

The Jobs Letter

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17 May 2004

Essential Information on an Essential Issue

KEY

\$57M FOR YOUTH TRANSITION

MAYORS FORUM
ON YOUTH TRANSITION

PATHWAYS TO WORK

\$20M FOR SICKNESS AND
INVALIDS INTO WORK

DIARY

13 April 2004

Minister of Finance Michael Cullen urges businesses to switch to "value creation" rather than trying to cut labour and other costs to improve their profitability. He warns that the economy will stagnate if business focus remains on cost-cutting.

A total of 23% of businesses surveyed by NZIER say the shortage of labour is the biggest block to increasing their productivity. Businesses also say they are running flat tack: "capacity utilisation" at the highest level since 1973.

The Tararua District Council opens up its mayoral flood relief fund. Mayor Maureen Reynolds urges people who have suffered big losses to use it.

- The government is putting \$56.9 million over the next four years into programmes to help "kick start" the working lives of 15 – 19 year olds. Minister of Social Development and Employment Steve Maharey says the six new or expanded initiatives in the **youth transitions package** cements the government's commitment to ensuring all young people get a good start in life, and further distances it from the failed policies of the 1990s. Maharey says the package delivers on its manifesto commitments and on the memorandum it signed with the Mayors Taskforce for Jobs that all 15 – 19 year olds would be engaged in appropriate education, training, work or other options which will lead to long-term economic independence and well-being.

The youth transitions package includes:

- a new transition service to support school leavers (contracted to existing community organisations) to provide customised support and career planning, that works with local employers, training and education providers. This service will be piloted in five communities next year, expanding to 14 communities by 2007;
 - Designing Careers pilot (in 75 schools) which will see all Year 10 students prepare a learning and career plan. Older students who are considered to be at risk of not making a successful transition from school will also participate;
 - expanding the Gateway programme (structured workplace learning while people are still at school) to all decile 6 schools by 2008;
 - providing 500 more Modern Apprenticeships;
 - increasing support for STAR funding for schools to run programmes for senior students that include work-based or tertiary type study and training;
 - piloting the training incentive allowance on 200 teenage parents to see if it encourages them to remain in or return to education.
- The new package is a move to fill a systemic hole that has developed over the years through which many young people have fallen through. Anneliese Parkin of the Labour Market Policy Group told the Mayors Taskforce for Jobs national forum that one of the weaker points of the New Zealand system is that **young people can float about** from the time they can legally leave school until they qualify for the dole. Parkin describes the social and economic cost of not attending to this problem as "very high".

Maharey goes on and estimates that between 10% - 17% of people aged between 15 and 19 — approximately 27,000 to 45,000 young people — do not enrol in tertiary study or get a job after leaving school. Maharey: "Although not all of this group are at risk, there are some that are at real risk of long-term unemployment and other problems later in their lives. For other young people, simply making sense of the multitude of choices before them can be a real challenge."

- The Council of Trade Union has applauded the new package. Secretary Carol Beaumont says that as young people leave school, many are either not prepared to take the next step, or are not aware of how to take

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14 April 2004

US microchip maker Intel says that it will continue to outsource jobs to Southeast Asia despite the negative focus on the practice in the media. Chief Craig Barrett says companies have been outsourcing for decades and it is just the election cycle that is making it news at the moment.

About 60 jobs are lost at Port Nelson as the owner of a multi-million dollar luxury boat, which caught fire while being refitted, decides not to continue with the work.

ACT MP Muriel Newman accuses Minister of Maori Affairs Parekura Horomia and his Maori caucus colleagues of arguing over the seabed and foreshore and neglecting the bigger picture of Maori Welfare dependency. Newman says that Maori make up 15% of the population but 33% of those on unemployment benefits.

Parekura Horomia says there are more Maori in paid employment than at any time over the last 16 years and there are over 800 young Maori taking part in Modern Apprenticeships.

15 April 2004

Carter Holt Harvey puts its Rotorua timber mill on the market and says it could close the mill if a buyer is not found. The mill employs 69 staff.

The Porirua Apprenticeships Trust is launched with the aims of easing the chronic shortage of builders in the city, as well as providing young people career pathways. The trust aims to place 15 apprentices this year.

16 April 2004

The Employment Court rules that Air NZ may drug-test some workers.

