

The Jobs Letter

No. 165

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Essential Information on an Essential Issue

KEY

RAY SMITH INTERVIEW

WINZ BACKING MAYORAL INITIATIVES

HOW MANY JOBS FROM THE "JOBS MACHINE"?

MORE ON SUPERANNUATION

OZ "PROSPERITY PARADOX"

DIARY

4 April 2002

Business investment in new fixed assets rose 8.5% in the December 2001 quarter. BNZ economist Craig Ebert says this figure is a more reliable indicator of business intentions than asking businesses whether they think business conditions will improve in the near future.

5 April 2002

Retirement Commissioner Colin Blair says he agrees with a recent Treasury report that predicts increasing the age of retirement will eventually become a necessity. Both the Labour and National parties say they have no intention of raising the retirement age.

7 April 2002

Job losses at Bank of New Zealand will be under 100, as its owner the National Australia Bank announces it will cut staff by over 2,000, primarily in Australia.

8 April 2002

Australian newspaper job advertisements for March were 9% below February and are at their lowest level since 1994.

About 140 new jobs will be created in the Wellington area as South Pacific Tyres plans to expand its Hutt Valley production to 24 hrs 7 days a week.

- The Department of **Work and Income is starting to put its resources behind** the Mayors Taskforce for Jobs and its primary objective of **ending youth unemployment** in New Zealand. Work and Income National Commissioner Ray Smith says that his Department already has 115 active initiatives with Mayors and their Councils, and he would like to see these expand. Smith is looking to establish a **partnership between every Mayor in the country and their Regional Commissioner**. He is encouraging the formation of "Community Coalitions" which will bring together the Department, the Mayor and other key players in the community ... to discuss what might be possible.

Smith, in an interview in this issue of *The Jobs Letter*, says that he wants to impress on Mayors that they don't need to feel that there are huge constraints and that their ideas for initiatives will meet some sort of bureaucratic response. Smith: "I'd like to see the Mayors take a more active role in helping us direct where some of the resourcing goes ... because I think they've got some good ideas about what their communities will benefit from."

- The list of partnership initiatives between the Department of Work & Income and Mayors and Councils can be found on their website at www.winz.govt.nz/community_initiatives/mayoral_initiatives/index.html
- Deputy PM Jim Anderton's Jobs Machine has come under the spotlight as *New Zealand Herald* writer Simon Collins has done a **survey of the "enterprise award"** grant scheme. Collins surveyed 20 recipients of an Industry New Zealand enterprise award approved in February 2001 to find out how many jobs they had created so far.

Overall, Collins found that the scheme had spent \$3.7 million on 435 grants to the end of January this year. The average grant during February 2001 was just \$4,608. Nine of the 20 firms had not increased job numbers but 11 of them said they had created an estimated 53 jobs. Scaling up the figures from there, Collins estimates enterprise awards may have helped companies create about 2,000 jobs. But he also says that would be nonsense because most, if not all, of the 53 new jobs in his survey would have been created regardless of the incentive of an enterprise award. Collins: "Can such miniscule grants, sprinkled so widely among new businesses (and voters), have had an impact on jobs? No one knows. No one in government or academia has done the research to find out."

- Neil Mackay, chief executive of the Ministry of Economic Development, says that patience is needed to **give Industry NZ enough time** to bear fruit. It is only 18 months old and was established after nearly 20 years of government taking a hands-off approach to business. Prior to that there was no national economic development agency and Mackay thinks NZ suffered because of this. He says economic development agencies are very much a part of successful economies overseas, and are part of addressing the failure rate of companies and giving assistance to high growth companies.

Last month, Mackay told a parliamentary committee that within three to five years, just three projects Industry NZ is involved with will realise 4,000 new jobs and \$1.5 billion in additional business revenue. Now that Industry NZ is

The Jobs Letter

DIARY

9 April 2002

Act Party spokesperson Rodney Hide criticises Jim Anderton's "Jobs Machine" saying that spraying public cash around business does not compensate for high taxes and high compliance costs.

Retail sales in NZ were 9.8% higher in February than they were a year ago.

Fonterra, the fourth largest dairy company in the world, has signed a commitment to abide by international labour standards for all of its employees guaranteeing union rights and safe and healthy conditions for all its workers. Half of the 20,000 strong workforce is employed in NZ while the other half is dispersed between 40 countries.

10 April 2002

Unemployment in NZ is being forecast to rise by 7,000 people to 112,000 or 5.7% in September according to the Labour Market Policy Group.

Job losses are likely among Air NZ flight attendants as the airline considers curtailing services on short-haul flights.

