

The Jobs Letter

No. 210

19 July 2004

Essential Information on an Essential Issue

KEY

RESTRUCTURING AT
DEPARTMENT OF LABOUR

FROM CEG TO "WORK
OPPORTUNITIES"

YOUTH NUMBERS DOWN

WORLD-WIDE SKILL SEARCH

GOVERNMENT JOBS

BYE 35-HR WEEK

DIARY

27 June 2004

NZ's largest tertiary institution Te Wananga o Aotearoa has failed a second performance audit last year by the country's qualifications watchdog. The audit report by NZQA says that the institution failed to meet 16 requirements. The Te-Awamutu-based institute, which has 10 campuses, posted a \$33 million profit last year. Acting Education Minister Margaret Wilson comments that the surplus is higher than what the government would normally expect to see from a tertiary institute.

The government has broken its own rules by granting the dole to hundreds of migrants who have lived in NZ for less than two years, according to National's social welfare spokeswoman Katherine Rich.

Some Asian students are running businesses in NZ, in breach of the terms of their visas, according to whistle-blowing letters sent to the *Manawatu Standard*.

- The **Department of Labour** has unveiled its "new look" as the Secretary of Labour, Dr James Buwalda, announced a restructured leadership team and **three new operational groups** which will cover all the various activities of the Department.

- **Workforce**, replaces the activities of New Zealand Immigration Service (NZIS) and will have links to other government departments working on employment (the Ministry of Social Development) and skills (the Tertiary Education Commission).

- **Workplace**, replaces the activities of the Occupational Safety & Health Service (OSH), the Employment Relations Service (ERS), and will also focus on policy advice on issues of work-life balance and pay equity, and ACC matters.

- **Work Opportunities**, replaces the activities of the Community Employment Group (CEG) and will continue to work with iwi, trusts, and regional development agencies.

- the "new look" also includes four other Deputy Secretaries which will focus on corporate activities and Maori perspectives. These include Deputy Secretaries for Strategy (Marie France), Corporate (Brian Sage), Legal (Graeme Buchanan) and Maori (Meka Whaitiri).

- The Labour Department announcement has also put into effect recent Cabinet decisions concerning **the future of the Community Employment Group (CEG)**. The agency has been renamed and reshaped as "Work Opportunities", and it has been given a clearer focus on "labour market outcomes" ... with the aim of "ensuring sustainable employment and high-quality work opportunities for disadvantaged groups and communities".

With this restructure, the CEG/Work Opportunities staff also get a new boss in Deputy Secretary **Andrew Crisp**, who comes to the Labour Department from the Regulatory and Tax Policy Branch of Treasury. Charlie Moore, the former CEG General Manager, has been re-assigned to other activities in the Labour Department.

The **Social Entrepreneur Fund** — the focus of so much public criticism in recent months (see *The Jobs Letter* No.204) — has been formally **terminated** and the funding allocated for this programme has been transferred to the Ministry of Social Development. MSD intends to use the money "to support social development initiatives in communities", and grants under the new scheme will need Ministerial approval.

- In announcing the new strategic direction for community employment activities, Dr Buwalda acknowledges that despite a strong economy and sustained employment growth, some New Zealand communities continue to face significant **economic and social disadvantage**.

Dr Buwalda: "Our focus on positive labour market outcomes from community employment activities will result in changes to the Department's engagement with communities, with more brokering and facili-

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28 June 2004

The government launches a campaign to raise the skill levels of workers in the tourism, furniture, retail and hospitality industries. Minister of Tertiary Education Steve Maharey says the four industry sectors had substantial room to increase participation in on-the-job training. Tailored brochures have been written for employers in each industry describing how the industry system work and the benefits of getting on board ... and they can be ordered through <http://www.skillnz.org.nz/>

National MP Katherine Rich welcomes research from the Institute of Liberal Values that shows NZ is spending more on welfare now than it did a decade ago. Rich says that the government is fostering a culture of dependency at a time when the economy is better than it has been for a generation, and the country is in the throes of a labour shortage.