Random drug-testing has proved positive in 9% of those workers tested, according to Environmental Science and Research, a firm that has done testing for 400 companies. Drug tests found 27% of tests were positive when carried out on workers after industrial accidents.

it. Beaumont: “The bridge from secondary school to apprenticeship cannot be left to chance encounters. In practice many young people are getting lost along the way. The expansion of the government’s successful Modern Apprenticeship programme by a further 500 apprentices is also welcomed, but it is the whole support package that is going to make the difference.”

- The Mayors Taskforce for Jobs executive officer Jan Francis says that the Youth Transitions initiatives begin to recognise the importance of **keeping connected** with young people and hopes that that recognition will be translated into on-going and adequate resourcing. Francis says the Mayors welcome the new career advice and hopes that new programmes will build on and incorporate some of the useful community responses already operating around the country

However, Francis is disappointed that the transition service is to be targeted (rather than for all students) and there will **still be no agency who is legally responsible** for young people from when they leave school and before they become eligible for assistance from Work and Income. Francis: “We will continue to advocate for a service which takes up the cultural goals of the Taskforce to ensure all young people are valued and wanted in our communities.”

- Innovative **youth employment programmes** were the focus of the Mayor Taskforce for Jobs national forum held last month in New Plymouth. “Sharing Great Ideas, Sharing Good Practice” highlighted local youth employment initiatives that are operating around the country. Re-occurring themes were the “systemic hole” that too many 15 – 17 year old disappear down, and creating bridges between school and work.

As the government adopted market-focused policies in the mid-80s, part of what got left behind were the pathways young people traditionally travelled that led from being a schoolchild to becoming a young worker. Community Advisor to the Taskforce Vivian Hutchinson told the Mayors forum that successive governments had abandoned many of the supports that had been in place in the 1950s and 60s — things like cadetships and apprenticeships and all the training that took place in the public sector. These were part of an expression of the *social purpose* of youth employment. Hutchinson says we can’t just leave it to the market and the business sector to come up with all the opportunities and support structures for new, young workers. Hutchinson: “Because youth employment is a *social purpose* ... it is up to our *culture* to invest in it. The public and community sectors have to get alongside business and work together to make it happen.”

- Taskforce chairman Garry Moore told the forum that the mayors’ values of tolerating “zero waste” of young people must to be woven into everything we do. Moore called on the mayors and attending government officials to involve all people in positions of influence to **deliver on youth employment goals**. Moore: “We need to build bridges between schools and where the jobs are. We need to create a climate where young people know where the jobs are and know how to get the skills they need to do them. We need to knock over the silos, work across industry sectors. We want the goals of the Mayors Taskforce for Jobs to be written into the business plans of all the sector groups.”
- Jan Francis says that 14 councils are **running cadet or trainee programmes**: Christchurch, Dunedin, Hauraki, Invercargill, Manukau,

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18 April 2004

The "creative industries" are growing 8.7% per year worldwide, according to Creative Industries NZ, and currently employ about 50,000 NZ'ers. Creative Industries NZ is holding a 10-day symposium in Christchurch in May.

NZ dairy giant Fonterra will progressively outsource more and more staff to IT specialist EDS. Fonterra transferred 96 staff to EDS in December and is set to continue this trend.

19 April 2004

Travel retailer the Flight Centre plans to employ 250 staff in 20 new stores around NZ due to increasing travel demand fuelled by low-price airfares.

21 April 2004

NZ had a net outflow of 320 migrants in March, the first monthly net loss of long-term migrants since 2001. Arrivals from China fell 66% and Chinese departures jumped nearly 90% when the latest figures are compared to March 2003.

The Masterton Trust Lands Trust announces grants of \$62,000 to assist trade-training courses in the town. The money is committed in \$600 lots to help pay course fees of students taking UCOL Wairarapa pre-trade courses, and to support courses provided through Wairarapa Workforce Development Trust.

There were 11.2% more advertised job vacancies during March this year than they were in March 2003. ANZ chief economist David Drage says this is good news for job seekers but continues to cause difficulties for many businesses that are experiencing skilled labour shortages.

22 April 2004

The Association of South East Asian Nation's economic ministers recommend inviting the NZ and Australian prime ministers to their next meeting, thus putting "free-trade" negotiations on the agenda.

Up to 50 jobs will go as Palmerston North plastics company Click Clack relocates production work to its other plants in Levin and Christchurch.

Masterton, Nelson, New Plymouth, Papakura, Porirua, Rotorua Tasman, Taupo and Upper Hutt. Francis: "There is a need for all local authorities to take a look at their recruitment practices and the assistance they offer to young people in their communities. The ageing workforce is evident in local authorities ... and councils can play a key role in developing the next workforce." Francis is aware of no government department, with the exception of the Ministry of Social Development that has taken on 100 Modern Apprentices, has a youth employment policy.