11 April 2002

The ANZ job advertisement survey for NZ indicates there were 2.6% fewer ads in March than there were in February.

28 Winz staff were convicted of stealing a total of nearly \$1 million from the department over the past two years.

The Auckland District Health Board is to cut 70 management jobs.

The Australian unemployment rate in March was 6.3%, down from 6.6% in February. The labour force participation rate was 63.8%.

15 April 2002

National Party leader Bill English unveils National's election year economic policies. The business community has overwhelmingly embraced the policy plan while the Council of Trade Unions characterises it as tired old National Party strategy.

established as an organisation, Mackay says it is focusing on sectors, specifically biotechnology, information and communication technology, and creative industries.

- National Party leader and finance spokesperson Bill English has unveiled **National's election-year economic policy platform**. It revolves around reducing the interference of bureaucracy on business and lowering the cost of doing business — primarily through lowering corporate, and high-end personal, income tax rates. The document, *A Clear Path To The Future*, does not discuss job creation directly but refers to the Party's skills and education objectives. The National Party: "The ability of New Zealanders to meet the challenges of the 21st century will depend on the quality of our workforce. An educated workforce is a more productive one. Our policies also reflect demographic changes with fewer younger workers entering the workforce and more older workers leaving. We need to match skills to the jobs we need so that everyone can contribute to raising New Zealand's productivity..."

"*A Clear Path to the Future*" by Bill English (PDF format 348kb, 4pg) download from www.national.org.nz/wcontent.asp?PageID=100001543

- 28 Winz staff have been **convicted of stealing nearly \$1 million** over the past two years, generally by paying benefits to themselves through bogus clients or unlawfully paying benefits to family members or friends.

Green MP Sue Bradford says the offences were serious sustained thefts from a significant number of employees over a number of years. Bradford: "Incidents like these highlight the rotten culture that developed in the department during the late 90's. I hope recent changes in management will lead to a marked shift in culture."

Ministry of Social Development chief executive Peter Hughes says that fraud in the department was not excessive by international standards. Hughes says that fraud detection and prevention systems have improved and that last year there was a 40% drop in the number of staff found committing fraud.

- The NZ **student loan scheme debt is rising** by \$406,000 per month in penalties alone on NZ'ers who are overseas, according to calculations made on figures obtained by the University Students Association. Liam Butler, a New Zealander living in London, says overseas residents with student debts are generally either unaware of or unable to meet their **debt obligations that generally swell significantly when they have gone to live overseas**. Most people with student debts living in NZ are required to repay their loan by a minimum of 10% of their earnings over \$15,496. However, if they are resident overseas they are required to repay at least \$1,000 on the principle plus 7% interest on their loan balance per year. This amount increases if the debt is over \$15,000. If they do not comply, they are charged a penalty of 2% per month on the delinquent amount.

Butler asks for political parties to show students how they are going to stop student loan debt from escalating further. Butler: "Perhaps they could allow graduates to repay their loan through working on community service projects. This way, the 90% of NZ'ers who now leave tertiary education with a loan will not be forced to be indebted to the government just because they have worked hard to become qualified in professions that NZ needs."

- Anne Else, co-author of the book *A Super Future? The price of growing older in New Zealand* (with Susan St John, pub. Tandem 1998) is extremely **concerned about** the latest push by Treasury to promote the idea of **raising the age for superannuation** to 67 or 68. (see *The Jobs Letter No.164*) Else: "As you rightly point out, we cannot assume that the ability to work longer means that the work will be available. Even more importantly, many of the most vital jobs in our society — particularly those done mainly by women,

(continued on back page)

INTERVIEW

WORK & INCOME National Commissioner RAY SMITH

... talks with *The Jobs Letter* editor Vivian Hutchinson about what *social development* means to Winz, and how his Department will be working closer with the Mayors Taskforce for Jobs.



***The Jobs Letter:* How is the Work & Income Department different now that it is under the new Ministry of Social Development?**

Ray Smith: I think the thing that's going to be quite different for us is the focus on *sustainable* employment outcomes. This is a step up from where we've been with the focus on *stable* employment outcomes.

If you chart the history of the Department, there was a time when there was a focus on just placing anyone into any sort of job. Then we moved to more stable employment outcomes where you try to keep people at a job for a longer period and a focus on those that were more long-term unemployed. Now with MSD, the move is more to focus on sustainable employment outcomes. This means trying to get people into jobs that are self fulfilling that will give them the sort of disposable income that is worth staying in that work.

