

The Jobs Letter

Essential Information on an Essential Issue

No. 154

19 October 2001

KEY

COMMUNITY EMPLOYMENT ORGANISATIONS

MAORI EMPLOYMENT

LONG-TERM UNEMPLOYED

TOPOCLIMATE

DEMISE OF FULL-TIME PERMANENT JOBS

HARDSHIP IN AUSTRALIA

CHARITY FROM CISCO

NZ'ERS RETURNING HOME

DIARY

2 October 2001

There will be further redundancies at Television NZ following the recent axing of several senior positions. TVNZ says that further budget cuts are likely to result in more job losses.

3 October 2001

The Australian central bank drops its wholesale interest rate to 4.5%, the lowest since it began publishing its rates in 1990.

4 October 2001

The government confirms that it is raising its ownership of Air NZ to 83% by bailing out the insolvent national carrier with \$885 million. Acting chairperson Jim Farmer declines to say whether there will be job losses but the airline is said to be considering reductions to both domestic and international flight schedules. Air NZ employs about 9,000 staff.

A drop in demand for plywood in Japan sees Juken Nissho lay-off 50 contract workers at its Masterton lumber and plywood manufacturing plant.

5 October 2001

The Swiss government puts \$NZ693 million into Swissair to keep its national carrier flying. The entire Swissair fleet had been grounded this week after being unable to pay its fuel bill.

- The Community Employment Organisation (CEO) scheme has come under scrutiny this month as it was revealed in parliament that it can only count **54 jobs created** by the 27 CEOs that have been established to date. The target was for 1,000 jobs created by 50 CEOs in the 2000/01 year. Minister of Social Services and Employment Steve Maharey has defended the scheme saying it is still early days ... but the government is now re-thinking the details of the programme, and has reduced its expected outcomes to 300 jobs in the first year.

Community Employment Organisations create jobs by providing goods or services that are of benefit to the community. The government provides a **start-up grant** to the participating organisations and also **wage subsidies** for eligible unemployed workers. CEOs are not allowed to compete with private sector local businesses and, over time, they are expected to become stand-alone, self-sustaining community businesses. The Community Employment Group administers the programme while Winz handles the worker referrals and wage subsidies.

- Community Employment Organisations are adamant that **the scheme works**. If anything, the scheme is criticised for putting too little into the start-up phase and for only offering one-year funding contracts.

Jakki Tree of TeamWorks labour pool in South Canterbury says her CEO averaged 25 people in casual full-time work per month this year, with 55 people employed over the peak period in August. Tree said that her TeamWorks figures were not included in the 54 jobs referred to in parliament. Cliff Colquhoun of the Community Business and Environment Centre (CBEC) in Northland says that the CEO contract provides the flexibility for CBEC to get on with its projects. Colquhoun says that **real job creation takes** time but the work that CBEC has done with councils to undertake waste management as a profitable, job-rich activity is bearing fruit. He has reported 24 new full-time jobs and 14 part-time jobs being created in the first seven months of his CEO contract. He says there will be more people on payrolls before the year is out as a result of the work CBEC is doing around the country.

- In a report to Cabinet, the Ministry of Social Development concedes that the \$9,000 it provided as grants to help establish CEOs was far too low. It says that providing **more money to fewer CEOs** will increase the chances of generating sustainable CEOs and employment.
- Green Party Employment spokesperson Sue Bradford comments: "I believe that for a programme to be successful there needs to be a long term commitment of funding/contracts from the provider, at levels that are realistic in terms of supporting the creation of real jobs. Under-resourced community organisations cannot be expected to create and sustain jobs out of thin air. At some point Governments are going to have to accept the true cost of job creation, and the fact that the community sector isn't magic --that it costs to govern and manage enterprises, and supervise workers well."

The Jobs Letter — Essential Information and Media Watch on Jobs, Employment, Unemployment, the Future of Work, and related Education and Economic issues. It is published every 2-3 weeks, and is freely available on our website at www.jobsletter.org.nz. We will email you if you want to be notified of the latest issue, or sent the full letter (in PDF format). Paper, posted subscriptions are available at \$79 (incl GST, per annum).