- Forum host New Plymouth Mayor Peter Tennent has had the Mayors Taskforce for Jobs goals ... "By 2005, no young person under 25 years be out of work or training in our communities" **written into his Council's strategic plan**. And he has included youth employment as a "deliverable" in the Council's general manager's job description.

Mayors who were at the forum: Yvonne Sharp (Far North), Garry Moore (Christchurch), Graeme Hall (Rotorua), David Owen (Waimate), Les Probert (Wairoa), Sukhi Turner (Dunedin), Paul Matheson (Nelson), Frana Cardno (Southland), Brian Jeffares (Stratford), Graeme Ramsey (Kaipara), Wynne Raymond (Timaru), Jim Gerrard (Waimakariri), John Forbes (Opotiki), Tom Robinson (Horowhenua), Craig Brown (Whangarei), George Wood (North Shore), Tom Harrison (Marlborough), John Terris (Hutt City), Sue Morris (Ruapehu), Mary Burke (South Taranaki), Peter Tennent (New Plymouth).

- A scheme is operating in Rotorua that allows young people in their final year at school to begin a career in tourism. Rotorua District Council officer Annie Ross told the Mayors Taskforce for Jobs forum that the Youth Pathways project offers young people work experience in a travel agency and then a short-term employment contract. Ross said the Pathways Project has a strong focus on **breaking down the barriers** young people commonly find when they are trying to enter the job market. Youth Pathways relies on aggressive networking between key groups: high school based learning networks, tertiary and foundation level learning organisations, and employment sector and industry networks.

Youth Pathways work experience is graduated so that as a young person gains skills, they put in longer working hours. As the local tourist high season approaches, and the young worker and the employer have gained confidence, they sign fixed-term contracts of 10 - 12 weeks. One aim of the scheme is that some of the students will continue training to industry standards and offered permanent work and ongoing training. With increasing co-operation between local training providers, Ross expects that flexible tertiary education programmes will be designed and offered locally to compliment the scheme.

Similar networking is being done in the Rotorua agricultural sector. A Modern Apprenticeship scheme will be launched with 14 Maori cadets learning farm management in conjunction with local iwi. Strong networks are also being built in the retail and engineering sectors.

— Mayors Taskforce for Jobs national forum, held in New Plymouth April 21 – 22 2004. Vivian Hutchinson's address to the forum can be downloaded at www.jobsletter.org.nz/vivian/gig04.htm, and the slides of the community and government agency presentations can be downloaded from www.jobsletter.org.nz/mtfjobs/mtfjobs89.htm

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25 April 2004

The Amaltal Fishing Company says that the four Filipino staff in the country are training to qualify to work on the company's international fleet and are not just new staff. The NZ Fishing Industry Guild had raised its concerns that foreign fishermen may begin to edge out local crew working in NZ waters.

Just 560 of Child Youth and Family's 990 social workers have social work qualifications. The agency says 50 of the 270 staff who are currently studying will have completed their qualification by the end of 2004. Government figures show it costs about \$14,000 per person for most staff to gain the desired qualification.

27 April 2004

ACT Party leader Richard Prebble is stepping down from the post and will not run as a parliamentary candidate at the next election.

28 April 2004

Student loan scheme debt reaches \$7 billion. In an editorial, *The Dominion Post*: "It is not difficult to imagine that a change of demographics — home buying and child bearing — will occur as young people struggle to clear the debts before settling down."

Also regarding the student loan news, a *New Zealand Herald* editorial says there is no need for concern at the size of student loans. It says that students have a repayment regime that would be "the envy of any other investor".

A UN report on world youth finds that although today's youth are better off than earlier generations, many are still hindered by lack of education, poverty, health problems and unemployment. World Youth Report 2003, published April 2004 by the United Nations can be downloaded from www.un.org/esa/socdev/unyin/wyrl

1 May 2004

The Marsden Point oil refinery begins a three-week maintenance shut down that will involve as many as 450 additional staff.

- The government is dedicating \$20 million over the next three years on an initiative designed to **enhance support for sickness and invalid beneficiaries** to fully participate in their communities, including moving into the paid workforce. The Sickness and Invalids Benefits Strategy will provide an expanded range of programmes and support services including access to health and rehabilitation services, new services to support employers, early intervention to keep people in employment wherever possible or keep the position open until someone who is sick is able to return to work, increased access to existing employment programmes and resources, and assistance to connect people to support where employment is not possible.

