

# The Jobs Letter

No. 186

4 June 2003

Essential Information on an Essential Issue

## KEY

NATIONAL ON WELFARE  
DEPENDENCY

MAHAREY AND BRADFORD  
RESPOND

BENEFICIARY NUMBERS RISE  
AS UNEMPLOYMENT FALLS

- The National Party wants a return to work-for-the-dole, more stringent work-tests, and time limits on benefits. Spokesperson Katherine Rich last week released her party's discussion paper on welfare indicating National would take a much **tougher line on beneficiaries** than the present government.

In *Saving the Next Generation from Welfare Dependency*, Rich argues that the expanding welfare system has not led to a more cohesive society and that **welfare has become a lifestyle** option. Rich: "I understand that there are some welfare recipients who will never work, due to mental or physical disability, but for others the welfare system should be seen as a safety net offering temporary support before they get back to work. The measures I have raised, which include greater assistance for teenage mothers, time-limited benefits and work for the dole, are aimed at reducing dependency and improving well-being."

While Rich agrees with the government that most people want to work, she argues that the current welfare system undermines people's ability to do just that. She believes the **welfare system should encourage people to choose work** and one way to do that is to offer financial incentives. These are likely to mean higher tax credits for those in work, childcare subsidies for people returning to work, and increased benefit abatement rates (for people earning while on a benefit) so there is a greater incentive to take up full-time work and leave the benefit system.

## DIARY

13 May 2003

The Australian Budget predicts the country's unemployment rate will remain at about 6% and the economy will grow at 3% this year.

Australian workers get a \$4 - \$11 per week pay rise as the Budget lifts the personal income tax bracket thresholds.

15 May 2003

Methanex in Taranaki tells its 220 workers that their jobs are guaranteed until at least next year. Managing director Bruce Aitken says that any decision to mothball the methanol producing plants will be made on the basis of whether new gas discoveries are found that can supply the plants.

The Maori Television Service will hire 140 staff by August in preparation for going on-air by the end of the year.

- Rich argues that **Winz has gone soft** on beneficiaries. She would see a greater emphasis on work for Winz clients, including the re-introduction of work-tests for those on the Domestic Purposes Benefit. The Ministry of Social Development admits that 70% of case managers' time is spent administering income support and Rich says this leaves a mere 30% dedicated to helping beneficiaries get work. Rich wants case managers to focus clients on their work options before they even begin to discuss income support issues.

The *Welfare Dependency* discussion paper suggests National would make big changes to Winz by eliminating its monopoly on government funded employment placement services and contract them out, similar to a system Australia introduced in 1998. Rich: "**Contracting out employment services** to private sector and community groups should be considered. National believes non-government organisations should have the opportunity to play a much greater role in the assessment and placement of beneficiaries into work."

- Rich says the real ticket out of welfare is work, any kind of work. National would re-introduce work-for-the-dole, a prominent social policy feature of the last National government. National is actually **suspicious of training** or education-based programmes for beneficiaries and questions whether these are anything more than an "expensive diversion". She sees education-based programmes as a delay to people

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## DIARY

17 May 2003

Burnside Military Camp near Nelson may be hosting a new life skills training programme for young offenders. Nelson Mayor Paul Matheson and the local Winz office are working to launch a pilot Limited Service Volunteer programme. The initiative will be part of the Mayors Taskforce for Jobs partnership with government to have all young people in work, education or training.

18 May 2003

Job cuts are imminent at the Norske Skog newsprint mill in Kawarau, according to chief Rob Lord.

One in seven secondary schools have had to cut subjects or transfer courses this year because they could not find qualified teachers, according to the PPTA. About half of schools could not get the right teachers for vacancies and were forced to ask teachers to teach subjects they had no specialty training in. The PPTA says that the deteriorating staffing situation has been alleviated only by the recruitment of overseas teachers.

The German unemployment rate reaches 10.7% of the workforce.

19 May 2003

130 jobs will go as glass components manufacturer Pilkington Automotive plans to close its Lower Hutt factory in September.

Wainuiomata residents petition the owners of the Griffins biscuit factory not to relocate the business from the area. Retired man George Paramore, who collected 4,000 signatures, says the closure of the factory would be disastrous for the community.

entering the workforce and that training shouldn't be widely available as a pre-employment step. She feels that training should only be offered to people who have participated in a work-for-the-dole programme.

