wall, thereby reducing capacity and increasing profitability. George Bush's solution will be a bail-out package of billions of dollars as part of a massive fiscal expansion straight out of the Keynesian textbook..."

- The government last month announced a pilot programme, called **"Snap"**, where up to 1000 tertiary students will be matched with skilled short-term jobs which are related to their courses of study. The government will also issue a national call to employers to come forward with **work for the students**.

Deputy PM Jim Anderton says that Snap is a response to the difficulty many businesses have in finding affordable and capable short-term employees, and the need students have for meaningful holiday work.

Anderton: "Employers will be able to hire students with a related skill base who can quickly grasp what needs to be done and undertake work which really helps a business move ahead."

A new **Student Work Start Grant programme** has been developed which can help with essential costs faced by students which they cannot afford to pay themselves.

The programme is being run in partnership with Student Job Search, which will pilot the programme in Auckland, Hamilton, Gisborne and Invercargill. A special pilot aimed at Maori students will operate in Canterbury.

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28 August 2001

Sandra Lee fronts up to a West Coasters march on parliament. "I made a decision and the decision was no. I apologise to the West Coast but I stand by my decision."

Earlier, on parliament grounds, a slanging match took place between the 450 Coasters and 130 conservationists who turned up to support Sandra Lee.

30 August 2001

Japanese electronics company Toshiba says it will cut 18,800 jobs after it announces record losses. Hitachi announces it will cut its workforce by 20,000 people.

6 September 2001

British Airways will eliminate 1,800 jobs, or 3% of its workforce, in an effort to cut costs.

7 September 2001

US stock markets suffer a bout of heavy selling which wipes billions from company valuations. The sell-off is triggered by worse-than-expected US unemployment figures, fueling fears that consumer spending could soon weaken. US unemployment is now at a four-year high of 4.9%

10 September 2001

Air New Zealand is in a crisis as its subsidiary Ansett Australia (which is making a loss of \$1.5 million a day) is close to being put into receivership. If the Australian carrier goes down, it could take Air New Zealand with it. Air New Zealand wants to avert disaster by selling Ansett Australia to its rival Qantas.

11 September 2001

Terror in America. The world is shocked and stunned as terrorists hijack domestic airliners and crash them into the twin towers of New York's World Trade Centre and into the Pentagon in Washington. Thousands of people die in the collapse of the buildings.

- The policies which deny most students an **Emergency Unemployment Benefit** over their holidays **will be reviewed** by the Ministry of Social Policy, according to MOSP's Sue Mackwell, appearing before the Parliamentary Social Services Select Committee.

Mackwell reported that, since 1998, only students who received a student allowance during the year, or whose hardship was caused through "exceptional circumstances" were eligible for the benefit. The policy led to a drop in the number of students getting the benefit from 37,039 in 1998 to 22,163 in 1999. Since then, the numbers gaining the benefit under the "exceptional circumstances" criteria has risen.

Last month, university students **handed a petition** with more than 7,500 signatures to Alliance MP Liz Gordon, calling for a reinstatement of the Emergency Unemployment Benefit. Dr Gordon has long questioned the equity of a scheme which denies assistance to a 23-year old student who is unemployed, while paying a 23-year old unemployed person a benefit because they chose not to study.

- The government will **repeal the Disabled Persons Employment Act** of 1960, which gives sheltered workshops a **blanket exemption from minimum wages** and holiday provisions for their workers.

About 3,500 people with disabilities currently participate in sheltered workshops, 70% of which are run by the IHC. These workshops produce goods for sale such as art, craft, woodwork and sewing, or do light engineering or perform services such as gardening, lawnmowing or recycling.

Individuals in the workshops get their primary income from invalids or sickness benefits, and are generally paid around \$5 to \$50 per week for their work (average payment: around \$17/wk).

Disabilities Issues Minister **Ruth Dyson** says that the 1960 Act treats people with disabilities unfairly. Dyson: "Its repeal is a long-awaited change that recognises the human rights of people with disabilities and shows government's commitment to a fully inclusive society."

The changes to the Act will be phased in over the next five years to give sheltered workshops and consumers time to adjust to the new environment. Further information can be found in a government review paper called *Pathways to Inclusion* that was launched last week, and can be downloaded from the Department of Labour website at www.dol.govt.nz/pathways.htm.

- **Hospital staffing shortages.** Graduate doctors, nurses and midwives may be **offered loyalty payments** if they choose to stay in NZ and help ease the hospital staffing crisis.