Minister for Disability Issues Ruth Dyson: "This strategy offers a great way forward in terms of recognising the potential that people on sickness and invalids benefits can offer, rather than focusing on an individual's incapacity. Most importantly this initiative recognises that people have different skills and different needs in order to return to work in a supported environment. It finally moves away from the "one-size fits all" approach and offers solutions that are a better fit for clients."

- A ceremony to honour young people who had completed their apprenticeships in Dunedin last year (see *The Jobs Letter 196*) reminded Wairarapa Workforce Development Trust co-ordinator John Bush that he had received public recognition when he completed his apprenticeship in Masterton in 1971. Bush talked to his 93-year-old mother who also remembered the ceremony and was able to find the original invitation to the event. From that, Bush learned that the ceremony had been organised by the local Rotary clubs. When Bush made inquiries with local clubs, he found there was no one left who remembered why the practice had been discontinued but they were interested in helping re-establish an event. With support from local Rotary clubs there will be a Wairarapa-wide ceremony held in October this year for about 50 young people who have completed their apprenticeships. The ceremony is set to become an annual event.
- A survey of 50 small and medium-sized businesses (SMEs) has found that sourcing staff and dealing with the subsequent labour regulations are recurring **problems that deter hiring** and impede company growth. Claire Massey, director of the Centre for SME Research at Massey University, says that in small companies, taking on new staff is the second biggest single compliance event (next to tax returns) and is enough to make managers think of alternatives to hiring and even intentionally limiting their growth.

Massey says that those managers who do take on apprentices have usually been through an apprenticeship themselves. Even so, they are often at a loss when confronted with the new schemes. Employers say there is insufficient information on the specialised organisations dealing with apprenticeships. Businesses had contacted as many as seven different people trying to locate the correct agency and to come to terms with current schemes.

To a great extent, tough lay-off regulations contribute to SMEs reluctance to hire. Business owners say they would advertise positions more readily if it were easier to fire employees when business got slow or personal incompatibilities arose.

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2 May 2004

Sealord Group, the large Nelson-based fishing company, is in talks with the Immigration Service about employing Chinese workers to cope with the July to September busy processing season. However, spokeswoman Merrill Coke says there are no current plans to hire Chinese workers. Coke: "Our priority is to recruit local labour for the processing plants this hoki season, and we are working hard on that."

The MSD has purchased a knee operation for a sickness beneficiary from the Counties-Manukau District Health Board. This is the first of what will be about 400 operations on sickness and invalid beneficiaries that will allow them to return to their job sooner.

The Melbourne-based Tenix Defence, the "preferred bidder" to build seven Australian navy patrol boats, says that \$200 million of the work will be spread around more than 100 NZ companies over the next three years.

3 May 2004

Fonterra, NZ's largest company, will cut 700 jobs over the next two years, most of them in NZ. Fonterra employs 20,000 staff worldwide, about half of which work in NZ.

Ninety-five Origin Pacific staff are expected to lose their jobs as the Nelson-based airline reveals it cannot meet its debt obligations. The company expects its creditors to allow it to keep trading rather than to send it into liquidation.

4 May 2004

NZ's 18 registered banks added 840 staff to their operations last year, a significant increase and change of direction from the cutbacks made during the 1990s.

The strength of the housing market depends more on the job sector than on interest rates, according to real estate agency Harcourt. Chief executive Bruce Thomson says that the market can stand interest rate rises if employment is strong and people are confident about their income.

In small businesses, handling compliance and management issues once a person is hired is another drawback. The study found that because managers of small businesses handle human resource matters themselves, they suddenly find themselves heavily involved with government agencies regarding tax, insurance and labour issues which are disruptive to their business.

- ACT Party social welfare spokeswoman Muriel Newman is campaigning for the party's leadership on a platform of reforming the New Zealand welfare system. Newman says that a culture of welfare dependency has burgeoned since the 1970s and is debilitating and dividing our society. If she is leading ACT as part of the next government, she would have all beneficiaries — with the exception those receiving pensions or who are physically incapable of working — forced to **reapply for their benefits**. She says this would help eliminate beneficiaries' barriers to work, and it would expose those receiving benefits they are not entitled to. ACT estimates that benefit fraud costs \$1 billion per year.

Newman is also promoting a six-month time limit on benefits after which beneficiaries who failed to find a job would be required to attend full-time work experience; and a lifetime limit on the length of time a person could receive a benefit.