The Jobs Letter

DIARY

6 October 2001

While the average NZ'er has a net worth of \$68,000, only half of all NZ'ers have a positive net worth. A WestpacTrust report found that one-third of all NZ'ers have zero financial worth (what assets they have are cancelled out by their debts) and a further 14% are technically insolvent (having more debt than assets).

7 October 2001

The Act Party considers adopting a policy to limit the amount of time a person can spend on a benefit. Spokesperson Muriel Newman says that benefit dependency has crippled families and that Act may support restricting the right to receive a benefit to two continuous years.

Minister of Finance Michael Cullen says the government may end up contributing a further \$150 million to Air NZ, on top of the \$885 million already committed.

The US labour market was deteriorating even before the attacks in New York. In September, the number of people on payrolls fell at the highest rate in ten years. Job losses that can be attributed to the economic effects of the September 11 attacks will not begin to appear in the statistics until next month.

The US Federal Reserve Bank cuts the official wholesale interest rate to 2.5%, the lowest level since 1962.

8 October 2001

Attacks against Afghanistan begin as the United States leads a military response to the September 11 attacks in America. Prime Minister Helen Clark says NZ'ers should assume that the US would accept the government's offer to provide SAS troops for the war effort.

National Party leader Jenny Shipley is told her caucus no longer supports her and resigns her leadership role.

Job ads have dropped by about 2% over each of the last two months according to the ANZ Job Ad Survey. Deutsche Bank economist Darren Gibbs says that the current rate of job ads are still relatively high and indicate a 2.4% growth in employment this year.

- **Mayors Taskforce for Jobs** chairman Garry Moore has been re-elected as the mayor of Christchurch with an increased majority. Many of the Task Force mayors were returned unopposed and many who stood-down or were not re-elected had already signed their councils up to continue to be part of the Mayors Taskforce for Jobs. Core Group members not returned to office were Derek Fox (Wairoa) and Jill White (Palmerston North).

- The growth rate of Maori employment has been over double that of the general population in the past ten years. Geoff Bascand of the Department of Labour Market Policy Group reports that, since 1991, the number of Maori in paid jobs grew by 53% while the total number of NZ'ers in paid work grew by just 22%. Maori employment growth has averaged 4.3%/yr for the last ten years. Bascand: "It is a pattern that is quite encouraging ... I think that is a picture that we sometimes lose sight of." *The Jobs Letter*

Bascand's remarks were made to the Maori Affairs select committee where committee members voiced **concerns about the quality of the jobs** Maori are getting. Many Maori work part-time and at 11.9%, unemployment for Maori is still more than double that of the general population. Christine Langdon of *The Dominion* reports that Maori employment growth has been mostly in agriculture, service and sales, legislation, administration and management.

- During the 2000-01 year to June, Winz recorded 15,218 people who had been registered as long-term unemployed (more than 26 weeks) as being placed in stable employment. But by the end of August, nearly one-third of these **people had re-enrolled** as unemployed.

Act Party employment spokesperson Muriel Newman argues the re-enrolment figures prove that NZ is developing an underclass of people unable to adapt to the workforce. Newman says that with so many people who gain employment quickly slipping back onto the register and therefore being regarded as newly unemployed, means there may be many thousands more who have been effectively unemployed for years, barring a few months of work mixed in here and there.

Associate Minister of Employment Ruth Dyson warns the figures can be misleading. Dyson says they also include people who return to the register for a very short time.

- As the Topoclimate South Trust wound up this month, it acknowledged the community teamwork that has seen the Trust help to build an \$8 million regional export industry. The Trust has **completed its soil and climate-mapping** programme that has provided information that many Southland farmers have used to make decisions to grow alternative crops. At an event in Invercargill last week, Trust chairperson Murray Ballantyne and Southland Mayor Frana Cardno paid tribute to the project, the foresight and leadership shown by the Trust, the local councils and the government.

Frana Cardno says that the results speaks for themselves: "In 1991, there were \$300,000 worth of exports in Southland from these alternative crops. Now we have \$8 to \$9 million worth, and we're growing at \$2 million a year. When we started, there were 36 people employed in these projects. Now there are 300 employed." Murray Ballantyne says that the climate-mapping information already gathered has indicated a potential 20% increase in productivity over existing land uses. This represents potential revenue of \$200 million in alternative crops to Southland.

