

The Jobs Letter

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Essential Information on an Essential Issue

KEY

UNEMPLOYMENT AT 4%

... AND MORE JOBS

LABOUR SHORTAGE
THREATENS GROWTH

SKILLS SHORTAGE
SOLUTIONS

YOUTH TRANSITION
SERVICES

DIARY

9 August 2004

Wages rose 0.6% this last quarter and 2.3% over the last year. The rises were lower than inflation, which rose 0.8% in the quarter and 2.4% for the year.

Twenty overseas trained doctors, who have been granted NZ residency or citizenship, are either on the dole or working odd-jobs, having been refused entry to a bridging programme that could allow them to practice in NZ. The Ministry of Health says the doctors are not eligible for the programme because they either missed the October 2001 deadline to apply or didn't meet English language standards.

An Auckland bakery owner is fined \$2,000 for employing an illegal alien. Chikhoun Liuu is the first employer to be fined under immigration rules that allows fines of up to \$50,000 for knowingly employing a person not permitted to work. The worker was deported.

The US economy added just 32,000 jobs in July, a fraction of the 228,000 jobs that economists had predicted. US unemployment drops from 5.6% to 5.5% as more people withdraw from the workforce.

Germany's unions lose a battle to protect the country's 35 hr wk when automaker Daimler-Chrysler signs a deal that makes its employees work 40hr/wk for no increase in pay.

- The **unemployment rate in New Zealand has dropped to 4%**, the lowest rate since March 1987, and to the second lowest rate in the OECD, only behind South Korea (at 3.5%). The unemployment rate has gradually fallen from 7% over the last 17 quarters.

Long-term unemployment has dropped significantly. The Household Labour Force Survey (HLFS) estimates the number of long-term unemployed (registered for six months or more) fell to 15,500 last quarter, from 23,400 a year ago. This was the 21st consecutive quarter of annual falls in long-term unemployment. The number of short-term unemployed fell 5,900 over the last quarter, the seventh consecutive quarter of annual falls in the number of people unemployed for less than six months.

Maori unemployment is at its **lowest level** since the HLFS was started 18 years ago. **Maori unemployment** for the June quarter was 8.8%, down from 9.4% on the previous quarter and 10.4% at this time last year.

Contributing to the lower unemployment figures was a reduction in growth in the number of people in the working-age population. The HLFS says that underlying this was the further slowing of net permanent and long-term immigration.

We include our regular *Statistics That Matter* summary in this issue of *The Jobs Letter*. Some highlights:

- the fall in unemployment this quarter was driven largely by a fall in the number of women who had been unemployed. Over the previous 12 quarters, men had led the reduction in unemployment.
 - there has not been a corresponding increase in the number of women employed, but instead a large increase in the number of females not in the labour force. Contributing to this was an increase of 26,600 women who said their main activity was studying.
 - annually, there were 9,000 fewer men and 4,000 fewer women who were unemployed.
 - employment growth this quarter was driven entirely by men getting jobs. The net 18,000 new jobs was comprised of 20,000 more employed men and 2,000 fewer employed women.
 - unemployment rates have fallen for all ethnic groups except the Pacific peoples group, which has remained essentially constant.
- 18,000 new jobs were created over the last quarter, lifting the number of people in paid work in New Zealand passed the 2 million mark for the first time. 61,000 jobs were created in the economy over the last 12 months. Most of the increase in job numbers has been in **full-time work**. And, people are **working more hours**. New Zealand workers now rank seventh (of 30) in the OECD in the average number of hours worked. The economy appears to have already absorbed most of the part-time workers who want to work more hours. Only 3.9% of part-time workers say they want to work full-time, the lowest level since September 1989. And just 17.8% of part-time workers say they wanted to work more hours. The implication is that employers will be struggling to get part-time workers to fill full-time job vacancies.

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The Jobs Letter

DIARY

10 August 2004

The NZ unemployment rate drops to 4%. The number of people employed passes the 2 million mark.