- Minister of Social Development Steve Maharey says ACT's proposals would be "extremely costly" and a little more than "paper shuffling exercise". Maharey says that the government has already introduced changes to ensure that beneficiaries have regular contact with their case managers and that people on the domestic purposes and widows benefits must draw up their own annual plan detailing how they are preparing themselves to re-enter the workforce. Maharey: "The government is also assisting those on invalids and sickness benefits to move into work as they are able. ACT seems happy to write this entire group off, since their new policy would not apply to them at all."
- Some beneficiaries in Nelson are **faking health problems** to avoid having to take up seasonal work and the practice is skewing unemployment figures, according to Nelson doctors' spokesman Graham Loveridge. In the Nelson area, the number of people on the dole has dropped from 2558 in March 1999 to just 573 in March this year. But Loveridge believes that benefit hopping was contributing to the fall. He points out that those on a sickness benefit increased 57%, from 572 to 901 over the period, and those on an invalid benefit rose by 23%, from 1697 to 2089.

Loveridge acknowledged that in recent years, Work and Income had been doing a much better job of putting people on a benefit that suited them. But he says that others were pleading ill health to get out of seasonal work and switch benefits — something they need a doctor's certificate for. Loveridge: "It's a significant problem at this time of year. We do see a fair number of people who are work-shy. You like to be able to trust the patient; it's one of the most uncomfortable roles a GP gets put into."

- The government is to begin **free-trade talks with China**, a move that has excited New Zealand primary producers. Prime Minister Helen Clark says a trade deal with China would create opportunities for more New Zealand companies, especially those in the dairy, fruit and

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5 May 2004

Police and immigration officials arrest 10 illegal foreign kiwifruit pickers at western Bay of Plenty road checks. 12 were arrested last month and dozens of others are reportedly departed the region. Packhouse owners and orchardists are angry at the Immigration swoop, fearing the loss of foreign workers' labour will result in their fruit going unpicked and rotting on the vine. They call for short-term work visas to be issues for their region.

The Green Party has serious reservations that the Charities Bill will undermine the independence and political advocacy activities of the community sector. Submissions on the Charities Bill are being accept until 3 June. The Greens say emailed submissions will be forwarded if they are sent to russel.norman@parliament.govt.nz

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vegetable and processed food sectors, and some niche market manufacturers. Exporters say that if China lowers its tariff barriers, New Zealand companies will have a competitive edge on supplying the world's fastest growing large economy.

- But manufacturers and unions say a China trade deal is bad news for New Zealand's textile, clothing and footwear industries. Council of Trade Unions (CTU) president Ross Wilson says the move raises a raft of serious issues for New Zealand workers. Wilson: "We want an assurance that core ILO conventions on labour standards will be promoted and enforced, and that there will be effective protection against dumping."

Alasdair Thompson of the Employers & Manufacturers Association warns that **plant closures and lay-offs** are possible if a Chinese trade deal is reached. About 4,800 New Zealand workers produce lower-value clothing for the domestic market clothing, a group most likely to be affected. Thompson: "The impact on them is likely to be the biggest since the tariff cuts of the late 1980s and early '90s."

Clothing manufacturer Lane Walker Rudd's chief Mark Anderson says that New Zealand manufacturers cannot compete with the Chinese. Anderson: "The reality is a company in China can employ children, a company in China can pour whatever it likes down the drains. They don't have to pay ACC, they don't have to pay time and a half, they don't have to pay sick pay. And they get government support."

- As tens of thousands of US and British garment manufacturing jobs have been "off-shored" over the last decade, American Apparel has built the largest garment factory in America, in Los Angeles. Owner-entrepreneur Dov Charney says manufacturers who have gone off-shore have **got it wrong** and that globalisation, fax machines, the internet, courier services and falling trade barriers have fooled companies into making the move. He says off-shore seemed like the new frontier, like it was the next logical step, but they overlooked what kind of savings could be made from doing things closer to home.

At a time when it's nearly impossible to buy a US-made garment, American Apparelemploys more than 1,300 workers who can produce more than 100,000 T-shirts a day. Last year the company had sales of \$80 million, a figure Charney believes will double this year. Charney: "My labour cost in LA is about 60 cents a T-shirt. In a prison in China it's zero cents. But when you're selling T-shirts for \$18, what is 60 cents?"

American Apparel pays its predominantly Latino workers significantly more than the industry norm: an average of \$11/hour, plus providing health insurance, paid holidays and free English classes. It plans to open six retail shops in London this year which will initially be supplied from Los Angeles. But Charney says he will open a manufacturing site in Europe as soon as sales volumes warrant it.

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