The Jobs Letter

DIARY

Official letters are sent to NZ Air Force staff specifying the staff cuts resulting from the scrapping of the air combat fleet. Most of the redundant Air Force workers are reportedly going to Australia where there is better demand for their specialist skills.

Australian job vacancies declined this last month but the figures have been skewed by the hard hit IT sector. Robert Olivier of Olivier Recruitment explains that apart from the IT sector, there was a 2.7% increase in advertised jobs. He says that, if you exclude the IT sector from the figures, there was an 8.8% employment increase in Australia over the last 12 months.

9 October 2001

The National Party parliamentary caucus elects Bill English as its new leader.

Air NZ chief executive Gary Toomey resigns after nine months in the job. Toomey apparently leaves behind a plan to cut 800 jobs but the *NZ Herald* warns that the airline may experience even greater job cuts if the global aviation slump worsens.

Recent Consumer Price Index figures indicate the annual inflation rate will be 2.4%.

Taiwan has seen its exports drop 42.5% over the last year. The Taiwanese economy, which is highly dependent on electronics sales to the US, is expected to contract by 2.5% this year.

The US president George W Bush promises the American people a \$100 billion emergency stimulus package of spending and tax cuts in order to contain America's recession.

10 October 2001

Air NZ acting executive director Roger France says staff cuts and restructuring at the airline will be completed by Christmas. France says that "slimming" would start at the top and most job losses will be in middle management.

Both the NZ and Australian economies will be resilient in the face of a US recession, according to HSBC economist John Edwards. He says that the NZ and Australian economies will not be too greatly affected because they are not reliant on the hi-tech industries that are leading the international downturn.

- Over the last ten years of substantial economic growth, the Australian labour market has moved away from providing people with full-time permanent jobs. While there were 1.13 million new jobs created over the decade, there has been a net **loss of 51,000 full-time permanent jobs**. The job gains have been in full-time casual (+5.5%) and part-time (+61%).

A new book edited by Australian academics Jeff Borland, Bob Gregory and Peter Sheehan, *Work Rich, Work Poor: Inequality and Economic Change in Australia* analyses these paradoxical trends in Australian economic and social life. Average incomes have risen, property and share markets are buoyant and many groups are living well. Yet for many Australians, **good jobs have disappeared** and family incomes have fallen creating hardship and greater reliance on the social security system.

Work Rich, Work Poor explains that while overall employee earnings have increased by 25% over the decade, the increase has not been shared evenly. Managers have averaged 41% in pay increases while labourers, low-level clerical, sales and services workers have all had less than 8% increases and some industries have had pay increases as low as 4% over the whole decade. On average, all the new jobs created in Australia over the last ten years paid less than \$700/wk and 87% of the **new jobs pay less than \$500/wk**.

- Now that NZ'ers no longer enjoy special status with Australian immigration and welfare authorities, NZ Consular officials and local welfare agencies are warning NZ'ers not to move to Australia unless they have adequate funds, a return ticket and a well-planned campaign to find work.
- As of last year, **NZ'ers in Australia** began to face a two-year residency stand-down before becoming eligible for welfare assistance or healthcare and the NZ government does not provide welfare benefits for its citizens in Australia. With seven people chasing every advertised job in Australia, the NZ Consulate-General says that appeals for help have soared and that some families are **living hand-to-mouth** on food parcels. Officials say some are trapped in Australia, unable to raise the money to fly home and there is concern that this situation may lead some NZ'ers into crime and prostitution.
- More than 40,000 people have registered their interest in the new "people's bank" according to NZ Post chairman Ross Armstrong. The bank, part of the Alliance Party's 1999 election platform is to be launched early next year. Armstrong says the bank **will need to have at least 100,000 customers** within three years to make it viable.
- Meanwhile in Australia, the Bendigo Bank **community banking scheme** is proving to be **hugely popular**. The branches are co-owned by the bank and the people in the communities they operate in. There are now 50 community banking scheme branches with 30 more due to be rolled out by the end of the year. The Bendigo Bank says that because of such high demand it has had to postpone discussions with more than 100 townships who are also interested in opening branches of their own. *The Weekend Australian* says that the Bendigo Bank and its community banking scheme's service charges are on par, or even slightly on the high side, compared with other banks, indicating that low service charges are not the reason for their popularity. It says that the Bendigo scheme appeals to customers who are peeved at big bank

The Jobs Letter

DIARY

British Airways asks 36,000 employees to accept bonus cuts, directors to accept 15% pay cuts and senior managers to accept 10% salary cuts in a bid to reduce costs due to the business drop-off since the September 11 attacks in the US.