NZ is short of about 2,000 nurses after a 20% increase in the number heading overseas during the past decade. There are also shortages of young doctors, surgeons, anaesthetists, midwives and specialists in areas such as psychiatry, oral health and radiation therapy.

The Health Workforce Advisory Committee has recommended to Health Minister Annette King that graduate doctors be offered loyalty payments totalling up to \$12,000 over three years. Nurses and midwives may also receive about \$6,000 in extra payments.

The committee identified **student debts** as a major part of the health sector's staffing problems. But it considered a loyalty payment scheme as simpler to administer rather than introducing scholarships which bond students to work in NZ.

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12 September 2001

Almost \$3 billion is wiped off the value of NZ shares in the immediate wake of the terrorist attacks. Market leader Telecom plunges 30c to an eight-year low. Air New Zealand is amongst the worst hit, on fears of a tourist downturn and higher oil prices.

Ansett Australia is placed into voluntary administration after a last-ditch effort by Air New Zealand to sell it to Qantas for \$1 fails, and pleas to the Australian government to pick up the airline fall on deaf ears.

13 September 2001

Air New Zealand loses \$1.43 billion in the last financial year ... the largest annual loss in NZ corporate history. Over the last two years, Air New Zealand has wiped out 75% of the value of its shareholder funds.

The government offers to put up a loan of \$550 million towards an emergency bailout of Air New Zealand. Analysts say the airline needs \$1 billion to keep operating.

14 September 2001

Ansett Australia, Australia's second-largest airline and a subsidiary of Air New Zealand, collapses and stops flying. Thousands of passengers are stranded and 16,000 employees face unemployment.

15 September 2001

Angry Ansett workers blockade PM Helen Clark's commercial flight from Melbourne. She is forced to take an NZ Airforce plane instead.

Thousands of trans-tasman passengers are thrown into turmoil as protests by Ansett workers force Air New Zealand to suspend flights and Qantas to delay services.

16 September 2001

The Ansett collapse has left 16,000 out of work and is the biggest single job loss in Australian corporate history.

Hundreds of Ansett workers have extended their anti-NZ boycott to all NZ-made products and businesses as the backlash over the airline's collapse gains momentum.

- Three Health Boards in the Auckland area will take part in a **New Zealand recruitment expo** in London on October 20, organised by the newspaper *NZ News UK*. Several thousand NZ expatriates are expected to attend. This expo follows on from another London event in early September where a consortium of NZ businesses **invited 450 successful NZ expatriates** to encourage them home to fill critical skill shortages in fields such as health, teaching and information technology.

One of the organisers, Annika Streefland of the global recruiter Korn/Kerry International says that **one fifth of New Zealand's working population**, and maybe a third of its top talent **is employed overseas**. But she argues that these skills are not necessarily lost to the NZ economy. Streefland: "Don't think of them as a "brain drain" ... think of them as **an overseas resource**."

- Investor and Warehouse founder **Stephen Tindall** and expatriate business professor David Teece are keen to tap this "overseas resource". Following the Knowledge Wave conference in Auckland last month, they have unveiled plans to advertise for an executive officer for a proposed incorporated society to link some of the estimated 600,000 NZ'ers living overseas with the idea of **re-involving them in the NZ economy**.

- **Immigration to NZ is expected to surge** from the previous annual target of 38,000 people, to as many as 50,000 under a new government policy unveiled last week. Immigration Minister Lianne Dalziel has announced the development of a **"Talent Visa" policy** in response to calls for the country to attract more skilled and business migrants. The policy now means that "talent" will take a higher priority in immigration decisions, and the existing categories under which people can be granted NZ residence will be streamlined.

NZ First leader **Winston Peter is critical** of the new policies, saying they show all the hallmarks of "the same old mess". Peters: "The overwhelming majority of the new immigrants will settle in Auckland, and the rest of the country will be asked to pay for all sorts of infrastructural costs to accommodate them..."

- The annual **Social Justice Week** held by the Catholic Church is marked this year with the publication of *Paying the Piper: Ourselves, Our World and Debt*. **Louise May** of the Caritas agency writes that one of the principles from Catholic social teachings that is relevant to debt is principle of *commutative justice*.

Louise May: "This says debts should be paid back. If a debtor fails to do so without good reason, then they are acting unjustly. However the principle of commutative justice also acknowledges there is an exception to this rule. If a debtor has no money and no means of getting any, or if repayment of the debt would impoverish the debtor and their dependants, they are under no moral obligation to pay back the debt. "This principle has some very real implications for the debt of people within our own communities. When applied to the situation of people who receive inadequate income that does not cover even their every day basic living expenses, it becomes clear there are those here in NZ who, like the poorer nations of the world, should be eligible for debt relief or even cancellation of their debts..."