I think it also means us taking a broader responsibility for someone's ongoing development so if they end up in an entry-level job we don't just leave them there. Our case management team is going to have to follow these people a bit further ... otherwise they will be back with us.

***The Jobs Letter:* How will this look different to an unemployed person coming into the Work & Income offices?**

Ray Smith: I think what they will see is a growing amount of "in-work" support programmes which will mean a mixture of trying to make the job worthwhile and easing the transition into work — helping them with either transport or childcare or whatever makes the break between being on a benefit and being at work.

That transition can be difficult and expensive, particularly for those job seekers that we think are at risk.

We will stay with them. We will put people with them and mentor and support them so when things do go wrong — with an employer, or at home, or financially — we can try and keep them in the work place rather than have them come back to us and repeat the cycle.

From an employer perspective what might change is we're particularly interested in getting into stronger industry partnerships.

At the moment, most of the services we deliver deal with placing people with individual employers in a one-on-one basis. I think we'd like to move to a situation where we are dealing at an industry level, so that we can try and secure opportunities for people across the industry.

We will fund industry partnerships. One of the visions that we had for it is that rather than just funding individuals on a wage subsidy we might be able to do deal with an industry grouping to provide training and subsidies and support.

This means that the industry will take long-term job seekers knowing that we're in partnership with them.

***The Jobs Letter:* How do you see the philosophy of "social development" affecting your department?**

Ray Smith: It gives us a new framework on how to operate with people. While people that are in Work & Income are on the ground going about their task in the way that they always have, we're also trying to introduce a stronger sort of social development focus to doing things.

I think that change represents staying with people for longer on their journey and trying to see them achieve more success rather than just dealing with them one intervention after another.

We've got some ways to go with that. We've got some models and that we've tried some things ... but it's a question of whether we can stitch all that together so that people can see the transition perhaps from school, to work and to a better job and to a career.

The move towards more sustainable employment outcomes has the potential to change the way that this organisation operates with job seekers on the longer term.

It's a much more longer-term focus and that's something which I think will get a lot of community support. I think it will reposition the role that the people in Work & Income will play.

The Jobs Letter

The Jobs Letter: You've signed an agreement with the Minister of Employment to support the Mayors Taskforce for Jobs more closely on their objectives, particularly on their youth employment goals. What will that mean for the department and what would it look like for the Mayors?

Ray Smith: What I'm after is a partnership between every Mayor in the country and their local Regional Commissioner. Increasingly it seems that the membership of the Mayors Taskforce for Jobs group is growing and so hopefully we'll get most Mayors within that grouping ... which will make it easier for us to be engaged. Most Mayors on the whole want to do something in the social area so I want to see ourselves in a partnership with them in which we try to generate initiatives together that will provide job seekers with opportunities.

I think we're doing well and we've got 115 initiatives between the Department and Mayors and their Councils at the moment.

"The key to all this is the leadership that Mayors can take in this area. I think the Mayors have a more legitimate leadership role here than Regional Commissioners. I think that if we can get the Mayors to take the leadership, we can bring other parties to the problem much more easily..."

"What I'd like to do is see the Mayors take a more active role in helping us direct where some of the resourcing goes, because I think they've got some good ideas about what their communities will benefit from ..."

— Ray Smith

The Jobs Letter: What can you specifically offer the Mayors in this partnership?

Ray Smith: What I am most interested in is firstly generating ideas and then secondly sorting out how some of those are funded. We can offer a range of ways of supporting those programmes through funding and subsidies, and we have a lot of resources at our disposal. But what we struggle with more is generating initiatives.

Sometimes in discussions Mayors have told us: "I need some money in order to generate some ideas to do some things". I want to start from the other point of view by saying: We'll find a way to meet the initiatives you want to do, we'll find a way to fund them and to pay for them. But what we are struggling with is getting the initiatives in the first place.

The reason I say this is because it applies even in our own organisation. Managers will often say to me that they need money to do something and I'll ask them to tell me what it is they really want to do first, and then we'll think about how to pay for it.

My experience has been it has been much harder to generate initiatives that are new or different and are going to make a contribution to things — but I think people seem to see it the other way around. They often see it as being a money issue first. For myself, I don't think the money is a huge issue in this area perhaps because there is enough money in the

system. It's more a matter of getting it directed and to the right parts. What I'd like to do is see the Mayors take a more active role in helping us direct where some of the resourcing goes, because I think they've got some good ideas about what their communities will benefit from.

The Jobs Letter: So what sort of ideas or innovations are you looking for?

Ray Smith: I have asked the Regional Commissioners to try and develop "Community Coalitions" which bring together the Department and the Mayor and some of the other key players in the community and other key government agencies. The Coalitions will be a forum to discuss what might be possible.