- Rich says that no one policy will deliver a more effective welfare system, but **believes the following steps are crucial:**
  - There needs to be an acceptance that New Zealand has a welfare problem but that an escalating roll is not inevitable.
  - Bring back a “work first” approach within the Ministry of Social Development. The path to work is work.
  - Implement work-for-the-dole, reintroduce and enhance work test requirements for the Unemployment and Domestic Purposes Benefits, and a capacity test for Invalids Benefits and a thorough assessment of Sickness Benefits.
  - Strengthen reciprocal obligations for benefits.
  - Implement time limits for benefits that support people who are fit and able to work.
  - Reform the child support system to ensure all liable parents support their children.
  - Preserve the gap between welfare and work. People who work must be better off than people on welfare.
  - Improve methods to detect benefit fraud.
  - Maintain a portfolio of different programmes for specific needs.
- Rich is clearly impressed by the 1996 welfare reforms in the United States that included five-year **time limits on benefits**. Without time limits, Rich believes there is no compelling incentive for people to go out and find work. She points out that time limits would not mean that people would be dropped entirely from the welfare system, but after a designated amount of time it may mean that the level of cash income support a beneficiary receives would be either reduced or stopped and replaced by non-cash support like food stamps and medical services. Rich concedes that the US changes were made at a time when the US economy was growing quickly and many beneficiaries were able to integrate into the workforce, and that no one knows, yet, the effect of time limits on people during tougher times.
  - *Saving the Next Generation from Welfare Dependency*, by National Party Welfare Spokesperson Katherine Rich, May 2003, can be downloaded (27pg, 485kb) from [www.national.org.nz/wcontent.asp?PageID=100015357](http://www.national.org.nz/wcontent.asp?PageID=100015357)
- Minister of Social Policy Steve Maharey says the bulk of the policy ideas in National's *Welfare Dependency* discussion paper are lifted straight from their controversial 1998 *Code of Social Responsibility*. Other ideas, like work-for-the-dole, were tried by a National government and failed. Maharey: “Let's take a look at the evidence: **work-for-the-dole failed** according to the evaluation Roger Sowry himself commissioned. The evaluation showed beneficiaries who received no help at all from Work and Income were more likely to move into paid work than those trapped in the make-work scheme; **time limits on benefits won't work** because the state will have to find some way of supporting people who have not been able to find work, as experience in other countries shows; **work-testing sole parent beneficiaries failed** because what they actually need is the kind of one-to-one support to be an effective parent and to move into work that the current government is now providing.” Maharey says it is “deeply ironic” that National is coming up with these “beneficiary bashing” ideas at a time when the number of working age

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20 May 2003

Job losses are expected at Pacific Steel, a wire-making factory in Auckland, as it moves from a seven-day to a five-day work week. The company blames the high NZ dollar, a weakening rural economy, cheap foreign competition and the power crisis.

Fewer seasonal pipfruit workers are returning to the dole after the season ends, according to the Winz Motueka office. Centre manager Kate Rose says new strategies are placing people who are finishing the fruit harvest into work in other seasonal industries like fishing.

Telstra cuts 4,000 more Australian jobs.

An International Labour Organisation report forecasts Pacific Rim countries, including NZ, may lose up to 15% of their tourism sector jobs due to the recent falling-off of international travel. 120,000 NZ jobs are estimated to depend on tourism.

21 May 2003

30 jobs are lost as Empower, a subsidiary of Contact Energy, is merged into the parent company.

Parent's Centre president Sharron Cole criticises the Budget increase of funding for longer childcare hours for workers' children. Cole says the move sends a clear message to parents that government expects them to work as long as possible and to fit their children into their lives only as work allows.

beneficiary numbers has declined. As National left office in 1999, the number of working-age beneficiaries was 386,000. Since then it has dropped to 345,000 people.