A US study finds that people who stay in jobs with low mental demands for a large portion of their lives are more likely to develop Alzheimer's Disease. Researcher Kathleen Smyth says that people who have jobs that aren't stimulating should find healthy ways to keep their minds active outside of work.

11 August 2004

A young Chinese with a tourism diploma has been looking for a job since March and says she cannot get a job because NZ firms aren't prepared to give Chinese people a go. Crystal Xu says she has been offered work in the NZ Chinese community but employers there offer no employment contract, pay less than minimum wages with no penal or holiday pay or they prefer to pay under the table.

Germany's jobless rate rises to 10.5%.

Eighty-six contract forestry workers lose their jobs after Kaingaroa Timberland decides to reduce its harvest. Whakatane District councillor Jacob Te Kurapa: "We don't need this. The communities of Murupara, Te Whaiti and Minginui are already stuck in the grip of a downturn and this is the worst thing that could have happened."

Labour and skills shortages in the fishing industry are a reflection of industry pay rates and training, and should not be addressed by bringing in foreign workers, according to the NZ Maritime Union. National president Phil Adams: "If the companies bringing in overseas workers genuinely cannot find local workers, they should come clean and open the books to show the wages and conditions they are offering overseas workers. Unless NZ rejects using workers as pawns, a second-level employment market will be created where casualised and underemployed NZ'ers are played off against imported short-term contract workers."

Skills shortages could be largely remedied by better use of over 45-year-olds, according to recruitment company Executive Taskforce Group. Director Kevin Chappell says over 45's are a hugely under-utilised resource.

- Minister of Social Development and Employment Steve Maharey says the government is proud that more New Zealanders than at any time in history are now in paid work. Since the government came to office, 211,000 new jobs have been created. Maharey: "The challenge we face now is quite different to the one which we inherited in 1999. There are still a significant number of New Zealanders looking for work and there are significant labour shortages emerging in some industries and regions. These unemployment numbers confirm continued strong economic performance and the wisdom of the government's investment in industry training, modern apprenticeships and better information about job trends." Maharey says that later this month the government will be launching a new project to promote to employers the skills of potential workers who have traditionally found it more difficult to find work, such as sole parents, immigrants and people with disabilities.
- But the **tightening of the labour market**, as indicated by the lower unemployment and higher employment figures, is **beginning to worry** some people. Our media watch reports that commentators fear the labour shortage will harm the economy.

New Zealand Herald economics editor Brian Fallow says there are signs that a lack of skilled workers may be **acting as a brake** on economic growth. Fallow says the fall in unemployment is good news for wage and salary earners, and for retailers — as workers spend their extra income on cars and houses, helping economic growth accelerate. Fallow: "But it is bad news for employers with vacancies to fill, and for Reserve Bank Governor Alan Bollard, trying to keep the lid on inflation — and therefore for borrowers, who now face a heightened risk of higher interest rates."

Some commentators fear that the economy has grown so strongly for so long that we have used up all the spare capacity. Bank of New Zealand's Stephen Toplis: "Whether it's the labour market, roads or electricity ... wherever you turn, we are coming up against bottlenecks. We are rapidly getting to the state where there are very few people left to employ. That is not to say there is no longer a significant number of unemployed people. It's just that they either have the wrong skills or live in the wrong area."

Finance Minister Michael Cullen admits that the low unemployment rate is a **double-edged sword**, and that the sustained economic growth has caused the labour shortage. Cullen: "There are always some people who will find the cloud rather than the silver lining. Pressures on the labour market will be relieved by more training, immigration, remuneration, working conditions and a more productive workforce. The past year's employment growth has largely been in full-time jobs, up 3.8% compared with 0.8% for part-time jobs. Employment has been growing at a steady annual rate of around 3% — an equivalent to 60,000 jobs — for the past year. What has changed is that the supply of workers has been growing more slowly as the inflow of migrants dwindles, reflecting fewer immigrants arriving and more New Zealanders leaving."