— *Paying the Piper* can be purchased for \$4.50 plus postage from Caritas P.O.Box 12-193 Wellington phone 04-496-1742 fax 04-499-2519 email caritas@caritas.org.nz

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PM Helen Clark goes on Australian television to urge Australians not to take out their anger at Ansett's collapse on New Zealanders.

17 September 2001

Nearly \$2 billion is wiped from the value of the NZ sharemarket as it plunges to its lowest level in almost three years. The slump, one of the worst in its history, comes as investors bail out of NZ shares before tonight's re-opening of the Wall St markets.

Air New Zealand's share price plummets to almost half its previous value. Speculation is rife that the airline will soon go into receivership or statutory management.

18 September 2001

Wall St Stock Exchange re-opens after its longest break in trading since World War One.

Some jobless Ansett workers could be employed by Qantas under a temporary aircraft leasing arrangement put forward by Qantas.

Some US airline stocks have dropped between 25% and 65%, wiping \$12 billion of their value. The industry wants a \$24 billion rescue package from the government to get the airlines through the next year.

Asian airlines are also trimming staff and routes amid profit and credit rating downgrades.

19 September 2001

Around the world, central bankers cut rates in an effort to counter the international economic slowdown following last week's terrorist attacks. This includes a half per cent floating mortgage rate cut here in NZ.

In the US, insurance company shares fall after the industry estimates losses as high as \$30 billion after the attacks.

20 September 2001

Finance Minister Michael Cullen says the government will pump more money into roads, new schools and other building projects in an effort to stave off recession.

- **Social Auditing in New Zealand** is a conference about social, ethical and environmental accounting, auditing and reporting. It is being hosted by COMMACT in Wellington on October 11-12, and speakers include John Pearce (UK), Richard Morley-Hall (The Warehouse), Lindsay Gow (Ministry of Environment) Roger Blakeley (Porirua City Council) and Garth Nowland-Foreman (not-for-profit sector).

For more information contact P.O.Box 145 Westport phone 03-789-6604 email socialauditnz@xtra.co.nz

- The **Social Entrepreneurship Conference**, originally scheduled for October, will now be held November 22-23 in Wellington. The conference will be hosted by the Community Employment Group (CEG) in partnership with COMMACT Aotearoa, and will feature a range of speakers and workshops that will examine social entrepreneurship and help to identify trends and issues. Speakers from public, private and not-for-profit organisations will also provide their perspective of social entrepreneurship in the wider context of economic development. One of the aims of the conference will be to facilitate the development of a **network for social entrepreneurs** in New Zealand.

For further information and registration details contact CEG at P O Box 3705, Wellington phone 04-914-4900 fax 04-914-4901 email andrea.lynch@ceg.dol.govt.nz or visit the CEG website www.dol.govt.nz.

- See also the **special issue of The Jobs Letter** on social entrepreneurs (No.147) at www.jobsletter.org.nz/jbl14700.htm

VOICES

on STOPPING THE REEFTON GOLD MINE

"I've considered the report, I've made the decision, the Deputy Prime Minister and the Prime Minister have both endorsed the decision that I've made, and I stand by it."

— Sandra Lee, Minister of Conservation

"Stupid, gutless and dumb."

— Damien O'Connor, West Coast MP (Labour) describing his coalition colleague's decision

"The \$500 million project promised employment spin-offs for Nelson, Canterbury and Otago as well as around 200 new jobs for the West Coast. Substantial heavy engineering works were being negotiated with Brightwater Engineers in Nelson which would have meant an additional 20 jobs. The ore was to be processed in Palmerston supporting 30 jobs in North Otago. And Canterbury misses out with the loss of millions of dollars in transport, construction and support services, amounting to around 30 jobs..."

— Nick Smith, MP for Nelson (National)

"If regions such as the West Coast are consistently denied the right to utilise their natural resources for the generation of wealth and provision of jobs, then regional assistance becomes nothing more than state dependency which progressively corrodes a community's values and vigour."

— Ken Shirley, ACT Party Deputy Leader

"If the government was forgoing good-quality, sustainable industrial development for conservation, the approach is unbalanced. The West Coast can be assured of our support in pressing for a more balanced approach..."