- Maharey concedes that there are some interesting ideas in *Welfare Dependency*, but says that the government is already doing them: "We work-test recipients of the unemployment benefit; we agree that childcare is the key to enabling beneficiary parents to take up work and education opportunities – that's why we have invested in this in each of our Budgets". Maharey says that **beneficiaries want opportunities** and the fact that the unemployment role is falling indicates they will take them when they are offered.
- Green MP Sue Bradford says Katherine Rich should not overlook the obvious: that **people are on the unemployment benefit because they can't get a job**. Bradford told Radio NZ's *Nine to Noon*: "If you have well over 100,000 people looking for work, and I suspect the figures are much higher than that, then that is the primary cause of people being on benefits: the lack of jobs. The fact there are not enough jobs to go around is not the fault of the people without them."

Bradford is adamant that providing **enough jobs is the key** to eliminating unemployment, not welfare reforms that make beneficiaries' lives harder: "We won't end unemployment until there are enough jobs to go around. At the moment we are about 150,000 jobs short. The solution is a **deliberate job creation policy** that would see the government, councils and community groups all creating jobs, jobs that have real purpose and pay real wages. There could be a lot more jobs created in the community sector if the Ministry of Economic Development put money into the community sector rather than only into the business sector."

Bradford does not accept that people should have to work for the small amount of money they get from welfare and she maintains that **coercion is not the answer**. She says that most people who are out of work are desperate to get a job. Bradford agrees there are some people who prefer to avoid work and that this is a problem, but it should not be the driver behind welfare policy.

- Bradford is critical of the government committing \$400,000 to find out why the number of people on sickness and invalids benefits is rising. She blames the concerted effort by ACC to lose the "tail" of long-term claimants for pushing many people off ACC and onto these benefits. Bradford also points out there is plenty of research that shows that **being out of work makes people sick**, both physically and mentally. The longer a person is excluded from meaningful participation, the more vulnerable they become to addictions and physical illnesses. Bradford also blames the health system: "The hospital waiting lists reflect the growing numbers of sick people. If people can't access health services when they need them, if you are on a waiting list for an operation and you keep getting put-off, of course you are going to be on the sickness or invalids benefit."
- More New Zealanders than ever have jobs, but the **number of working-age people on welfare benefits is still higher** than when unemployment peaked more than a decade ago.

David McLoughlin reports in *The Dominion Post* that Treasury figures in the recent Budget show that the welfare figures will remain the same

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22 May 2003

The National Party says parents on welfare should have their benefit reduced if their children don't go to school. Leader Bill English believes that sanctions should be applied if a parents takes no steps to tackle their children's truancy.

The Bank of NZ says the economy will struggle to grow 2.5% this year primarily because our economy is so exposed to North Asia, which is suffering economically due to the SARS epidemic.

International visitor numbers to NZ in March - April were down 1% on last year according to Statistic NZ. Over each of the last three years, visitor numbers have increased by 5% - 11% per year during the March - April period. Statistics NZ says the slowdown may reflect people's reluctance to travel due to the risk of contracting SARS.

23 May 2003

A *New Zealand Herald* editorial says that any punitive solutions to truancy problems must apply to working parents as well as beneficiaries. It says the risk of truancy is probably as great in households in which no parent is at home as it is in families supported by welfare. *The Herald*: "Furthermore, it should not be assumed that truancy is a problem of relative poverty or that children are the only offenders."

over the next year — with 348,000 New Zealanders aged 18-65 years on a benefit. But he points out that this number is 54,000 more than in 1991 ... when the unemployment rate hit a high of 11% before falling to its present 5% level.

In 1991, 294,000 working-age New Zealanders were on welfare. Half of them (147,000) were on the unemployment benefit. Now, the number of those getting the unemployment benefit is predicted to fall to just over one third of working-age beneficiaries ... while those paid the **sickness and invalids benefits are forecast to rise** (from 17% in 1991 to about a third of all beneficiaries next year).

| <b>WELFARE ROLLS</b>                   |                |                |                           |
|--|----------------|----------------|---------------------------|
| Benefit Type                           | 1991           | 2003           | 2004<br><i>(forecast)</i> |
| Unemployment                           | 147,000        | 134,000        | 126,000                   |
| Domestic Purposes                      | 97,000         | 110,000        | 110,500                   |
| Sickness                               | 21,000         | 37,000         | 40,500                    |
| Invalids                               | 29,000         | 67,000         | 71,000                    |
| <b>Total Working Age Beneficiaries</b> | <b>294,000</b> | <b>348,000</b> | <b>348,000</b>            |
| Superannuation                         | 500,000        | 454,000        | 460,000                   |
| <b>Total Beneficiaries</b>             | <b>794,000</b> | <b>802,000</b> | <b>808,000</b>            |