Wal-Mart, the largest employer in the US, will face a class action suit that alleges it discriminates against female employees. If successful, the suit being brought by six employees could open the doors to 1.6 million past and present Wal-Mart female employees doing the same. The suit alleges women are paid less, pay disparities exist in most job categories, the pay gap widens over time, women take longer to enter management positions and women are progressively less represented in senior management.

tation activities between disadvantaged communities and key organisations involved in economic and social development ...”

- Hot on the heels of the Labour Department restructuring announcements, the former Community Employment Group (CEG) has released its review papers of another controversial funding scheme. CEG had been distributing \$5.8 million a year in **“capacity-building” grants** to Maori and Pacific Island organisations as part of the government’s “Closing the Gaps” policy to **help disadvantaged Maori and Pacific Island people** find job opportunities.

Opposition political parties and the media have seized on the reports as proving yet another example of the government **wasting public money**. National MP Murray McCully has argued that the reports confirm to him that the “Closing the Gaps” strategy (renamed as “Reducing Inequalities” in 2000) had “... a great deal to do with political correctness and the securing of the Government’s political base, and nothing to do with advancing employment opportunities for Maori.”

The *New Zealand Herald* reports that the Labour Department had **originally refused to release the reports** under the Official Information Act. But it has done so now because the National Party appealed to the Ombudsmen’s Office, which ruled that the material should be made public.

Since the release of the reports, the Labour Department has confirmed that it has called in the police to investigate two cases of **alleged fraud by community groups** involving money given out under the scheme. And Deputy Secretary Andrew Crisp has told a Parliamentary Select Committee that another of the grants is under **external review by the accounting firm KPMG**. He did not disclose any other details of who these grants involved.

- The first review, on the 281 “capacity building” projects funded by the group in 2001, found that :
 - guidelines restricting funding to established organisations were often ignored.
 - a prohibition banning the payment of salaries to grant recipients was routinely “subverted”.
 - funding intended to assist Maori to develop communally owned land was directed toward exploratory rather than well-developed projects as intended.
 - money intended to develop the leadership potential of Maori women in community organisations was spent on “basic/personal skill development for groups of women with unclear connections to community groups”.

The grant reviewers said it was sometimes difficult to reconcile funding applications with the grants that were approved. In two cases, groups seeking salaries were told money was not available for that purpose but were then granted what they sought. In one of the cases the application for funding for a “part-time coordinator” was altered to “the establishment of office systems” by the CEG national office.

The second “capacity building” report **found little improvement**. The reviewers concluded that “...due to the lack of connection between the types of projects funded and the policy aims for the initiatives, there was minimal achievement of the desired skill development, employment and enterprise development outcomes.”

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29 June 2004

The Contractors Federation is to sign a deal with Winz to ensure that unemployed NZ'ers will be hired to work on the Wellington inner-city bypass before non-resident Pacific Island workers. Research has shown that many unemployed people sent to such roading and construction jobs commonly didn't stay long, but the Contractors Federation-Winz partnership would see Winz case workers keeping in contact with their clients after they started work to make sure they were coping and turning up each day.

About 150 jobs will be lost as Crane Distribution NZ closes or merges seven retail stores this year. Crane owns Mico plumbing, Mastertrade and Cory's electrical outlets.

Some students at Avondale College are gaining two years' experience in Cisco Corporation's networking systems. Teacher Ewan Thompson says the Cisco certification is a first step towards network administration. There are 20 Avondale College students enrolled in the programme.

19% of businesses expect general economic conditions to worsen this year, according the National Bank survey.

The Children's Commissioner Cindy Kiro warns that NZ children are not receiving enough quality time in the family environment because parents are working longer hours. Kiro says that NZ'ers work some of the longest hours in the Western world, and our children are missing out on development time with parents.

- Labour Minister Paul Swain told the *New Zealand Herald* that the intention of the "capacity building" grants had been fine, but the operation of **delivering them had been "loose"**. That was one of the reasons behind the restructuring of the Labour Department.