11 October 2001

In the Quarterly Survey of Business Opinion, Darren Gibbs of Deutsche Bank says that while business confidence has dropped significantly, individual businesses report increases in their own activities and optimism about their own trading prospects. The report also says the number of businesses experiencing skills shortages, although still high, has declined.

Further downsizing at technology giant Motorola brings the total number of people dropped from the company payroll to 39,000 since the beginning of the year.

Irish national airlines Aer Lingus says it will cut staff by more than one-third. Chief executive Larry Stanley is making 2,500 staff redundant, saying that the current challenge is the airline's survival.

12 October 2001

National Party leader Bill English rearranges his front bench. Social Services and Employment spokesperson Bob Simcock slips from 9th to 12th in the pecking order but retains his portfolio.

NZ local body and district health board elections results are published.

Editor

Dave Owens

Associates

Vivian Hutchinson

Jo Howard

Rodger Smith

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

Research sources for the main items in The Jobs Letter are available in our internet edition at www.jobsletter.org.nz

branch closures. People also see the scheme as a means of kick-starting their moribund local economies.

- Technology giant Cisco Systems appears to be the first major US company to start a programme that pays its redundant **IT staff to work for charities**. In lieu of severance, laid-off employees can agree to work for a year at a homeless shelter, a food bank or other charities while earning one-third of their Cisco salary. They keep their healthcare insurance and stock options and have the benefit of having the inside running on new jobs that might be offered at Cisco. The programme currently has 80 workers whose computer skills are matched to the particular needs of the charity.
- Recruitment agencies both in the UK and NZ say there has been a big jump in **inquiries for jobs in NZ** due to the perceived lack of safety overseas. Agencies say that local accounting, finance, health, management and technology jobs are receiving increased attention from NZ'ers who are currently working overseas. One agency that sources overseas jobs for NZ'ers says that many people have cancelled their requests to find work in the UK. *The Weekend Herald* also says that some NZ'ers who have come home to visit are now opting to stay. It attributes this to the **safety factor in the face of war** and terrorism and also the higher cost of living in the UK. Returning workers say a £40,000 job in London leaves a worker no better-off than a \$40,000 job does in NZ.

VOICES

on COMMUNITY EMPLOYMENT ORGANISATIONS

"The huge flop of Maharey-led projects such as the Community Employment Organisation scheme, which has created a paltry 54 jobs at a cost of \$1.5 million, when Maharey was expecting 1,000 jobs, show that this academic ideologue of a Minister hasn't a clue how to provide practical assistance for those who need it."

— Muriel Newman, Act Party Social Welfare spokesperson

"The Labour Alliance government remains committed to the development of Community Employment Organisations. Already we are seeing tremendous results from a number of the CEOs that have been established. Those results are measured not only in the creation of subsidised and unsubsidised jobs, but in the development of social enterprises and community assets that will build our stock of social capital."

— Steve Maharey, Minister of Social Services and Employment

"If government would buy the service every year, then we could plan ahead. I put CEO in the "investment" column. With us, the scheme has paid for itself in the first year. In the second year it is returning a profit. Where in the private sector can you expect a return that quickly?"

— Cliff Colquhoun, Community Business and Environment Centre, Kaitaia

"Long-term funding is the biggest concern for all CEOs. We have had to show CEG how we will become less dependent on them by picking up other contracts. But we can't afford to stand alone, nor should we. We provide a valuable service to our community. We are creating real jobs, not just paper jobs to make the unemployment figures look good. We benefit the rugby union, the workers and our clients. We are a substantial employer."

— Jakki Tree, TeamWorks South Canterbury, Timaru

ISSN No.1172-6695 Produced by the Jobs Research Trust, a not-for-profit charitable trust constituted in 1994.

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

The Jobs Research Trust is funded by sustaining grants and donations. Yes, you can help.

The Jobs Letter — P.O.Box 428, New Plymouth, New Zealand phone 06-753-4434 fax 06-753-4430 email editor@jobsletter.org.nz