I'm looking for initiatives, particularly in the youth area. I think that there are a lot of initiatives in that area where there's a broad community support for trying to get these young people active and participating.

I think initiatives for mature workers are another good example. We probably don't have a lot of strategies on the ground to address that issue but once again communities are saying this situation is not okay and I think together we might be able to find some ways of dealing with that.

The Jobs Letter: What are some examples from your existing projects with Mayors and Councils?

Ray Smith: In Manukau City our relationship with Mayor Barry Curtis would be a particularly good one. It's a pretty active council and we've got a couple of quite exciting initiatives there. There's a beef jerky plant that the Americans are wanting to set up there and together with the council and other key government agencies we are going to try and grow a demand for labour and provide the people for it ... through the use of training and subsidies and so on.

We're setting up a "Value Jobs for Youth" programme in South Auckland, once again with the Council and the NZ Employers Federation in that area, and this programme will be looking to find jobs that are more sustainable and more self-fulfilling for young people.

In the Dunedin area there's a programme where we are working with the Council on some opportunities in the housing area. We're trying to grow people in trades by improving the nature of the housing locally.

I think that Christchurch provides an example where the Council is well in front of the game and well organised in dealing with government agencies. We've a partnership there that, in terms of our contribution, is valued at least a million dollars.

They are being supported because they have built an infrastructure from their Council and through some of their subsidiary agencies such as the Canterbury Development Corporation that we can partner with. So here we have dedicated youth case managers in each of the service centres in that region matched by the Canterbury Development Corporation. We're also working in schools with them in terms of the Destination and Tracking Project.

While this works well in Christchurch, it is because Christchurch has a strong infrastructure.

There are a lot of communities which wouldn't be able to support that level of infrastructure and they will be much more dependent at least in the early stages on Work & Income providing that support ... so it will vary.

The key to all this is the leadership that Mayors can take in this area. I think the Mayors have a more legitimate leadership role here than Regional Commissioners. I think that if we can get the Mayors to take the leadership, we can bring other parties to the problem much more easily.

The Jobs Letter: For nearly two years you have had a policy of "more flexibility" in the regions. What have you learnt from this?

Ray Smith: I just think that the best thing that's happened is that our staff have a stronger sense that they can influence the outcomes for their clients because they have more freedom to respond to local needs.

We've seen a growth in the specialisation of case management to cater for particular groups — be it migrants or mature workers or youth. I think that some of the contracts and the initiatives that we've entered into wouldn't have happened if we hadn't given regional commissioners more freedom to respond to those local needs.

The Jobs Letter: So how does a Mayor get access to these partnership initiatives if they haven't had contact with you already?

Ray Smith: I'd want a Mayor to feel that it was okay to ring the Regional Commissioner and initialise contact and have a discussion and start to talk through what was possible.

What I certainly want to impress on Mayors who have had good and bad dealings with different government agencies in the past — including this one — is that they don't need to feel that there are huge constraints and that their ideas for initiatives won't be possible to do.

The message I've been giving my people and I certainly want to give to Mayors is that it is possible that the constraints are not insurmountable. They are not even as bad as they imagine. I think that we've demonstrated this with the 115 odd initiatives we've got going currently.

We can do most things. There is a way to achieve most of the objectives the Mayors want to achieve and there is a way to try the types of new employment initiatives that they want to try out. I want them not to be worried and not to be fearful that they are going to have some sort of bureaucratic response that says "No" as a starting point. I'd want to hear about it if that was the case.

I want my people to get engaged and to find a way to move forward because there is a way and there is a huge resourcing here that just needs a bit of help at times to be directed in order to gain a much wider community support for the things we want to do together.

The Jobs Letter: From your position, what are you seeing ahead for the one in-eleven New Zealanders who are unemployed and on your books?

Ray Smith: Well I think we are in about as good a position as I can remember us being in. There is good labour market growth and demand and I think what we've got to do is just get better at matching people to those opportunities.

So what I would say to an unemployed person is that there is an opportunity for you and I think we can help you get there and then it's a question of attitude and environment and putting in the effort. We are certainly prepared to put that effort in to try and get those opportunities.

"I think that a lot of the unemployment issue that we face is a social issue as much as a labour market demand issue. I think that a number of people, particularly those that have been on unemployment for a long time, have had a series of social barriers that are preventing them from getting to a job and working successfully in a job. It's not so much a lack of jobs."

— Ray Smith

The Jobs Letter: Do you believe there are enough opportunities for all these people?