Addressing questions at a Parliamentary Select Committee, Acting Social Development Minister **Ruth Dyson** said that the Government **wanted better accountability** of the use of public money. Dyson: "You can have my cast-iron guarantee that we are determined to ensure that we have much better accountability in the use of public money than we have seen reported in these reviews."

Deputy Secretary Andrew Crisp re-iterated that the Department had put in place new guidelines for all CEG grants on April 1st ... and, till further notice, all grants would continue to be signed off by the Secretary of Labour, Dr Buwulda.

- **Voices.** Perhaps the more **revealing comments** in the CEG "capacity building" reports came not from the reviewers ... but directly from the **CEG staff and fieldworkers themselves.** Some extracts:

"We were hassled to get in projects. [The team co-ordinator] was saying just get them some training, but I wouldn't, the groups were not ready... there were some project possibilities but they weren't ready they couldn't even manage their own time." (*from Interview 1*)

"There was pressure on me to spend the money, in April there was three months until the end of the financial year, ideally we'd have everything in by the end of May, we had three months to spend all the money, [X] went on sick leave, and there was all these groups that hadn't got to the application stage yet, the timeframe became shorter and capacity building initiatives just became an irritation, pressure to spend the money." (*from Interview 2*)

"You tell the group they can't use the grant for a salary but then you tell them you can contract someone from your group to do the work – it makes it so unclear." (*from Interview 8*)

"Realistically how much is being used for consultancy and how much for the group to do the work? We're just making [the projects] fit the guidelines – it's probably being used for something quite different, we don't ask the groups to prove that they're using a consultant." (*from Interview 13*)

— *Capacity Building Initiatives, Phase 1 & 2 Evaluation* (available on the Department of Labour website) *Phase One: The Implementation Process* (PDF 56pg, 398kb), *Phase Two: Short Term Outcomes* (PDF 71pg, 518kb), can be downloaded from www.dol.govt.nz/ini-workopp-cap.asp

- The number of **young people receiving the unemployment benefit** in New Zealand has **fallen by more than 60%** since 1999, according to figures released by the Associate Social Development and Employment Minister Rick Barker.

There were 45,578 young people between the ages of 18 and 24 receiving unemployment benefits in May 1999. By May this year the number had dropped by 61% – to 17,527 young people.

Rick Barker says the falling welfare rolls demonstrate the government's success at moving young people off welfare and in to work or training. Barker: "The government has put a real emphasis on ensuring young people get a good start to their working lives. These figures show the approach is working."

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30 June 2004

The additional \$5 billion that has been earmarked for new road construction over the next 10 years should give roading contractors confidence to invest in additional machinery and take on new people, according to Roading NZ. Chief executive Chris Olsen says the funding certainty will also help attract people and retain them in the industry as contractors will be able to offer better career paths.

The first Census of Women's Participation in Governance and Professional Life shows that New Zealand lags behind other countries in terms of the numbers of women on boards of publicly listed countries. Only 5% of directors of the top 100 companies on the NZ Stock Exchange are women, compared to 8.4% in Australia, 7.2% in Britain and 13.6% in the United States.

1 July 2004

The Department of Labour announces its new-look structure, which includes absorbing the Community Employment Group into a new delivery structure, and axing the Social Entrepreneur Fund. See story in this issue of *The Jobs Letter*.

National MP says the demise of the Social Entrepreneur Fund represents a failure of one of Labour's flagship schemes. "This was their flagship in the area of social development and all we've seen is stunning examples of vague projects and massive taxpayer spending".

Act MP Dr Muriel Newman says the government has suffered another credibility blow by lumbering the Labour Department with the job of quietly announcing the end of the Social Entrepreneur Fund.

"New programmes like Modern Apprenticeships and Gateway, and the increasing number of young people going to polytechnics and universities, are ensuring that young people are leaving school committed to building a future for themselves. This stands in stark contrast to the 1990s, when young people were left in misery on the unemployment scrap heap. The challenge now is to drive youth unemployment levels even lower. Work and Income are currently implementing youth-focused programmes in each of their regions to achieve this goal ..."