Source: Treasury Budget Tables 2003, *The Dominion Post*

- In *The Jobs Letter* No 184 we reported a wide gap between the reading skills levels of New Zealand girls and boys. Bruce Adin, president of the Education Institute, however, says this does not draw a complete picture. The *Progress in International Reading Study* (PIRLS), which tested the reading levels of nine and ten year old children in 35 countries, found that while the gap between girls and boys is wider in New Zealand than in many countries, girls read better than boys in all of the 35 countries surveyed.

Adin says that in reading and writing, New Zealand children don't do too badly. The **reading skills level of our children overall is above the international average**. In the PIRLS study, NZ children are highly represented among the top readers (17% of NZ children read as well as the top 10%) and under represented in the lowest skilled readers (16% in the lowest 25%).

- Categorically, those New Zealand children who have under-developed reading skills are Maori (in particular Maori boys) and children whose home language is not English. Adin points out that the Ministry of Education has been aware of these problems since 1999 and that new resources have been developed to address them. Two of the successful approaches have been the use of interactive computer assisted learning, and schools employing a home-school liaison worker who teaches parents how to tutor their children in reading and writing at home.
- The *New Zealand Herald* recently ran a careers profile focussing on the leaders of social service charities. Reporter Julie Middleton says that **working for charities** is possibly **gaining more respect** as a career option — especially as the business trend towards “triple-bottom-line

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24 May 2003

Private sector employers are angry they are not being represented on a government taskforce to promote gender pay equity among public servants. Business NZ executive director Anne Knowles says that the public sector labour market has a huge impact on the private sector and private employers should at least have a watching brief on the taskforce.

In the US, Master of Business Administration (MBA) graduates are finding it increasingly difficult to find a job. Even high profile business schools say placements are about 20% below what they were five years ago. Peter Degnan of Wharton School in Philadelphia says that some students are now looking for work in non-profit organisations, a sector that MBA graduates have largely ignored.

26 May 2003

26 laboratory jobs are cut at dairy company Fonterra's Kauri factory near Whangarei. The company says other laboratories will eventually be affected as all final product testing for its factories north of Taupo will ultimately be carried out at Te Rapa, in the Waikato.

reporting" encourages businesses to assess the social impact of their business and to boost their public profiles by forming links with charities.

Middleton: "They've got similar skills to every other executive director or chief executive. Except they're paid less, have less money to work with, often deal with far more complicated problems — the sort that aren't solved by pulling rank — and the corporate world, unfairly, often views their skills as non-transferable."

Middleton reports that there is a **shortage of good middle and senior charity managers** who have got a strategic understanding of their sector as well as business skills. And because charity workers do tend to get paid less than in the profit sector "... you'd have to be motivated by things other than money."

David Doyle, of the Auckland recruitment company Chamberlin Doyle agrees, and points out that the 30-something graduate middle-manager with a young family is more likely to be motivated by the money than a sense of making a social contribution. Doyle: "They can't afford to make the \$20,000 trade-off".

Doyle has recently done a study which aims to give not-for-profits an idea of pay rates across their sector (*see box, below*).

| <b>PAY IN THE CHARITY SECTOR</b>              |                     |                           |                   |                           |   |
|---|---------------------|---------------------------|-------------------|---------------------------|---|
| Job Title                                     | Number of Responses | Lower Quartile For Sector | Median for Sector | Upper Quartile For Sector | Perceived Mean Value in Commercial Sector |
|   |                     | \$                        | \$                | \$                        | \$  |
| CEO/Missioner                                 | 18                  | 60,000                    | 80,000            | 150,000                   | 120,000                                   |
| Director of Social Services                   | 25                  | 45,000                    | 74,000            | 86,000                    | 80,000                                    |
| Teamleader: crisis care/drop in               | 32                  | 38,000                    | 50,000            | 65,000                    | 70,000                                    |
| Team Leader: detox                            | 18                  | 38,000                    | 50,000            | 65,000                    | 70,000                                    |
| Team Leader: community assessment and support | 26                  | 38,000                    | 44,000            | 52,000                    | 60,000                                    |
| Team Leader: foodbank                         | 24                  | 26,000                    | 34,000            | 42,000                    | 50,000                                    |