— Andrew Little, Engineering Union National Secretary

"The Minister is sending some dangerous signals to the international investment community with actions such as this. The Minister needs to categorically and transparently demonstrate the justification for her actions, or revisit this issue in the interests of sustainable economic development on the West Coast."

— Peter Townsend, Canterbury Chamber of Commerce

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The US airline industry has announced more than 68,000 job cuts since the attacks on the World Trade Centre and the Pentagon. The *Los Angeles Times* predicts that direct airline job losses will go as high as 100,000 and that tens thousands more jobs will disappear as the airline manufacturing and the travel industries contract.

21 September 2001

Almost \$1.2 trillion has been wiped off the market value of US stocks in the four days of trading since the terrorist attacks. Analysts are comparing the situation with the panic selling that followed the 1941 Japanese assault on Pearl Harbour and the 1987 stockmarket crash.

Ansett Airlines will fly again today under Qantas lease as potential buyers start to emerge for all or part of the collapsed airline. The deal will see 1500 of Ansett's 16,000 staff employed again for an indefinite period.

22 September 2001

US economists are expecting the American jobless rate to surge well above 5% next month and even higher in the months ahead. "We could potentially see as many as a million lay-offs before this is over," says Anthony Chan, chief economist at Banc One Investment Advisers in Ohio.

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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 STOPPING THE REEFTON GOLD MINE *continued*

"Mining is a dirty business with the potential to pollute and disfigure the environment, but there is nothing in GRD Macrae's record to suggest it is anything other than a good corporate citizen. Macrae's environmental record is particularly good.

"The issue is not whether GRD Macraes should extend its mining operations at Reefton, but whether a Minister should be able to invoke one statute to fight a battle lost in another. ... the issue is whether she as Minister should have the power to impose her will on the private sector. There is no place for Ministers or governments acting God-like on matters of private business. Let parliament set the environmental or investment rules if it must, but keep the executive branch out of the decision-making process..."

— editorial in the *National Business Review* 24 August 2001

"Nowhere in New Zealand is the quirk of nature that places more than 70% of our known minerals beneath the DoC estate, better illustrated than on the West Coast. More than 90% of the Coast was controlled by DoC and is not rateable. We believe we must find a way to access and use some of these resources in an environmentally responsible manner..."

— Douglas Gordon, Mineral Association Chief Executive

"This is not just a Reefton concern. It is a coast-wide issue. The whole infrastructure of the coast will benefit from Macraes if it gets the go-ahead. The college is struggling to keep pupils and staff, but a gold-mining town is easy to attract and keep people. There will be support services, a busy main street, and everything becomes more viable..."

— Wayne Wright, Reefton Primary School Principal

"The West Coast recently received \$120 million of public money to help it develop new forms of employment following the end of logging native forests. We are sure that West Coast people

are capable of finding more constructive ventures than digging a huge, polluting hole in the middle of the Victoria Conservation Park."

— Cath Wallace, spokesperson for Royal Forest and Bird Society

"We want the West Coast, not the Waste Coast"

— conservationist, speaking at the ECO annual conference in Wanganui

"We're delighted the Minister hasn't fallen for the false claim that conservation costs jobs. The West Coast belongs to all New Zealanders, and the Coasters, as local kaitiaki, have a special duty to look after it for us, and accept the Ministers decision and protect rather than mine the special lands they live upon."

— Steve Day, Wellington conservationist

"Many former Macrae's shareholders have been amazed at the outpouring of support for GRD following Sandra Lee's rejection ... The experience of the company's North Otago mine indicates that most of the major engineering work will go to Perth-based GRD Minproc, the top jobs will go to Australians, huge fees will flow across the Tasman and profits will be distributed to Australian shareholders ..."

— Brian Gaynor, columnist *New Zealand Herald*

"People who believe mining was good for local communities should look at the poverty, deprivation and high unemployment of Waihi on the Coromandel Peninsula. Despite hundreds of millions of dollars of gold being extracted from two large, open-cast gold mines and substantial funding of community projects by the mining companies, the people of Waihi still have the highest level of economic deprivation and unemployment in the Coromandel and Hauraki districts.

"The Coromandel experience of mining has been that most jobs — particularly the skilled jobs — go to Australians or other overseas personnel moving into the area for the period of the mining. Mining lasts a decade or so. The environmental risks from tailings dams last forever."

— Jeanette Fitzsimons, Green Party co-leader and Coromandel MP

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To develop and distribute information that will help our communities create more jobs and reduce unemployment and poverty in New Zealand.

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