- A shortage of skilled staff in New Zealand has prompted employers to **look overseas for staff** – in Australia, the United Kingdom, Germany and France. A chronic shortage of skilled builders has prompted **Tradestaff**, a Christchurch recruitment company, to put together a package including accommodation and an airfare refund for carpenters who come to New Zealand for more than three months. Staff recruited from offshore would work four days on, three days off, giving them a chance to enjoy the recreational activities offered in Canterbury.

Tradestaff managing director Kevin Eder: "Tradestaff plans to advertise in the UK and Australia and is also using the internet to promote the campaign. There is a shortage of qualified carpenters in Christchurch in particular at the moment. We can, through our national network, often bring carpenters from around the country – and we may well find some in this campaign. But at the moment, every area is busy and we have a particular need in Christchurch."

Experienced and skilled tradespeople are a real commodity in New Zealand at the moment, encouraged by a buoyant domestic economy. The demand has had the effect of pushing up pay rates, making the trades **a more attractive option** for many young people as they think of career options. Tradestaff has been working to address the skills shortage for some time now — its carpentry apprenticeship programme has 17 people enrolled in Christchurch.

- Meanwhile, a Feilding manufacturer is praising a new scheme to **bring skilled German workers here**. Recent changes in the European Union have created a surplus of skilled labour in Western Europe. This has prompted Germany's Federal Employment Service to seek jobs as far afield as New Zealand, and Steve Bond from Fibreglass Developments says he has jumped at the opportunity to employ a highly skilled immigrant. He describes the new scheme as a win-win situation, because with unemployment so low in New Zealand, the pool of skilled labourers is very small.
- But the competition for skilled workers **goes both ways**. A new **working visa scheme** to encourage people to work in Britain is starting to affect companies here. The "highly skilled migrant" scheme was launched by the British government to fill a skills shortage in professions such as accountancy, law, health, IT and education – the very people NZ needs more of.

Until the scheme was introduced, New Zealanders usually worked in Britain and then returned to the local labour market after two years or so. But under the new scheme, professional workers can **stay in Britain for four years** and then may be **eligible for residency** in Britain.

Bernie Kelly, managing director of Global Career Link, which is networked to 130 recruitment consultancies throughout Australia, Asia-

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2 July 2004

Five six-member Taskforce Green teams have been working in the Manawatu district since the devastating storm in February ... handling numerous clean-up tasks from fence repairs to silt removal at nearly 150 sites. The fully-funded government scheme has been described as a "win-win" for all parties. Not only have farmers and property-owners benefited from the Taskforce Green manpower during the clean-up, but many of the workers have learnt new skills and been offered full-time employment.

The highest number of work-related accidents last year occurred with people operating meat and fish processing machines, heavy truck drivers and building related workers, according to Statistics NZ. About three-quarters of all claims for work-related injuries were made by men, reflecting the gender imbalance in higher-risk occupations.

School closures can be bad for the health of individuals, families and communities, according to geographer Robin Kearns. Kearns says that "traumatic interrupts" such as school closures have major impacts on decisions by workers — such as doctors and share-milkers — about whether to move to or stay in an area. Interviews with members of rural school communities in Taranaki found deep anxieties about the long-term sustainability of communities and the rural way of life.

Pacific, Britain and Europe, says the latest British scheme could lead to a **lost generation of skilled workers** that NZ could desperately use. Kelly: "Many working in Britain are planning to stay longer. With a four-year visa and the option of staying indefinitely, they can buy homes and settle. The losers are the large and growing NZ-based companies which need these people to help them to compete in the international markets. The prospect of staying somewhere while earning £80,000 to £100,000 and living in comfort is different from struggling in a bedsit with far less money and your visa about to expire."

- Laurie Finlayson, national director of human resources at Deloitte, which employs 700 people in New Zealand and typically has 40 members of staff on secondment abroad each year, says the company's succession planning is already being affected because **staff are not returning home as expected**. The knock-on effect is that people staying abroad longer are developing more advanced skills ... which makes them more marketable on the world stage.