- *The Christchurch Press* says it has been many years since New Zealand faced a serious risk of inflation from a booming economy with too many employers chasing too few workers with the right skills. It warns that lifting of workers' wages without raising their productivity levels would be detrimental to the economy. In an editorial, *The Press* applauds that the decline in unemployment has not been created by people moving on to other benefits or being shunted from the job market after repeatedly failing to get a job. *The Press*: "Economic blessings seldom come unmixed, and the falling unemployment rate is no exception. The government's job must be to ensure the education and training sectors produce workers with the

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12 August 2004

Some public servants may be nervous as 23 programmes run by the Department of Labour, the Education Review Office and the Ministries of Health, Culture & Heritage and Education go under review. Minister of Race Relations Trevor Mallard says the aim of the review is to assure the public and ministers that policies were based on need, not race. It will be conducted by departments with the assistance of Treasury analysts and a special review team set up within the State Services Commission.

The Community Employment Group, the agency that sparked the review, will not be included in it as it is already undergoing an internal review, and many schemes have already been scrapped.

13 August 2004

The aviation industry is headed towards a crisis because of a shortage of pilots and engineers, according to the Aviation Industry Association. President John Funnell says an aging workforce, growth in airlines and competition from other industries are creating skills shortages. The association is meeting to find ways of averting a crisis that could hamper industry growth.

Sixty jobs are lost as Wanganui hide-processing plant Hollander Waitotara closes down.

NZ manufacturing continues to expand last month, but at a slower rate than it did in June.

14 August 2004

ACT Party MP Muriel Newman hosts a Welfare Symposium which featured a number of local and international guest speakers, including a video link with US Secretary of Human Services Tommy Thompson who drove the Wisconsin welfare reforms. Newman's summary of the key points made by the guest speakers can be found at www.act.org.nz/item.jsp?id=25978

The Australian Senate approves the "free-trade" deal with the US.

right skills while increasing the capacity of business to operate with the greatest efficiency."

- The **skills shortage is solvable**, according to the Auckland Chamber of Commerce. Chief executive Michael Barnett advocates a four-pronged approach that includes:

- businesses, especially small-medium ones, changing their culture to include training as an integral part of their growth;
- improving the relationship between business, education and training providers, immigration consultants and government funders;
- government to provide an environment of sustained certainty to business that avoids constantly changing policies that result in the economy running boom-bust cycles;
- targeted immigration of skilled workers tagged to specific projects.

Barnett says that in the 1950s and '60s, successive governments recruited teams of skilled workers from off shore for major public sector construction. He suggests we should keep open the option for contracting consortiums that will do the projects with packaged skills recruited offshore. Barnett: "Sydney currently has a team of 80 Kiwi construction workers on the cross harbour tunnel project. Why not encourage a project that includes a provision to entice skilled Kiwis now offshore back to New Zealand?"

- The skilled New Zealanders who helped build the Sydney Olympic facilities would undoubtedly come home to work — if they were paid enough, according to the NZ Council of Trade Unions. President Ross Wilson says the current skills and labour shortage is a result of the low-wage policies and laissez-faire approach to skills training of the 1990s. **Wage rates are just not keeping up**. The latest labour cost index shows that wages increased by only 2.3% this past year, which is under the rate of inflation. Wilson: "This was at a time of persistent labour shortages and high demand for skilled labour. Yet high demand for housing has meant a 16% increase in house prices."

Wilson says that **the construction industry**, a sector that has been notorious for low wages, poor conditions and appalling accident fatalities during the past decade, is the latest sector to push the labour shortage panic button. He points out that up until the 1990s, workers in the construction sector would typically be employed by a reasonably sized firm, would get extra pay for night and weekend work and they would have reasonably secure employment. But the boom and bust of the 1980s followed by the abolition of awards (which specified industry minimums for pay and conditions) combined with a sub-contracting approach resulted in a casualisation of work. Wilson: "The shortage is only partly the result of the failure to train enough workers in construction trades during the 1990s. It is also a result of the exodus of construction workers from the poorly paid jobs here to well-paid, safe and unionised jobs in Sydney."