Ray Smith: I do. I think that a lot of the unemployment issue that we face is a social issue as much as a labour market demand issue. I think that a number of people, particularly those that have been on unemployment for a long time, have had a series of social barriers that are preventing them from getting to a job and working successfully in a job. It's not so much a lack of jobs.

There are some parts of the country that are remote or isolated where there is a shortage of labour market demand and I think that's the more challenging aspect as to what do you do in these locations, and how you address that issue. And I don't think we know all the answers to that.

The Jobs Letter: Do you see generating demand as one of the answers?

Ray Smith: Yes, and I think that Ministry of Economic Development play an increasing role in this. But I think there are also huge opportunities that we haven't been able to take advantage of. Forestry is a good example where in the forestry industry there is going to continue to be a growth of opportunity and yet there is a reluctance of people to go and work in that industry. This is one of the areas where an industry partnership might be able to defeat that. This is an area of growth in our economy and so I think we've got a role in working together to try and find a way to bridge that gap.

So, on the whole, I think that we are actually very well positioned to help a lot of job seekers. I think it's just a question of getting the right relationships happening at one level and getting people to believe that it's possible.

The Jobs Letter

DIARY

16 April 2002

The proposed Health and Safety in Employment Amendment Bill would make labour-hire companies responsible for providing safety equipment and safety training for their workers, rather than the company the workers are contracted to. Andrew McComish, a member of the Recruitment and Consulting Services Association claims the law change would cripple the industry. About 100,000 people are on the books of labour-hire companies.

The Council of Trade Unions tells the government that because adherence to the Kyoto Protocol may result in job losses, unions should be involved in the analysis of the protocol.

17 April 2002

About 12,000 jobs have been lost at American-based telecommunications manufacturer Lucent Technologies since the beginning of this year.

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

such as nursing and teaching — are extremely difficult to sustain even beyond age 60, let alone 65. Are we going to reinvent the spectacle of genteel aged poverty, as ageing nurses and teachers struggle to bridge an extended gap between the end of their working lives and the start of the pension?"

Else and St John pointed out in their book that a key issue was **limiting state pension payments to the very wealthiest**. They predicted that if this is not done, there will be heavy pressure to raise the age or lower the level. This would adversely affect everyone except the wealthy.

- Anne Else also pointed out that *The Jobs Letter*, in its last issue, was perpetuating a common misstatement in the media when we wrote that the **superannuation rate** is "65% of the average wage". The rate is 65% of the average wage for a married *couple*. But the payments are made to individuals, not to the couple, so the rate would be **more accurately stated as 32.5% of the average wage** for a married person. Else also says it is misleading to say that the rate for a *single* person is about 40% of the average wage as this is the rate for a person *living alone*. If they take on a flatmate or move in with family, they lose most of the extra allowance.
- There was a slump in the **Australian labour market** in 2001 that was more severe than most commentators recognised. Mark Cully, Senior Research Fellow at the National Institute of Labour Studies in Adelaide, says that a preoccupation with **monthly changes obscured some big picture trends**. These trends included: the net loss of 60,000 full-time jobs; a one-hour cut in the duration of the average working week (falling below 34 hours for the first time); and a dramatic rise in the number of under-employed people.

Cully says that the economic slump of 2001 in Australia was noteworthy because the adjustment came in the form of people working shorter hours rather than lengthening dole queues. Had the average working week remained at its 20 year average, Cully says there would have been 250,000 fewer people in jobs lifting the unemployment rate to 9%. At the same time, GDP and the standard of living rose as a result of greater labour productivity. Cully calls this the "**prosperity paradox**". Cully: "The debate should be about ways of promoting continued growth in labour productivity and ensuring that cuts in hours and improvement in living standards are evenly distributed."

- The number of US workers collecting unemployment benefits in March rose to the highest level in 19 years and the official US unemployment rate rose to 5.7%. In Forbes magazine Kate Randall says these figures indicate the recovery of the **US economy** has not improved the position of workers. They also suggest the US **may see a "jobless recovery"**, with corporations increasing profits while employment levels stagnate or continue to fall. Laid-off workers are also finding it harder to find new jobs, taking 15 weeks to get new work now, while it took ten weeks in the first quarter of 2001. John Challenger of Challenger, Grey & Christmas says that increased productivity is part of the problem. US worker productivity rose 5.1% in the fourth quarter of 2001 and at the same time the average worker's hours fell 3.6%. Challenger: "Employers who cut jobs and hours as we entered the recession are likely to just add hours as we come out of recession, which is supported by the fact that manufacturers reported an increase in overtime hours in March."

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