Kate Weaver, HR manager for law firm Phillips Fox says recruitment is always an issue because the market is smaller for law firms here. Weaver: "New Zealanders have always gone overseas — particularly lawyers because they can work in London. The new scheme may affect us later on if they don't return to us after two years, but it hasn't had any effect on our ability to recruit — yet. "

- Dale Gray, of the recruitment firm Momentum, warns that **generation gaps in the workforce** are already starting to appear. He says people aged between 40 and 64 make up 45% of New Zealand's working population. Gray: "By 2011, that age bracket will represent 51%, or 300,000 people. And the age bracket for workers between 15 and 39 will drop by 18% during that same period. New Zealand has a growing older workforce and with unemployment at a 16-year low at 4.3%, the British visa scheme isn't helping New Zealand."
- **Manukau City** is experiencing a **severe skills shortage** which is affecting 50% of local businesses. And the shortage is not just of skilled and qualified professionals and tradespeople — unskilled and semi-skilled workers, such as factory and warehouse staff, are in great demand. But Manukau employers say that job applicants for unskilled or semi-skilled jobs often lack the ability to read and write, as well as the practical and fundamental skills of turning up on time and knowing how to behave at work.

Manukau Mayor **Sir Barry Curtis** says this lack of basic skills is the primary reason for unemployment in his city. He says that there has been a woeful lack of planning and training to meet future skills needs and the Manukau City Council is now undertaking research to predict the future skills requirements of the workforce in order to better match up skills with job vacancies and employer needs. Curtis: "There's a severe mismatch at the moment. We don't need hundreds of young people training in trendy things like the media and TV presenting, when there are few jobs in this area and it's highly competitive. On the other hand we don't have nearly enough people in practical areas as nursing, engineering, building and biotechnology, or even plumbing."

Curtis believes that many planning mistakes have contributed to the skill shortage situation. He says that **rundown of the apprenticeship system** in the 1980s was a mistake the city is now suffering from ... and,

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4 July 2004

As railroad track maintenance is returned to the state-owned corporation NZ Railways Corp, staff numbers are predicted to increase by 500.

5 July 2004

The Tai Poutini Polytechnic scraps tuition fees from next year for all the courses it offers in Reefton, Westport, Hokitika and Greymouth. The polytech — which also has campuses in Auckland, Christchurch and Wanaka — says it is returning the surplus it made in 2003 to benefit the local community.

Australia and Thailand sign a free-trade deal.

6 July 2004

The NZ economy is running “red hot” according to *The Dominion Post*. International dairy prices were up 5% in June and are now at an eight-year high and beef and lamb prices at their highest level in 18 years.

A survey of foodbank users finds their household incomes range from \$188 - \$314/wk. The national median income is \$724/wk. Major Campbell Roberts, convener of the *Poverty Indicator Project*, says that food parcels help, but, in the long-term, people should not have to live below subsistence levels. Roberts: “People we are seeing at the foodbanks are paying similar rental cost to average rents, but on such a low income there is little left after paying the rent.”

Confidence in the recovery of US labour market is undermined by poor job growth last month of 112,000 jobs. The US economy needs to produce 150,000 new jobs per month to ensure a stable job market.

to help remedy this, educational institutions must be more focused on practical courses. Curtis is also encouraging more businesses to take on cadets or give people the chance to get work experience on the job ... and the Manukau City Council is itself showing leadership on both these initiatives. Curtis: “I would like to see the cadetship idea spread throughout the city. But individuals and families also have a responsibility to realize the importance of staying in school and being committed to gaining qualifications”.

- Treasury says almost **6,500 new government jobs will be created** in the next four years, not including new doctors, nurses and university teachers. Almost 19,000 more staff have joined the government payroll, now 300,000 strong, since Labour was elected in 1999. This is expected to increase significantly, with more than \$7 billion extra spending outlined in the Budget for the next four years. Figures from Minister of Finance Michael Cullen show personnel costs are expected to rise \$491 million this financial year to more than \$13b. The almost 4% increase in staff costs was driven by rising numbers of workers, higher wages and more senior workers.
- Treasury officials are unable to estimate the number of health sector jobs that will be created by an extra \$2.2b in the next four years. Health is the single biggest sector by spending and is expected to be one of the biggest areas of jobs creation. Budget funding of health is “formula-based” on population growth, the higher rate of inflation for health costs and an ageing population.