Source: David Doyle, New Zealand Herald

- While the official American economy has been suffering a downturn, a new study reports that the **US shadow economy** is enjoying unprecedented levels of success. Marijuana, pornography and illegal labour have created hidden markets which now account for as much as 10% of the American economy. This shadow economy is profiled in a new book according to the *Reefer Madness: Sex, Drugs and Cheap Labour in the American Black Market*, by Eric Schlosser (Houghton Mifflin 2003).

The book points out that no aspect of farming has grown faster in the last three decades than **marijuana** production, and officials with the US drug enforcement administration now estimate that it **is the country's largest cash crop**. The figures: growing marijuana, has a "plausible" estimated revenue of \$25 billion, while growing maize is worth \$19 billion.

## DIARY

29 May 2003

The debate about raising the age of retirement must take into account manual workers and how onerous it would be for them, according to a Massey University study. *Older Worker Employment Transition* found that workers want to make their own decision about when to retire and the paper supports the abolition of compulsory retirement on grounds of age.

Finsec, the bank workers union, predicts the take-over of The National Bank by the ANZ will result in job losses. General secretary Andrew Cassidy says that each bank merger in the past has resulted in hundreds of lost jobs.

### Editor

Vivian Hutchinson  
Dave Owens

### Associates

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](http://www.jobsletter.org.nz)

Revenue from hardcore **pornography** in the US is estimated at about \$10 billion ... which is roughly **equal to Hollywood's domestic box office takings**. Americans spend more money at strip clubs than on Broadway, regional theatres and orchestras combined. Schlosser says America is leading the world in porn production, with about 200 new films being produced every week. There has also been a huge explosion in porn websites — from about 22,000 in 1997 to about 300,000 today.

According to Schlosser, the shadow economy thrives with the help of **illegal immigrants** who are being **paid in undeclared cash**. He estimates there are more than 8 million illegal immigrants in the US ... with about a million of them being employed as farm workers.

## VOICES

### on the NATIONAL PARTY WELFARE POSITION PAPER

*"The State is the great fictitious entity by which everyone seeks to live at the expense of everyone else."*

— **Frederic Bastiat (1848), quoted in the Welfare Dependency discussion paper**

*"You cannot build character and courage by taking away man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves."*

— **Rev William J H Boetcker, (1916), also quoted in the Welfare Dependency discussion paper**

*"National is the only party that can make and implement difficult welfare decisions."*

— **Katherine Rich, National Party Welfare Spokeswoman**

*"Well, I think we're just going to carrying on arguing about evidence. I think the big difference between ourselves and National is shown by the person they chose to be the face of their welfare programme, which is Jules Mikus. In other words, they chose the most extraordinary disgusting person to be the face of their reason for leaning on welfare dependency."*

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

*"The Green Party is as keen as National on ending welfare dependency but we see the*

*solution in providing decent jobs for everyone who wants a job; not work-testing solo-mothers and other draconian, Victorian 'punishments' for those not lucky enough to be born into wealth."*

— **Sue Bradford, Green Party spokesperson for Employment and Social Services**

*"We have long seen the need for urgent welfare reform, to stop the relentless rise in beneficiary numbers. We are delighted that National has now reached the same conclusion on the need for urgent welfare reform, and we look forward to working with them closely on this important issue."*

— **Muriel Newman, ACT Party spokeswoman on Welfare**

*"National lives with the legacy of overseeing a rise in welfare dependency. They must face up to the challenge to find beneficiaries real jobs or training opportunities and not take the easy ACT Party stance of offering knee-jerk attacks on beneficiaries and their children."*

— **Matt Robson, Progressive Coalition Party**

*"It's not that some of the strategies they propose are bad, but they seem to have been designed to soothe taxpayer angst about welfare dependency rather than provide a constructive plan to get people into meaningful work."*

— **Judy Turner, United Future Party**

*"Such a crackdown on the sick and frail is fraught with political risk. National's other difficulty is proving that welfare reform actually works."*

— **John Armstrong, political correspondent, The New Zealand Herald**