- We should think hard before we consider bringing in workers from overseas to cover labour shortages, according to barrister Catriona MacLennan, who works as a duty solicitor in South Auckland. With unemployment at relatively low levels, MacLennan says this is the perfect time to make a concerted, **nationwide effort to get all** the unemployed and underemployed New Zealanders **into work**. Of her Monday morning clients, MacLennan says that most simply need a chance. MacLennan: "They do not want to be criminals; to be unable to support their families; and do not want to be on the fringes of the community. They need jobs and role models to teach them about routine, turning up for work and responsibility. They might come from homes where unemployment is the norm and has spread through more than one generation. They have no

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16 August 2004

The NZ government promises to crack down on the black market (under the table) economy that evades taxations. It promises an initial amnesty that includes discounts and time to pay, but says that the Inland Revenue Department will bring closer scrutiny on target industries and audits to pick up tax dodgers.

19 August 2004

The Charities Bill is likely to be significantly rewritten after several days of select committee hearings indicated little if any support for the bill.

20 August 2004

300 jobs will be lost over the next three years as Wellington area manufacturer Interlock closes its Miramar site. In June, the company said it planned to cut 80 jobs, but it now plans to shift not only its entire manufacturing operation but administration as well.

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

expectation of being permanently in work and do not understand the basics of obtaining and keeping a job. Of course, some of the people appearing in court are basically unemployable. But probably not that many. Let's see New Zealanders pull together now to give the rest of them a chance. Let's have young people who are in jobs act as mentors to other young people who are not so lucky. The best crime prevention strategy we could ever adopt would be full employment".

- The government has announced it is beginning its new **Youth Transition Services** in five areas around the country. The services will target young people who are at risk of becoming disconnected from society after leaving school. The Ministry of Social Development estimates that, at any time, there are around 20,000 people aged between 15-17 who are not in work, education or training. It acknowledges that for some of these young people this is the beginning of a cycle which reduces their chances of finding employment in the long-term, and increases the likelihood they will experience mental ill health or become engaged in criminal offending.

Youth Transitions Services are meant to **fit in the gap** where there is currently no way of ensuring this group of young people get the information and support they need to take up work, education or training opportunities. The services will be delivered by a lead provider in each area who will:

- engage with these school leavers and young people to develop informed consent referral processes with the help of their schools, their families and the relevant agencies;
- provide customised support and career planning for young people at risk of prolonged disengagement;
- liaise with local employers, training and education providers to identify and support the development of appropriate opportunities for young people;
- help integrate youth services in each area.

The Youth Transition Services will be **progressively rolled out** over the next three years, with five sites established by early next year in New Plymouth, Porirua, Rotorua, Waitakere and Whangarei. 10 sites should be operational in 2006, and 14 sites by 2007. Priority is being given to regions that have both a high number of disengaged young people and socio-economic deprivation, as well as the community capability to deliver the service. The total cost over the three years is budgeted at \$26.9 million.

- Minister of Social Development Steve Maharey says the Youth Transitions Service will make a significant contribution to government's **shared goal with the Mayors Taskforce** for Jobs to have all 15-19-year-olds in work, education or training by the year 2007. The Mayors Taskforce will be part of the national advisory group overseeing the youth transition services that will be largely comprised of government agency representatives.

Waitakere Mayor, and member of the Mayors Taskforce, Bob Harvey intends to take a major leadership role in the Waitakere project. Harvey: "This is an absolutely fantastic project that comes with a large funding package. As a Youth Transitions City, we will provide a forum for strategic planning and co-ordination of services for young people — not doubling up on existing projects. We will provide youth with customised support and guidance to ease them into appropriate work, education or training."

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