The \$1.97b in extra education spending over four years will create an estimated 4,692 teaching jobs in primary and secondary schools. In all other sectors an estimated 1,800 jobs will be created from about \$3b in extra spending, according to the Treasury.

Of the expected 1793 permanent new government jobs outside health and education, both fulltime and part-time, about 440 more will be in Wellington and 60 in Christchurch. Justice is a big jobs winner, with an extra 580 jobs expected. Child, Youth and Family is expected to get 150 more workers.

The number of **policy analysts has also grown** significantly since Labour came to power, up from 1,776 four years ago to 2,325 last year. The Minister of State Services Trevor Mallard said an extra 550 policy analysts were consistent with the government's decision to “rebuild capability” rather than rely on expensive consultants, which was the policy of the previous National government.

- National Party deputy finance spokesman John Key says he expects the state workforce to rise significantly in the next few years to a “bloated” level. He says that if Labour stays in power, there could be **up to 50,000 more government workers**.
- The number of **skilled migrants to NZ** dropped after qualifying thresholds for admission to the country were raised last year. This has prompted the government to again lower the “points” threshold in a bid to again boost the number of residency approvals. The lowering of the “points” threshold should allow 1,100 more people to become residents — once they are vetted and invited to apply.

The new “points” threshold has dropped from 150 to 140 ... and is **the 10th change** since the new system took effect in December. Under the

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7 July 2004

Departmental reports into another Community Employment Group Fund aimed at "capacity building" for Maori and Pacific Island organisations shows that money appears to have been squandered.

The longer boys stay in school, the more it is likely that they will stay out of gangs, crime and jail, according to former prison chief Celia Lashlie. Lashlie says school proves a much-needed structure and teachers need to engage boys by making learning relevant to them, rather than creating learning for boys to fit into.

8 July 2004

65 staff will lose their jobs as a Mt Maunganui electrical assembly factory closes and shifts the work to China. Invensys Alliance Controls says it can employ 18 Chinese labourers for the price of one NZ worker. Managing director John Douyere says that if the company didn't move, its cost structure would have forced it to shut down altogether within nine months.

The percentage of British migrants to NZ has surpassed that of Chinese migrants for the first time since 2001. The drop in migrants from non-English-speaking countries is thought to be linked to tougher English language criteria rather than to the new invitation-only system.

The Australian unemployment rate rises from 5.5% to 5.6% after an unexpected decline in total jobs. The number of full-time jobs rose by 39,300 but the number of part-time jobs fell by 43,100.

new system, immigration selections are made every fortnight. The pass mark has dropped steadily as it became apparent that NZ was not being over-run with applicants. The skilled migrant category has slumped to just 517 approvals since December, but Minister of Immigration Paul Swain is confident targets will be back on track within a year.

- Paul Swain and the Immigration Service have been strongly criticised by the New Zealand Association for Immigration and Investment, which represents more than 200 immigration and investment specialists. Spokesman Bill Milnes: "It defies common sense to imagine that you can succeed in meeting a higher target when you've already failed miserably to meet a lower one. One of the key reasons we don't have enough skilled migrants is that people have been put off by constant policy changes and by our new, unwelcoming, time-consuming and cumbersome invitation-only procedure. Why should would-be migrants with internationally marketable skills expose themselves to this rigmarole when other affluent countries offer more straightforward, welcoming and dependable procedures?"
- The Minister of Corrections Paul Swain says his no.1 priority for people who have been let out of jail on **home detention** is to get them into paid work. He says more than 90% of convicts let out of jail on home detention are pocketing the dole and many others are paid sickness and invalids benefits.

The number of offenders on unemployment benefits while serving part of their sentence from home **has more than doubled** in the past two years. An estimated \$10 million of taxpayers money is used every year to cover the costs of monitoring the prisoners at home and funding the weekly payments.

Swain and the Associate Minister of Employment Rick Barker have been discussing a scheme between Corrections and Winz to start targeting those people from early September. Swain: "The technology is good enough now to monitor people when they are at work and my preference would be for someone to be getting up, going to work, earning an income and paying tax rather than sitting at home and receiving a benefit. "

- Sensible Sentencing Trust chairman Garth McVicar wants the government to create jobs for home detainees, even if the work includes breaking rocks at a quarry. McVicar: "We did not agree with the concept of home detention initially and we were seeking that employment would have to be a condition of it."
- Everyone has heard the argument that a high-wage country like the United States loses jobs to low-wage countries when there is **free trade**. But Thomas Sowell, a senior fellow at the Hoover Institution at Stanford University in California, says this is a fallacy based on a failure to define the terms of the debate accurately. Virtually every country has a comparative advantage in something, whether it is a high-wage country or a low-wage country. Sowell says that those who complain loudly about how many jobs have been "exported" to other countries because of international free trade totally ignore all the jobs that have been imported to the local economy because of that same free trade.

When the North American Free Trade Agreement (Nafta) went into effect a decade ago, there were dire predictions of American jobs being lost –

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9 July 2004

Deputy Secretary of Work Opportunities, Andrew Crisp, confirms that the police are investigating two cases of alleged fraud by community groups involving money given out by the CEG "capacity building" scheme. He also reported that another of the grants was under external review by the accounting firm KPMG.

The NZ building boom is proving to be a bonanza for small businesses, which are growing almost 5% a year — faster than the rest of the economy, according to a National Bank survey

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to Mexico especially. Sowell says that in reality, the number of jobs in the US increased by millions after Nafta went into effect and the US unemployment rate fell to low levels not seen in years.

- Sowell's explanation: There is a simple confusion between "wage rates" and "labour costs". Wage rates per unit of time are not the same as labour costs per unit of output. When workers are paid twice as much per hour and produce three times as much per hour, the labour costs per unit of output are lower. *Example:* An international study found the average productivity of workers in the modern Indian economy to be 15% of that of American workers – so if you paid the average Indian worker one-fifth of what you paid the average American worker, it would still cost you more to get the job done in India. In some industries however, such as in developing computer software, the Indian workers are more comparable ... which is why there is so much outsourcing of computer work to India.
- France and Germany are quietly **dismantling the 35-hour working week**. The French government has unveiled plans for a new offensive against its 35-hour law, which has once hailed as the cornerstone achievement of the Socialist-led government (which was voted out in 2002). And many major German firms are negotiating with unions to increase their working week back to 40 hours.

The French regulations require employers to set a maximum working time of 35 hours, in exchange for flexible rostering hours, lower social security charges and a union commitment to restrain wage demands. As few French businesses work a seven-hour, five-day week ... people now work eight- or nine-hour days in a four-day week. This has revolutionised leisure patterns, especially for families. The bed-and-breakfast industry has boomed as families go away for long weekends.

- But however popular as the 35-hour week is amongst French families, there is a growing awareness it has gone too far. The extra leisure time has helped to **deepen France's deficit** and has also raised doubts about its economic competitiveness. More people are now worried about their jobs, eyeing the threat from the Eastern European countries that joined the European Union on May 1, where labour costs are a fraction of those in the West. Unemployment is 9.8% in France and many people, especially in the manufacturing sector, are worried that French companies will shift factories to the Czech Republic, Slovakia, Poland, Hungary, Estonia, Lithuania, Latvia and Slovenia.
- It was **Germany** during the 1970s and 1980s which led the charge to cut the working week ... but now a similar loosening of labour laws is under way. The engineering giant Siemens has struck a deal with unions to raise the 35-hour week to 40 hours at two big sites, in exchange for abandoning plans to move the work to Hungary. Carmaker DaimlerChrysler is negotiating longer hours at its Mercedes division, as are travel operator Thomas Cook and the German railway operator Deutsche Bahn. The Social Democratic-led government hopes to do the same with civil servants.

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