

The Jobs Letter

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Essential Information on an Essential Issue

KEY

SKILLS SHORTAGES

JOB VACANCY ADS NUMBER
SLIGHTLY LOWER

ECONOMY TEETERING

CHANGES TO WORKER
IMMIGRATION RULES

DENMARK KEEPS HIGH-END
JOBS AT HOME

- **Skill shortages** in New Zealand are still acute and although they are no longer at the historical peaks they were early last year, the labour market remains relatively tight when compared to the last 30 years. The Department of Labour's quarterly *Skills in the Labour Market* survey found that 43% of firms in the December quarter reported difficulty in finding skilled staff. And 20% of firms surveyed complained that the shortage of suitable candidates to fill vacancies was their main constraint from expanding.

Department of Labour chief executive James Buwalda predicts that even though there has been a slight easing of the labour market, it will continue to be difficult for business and industry to find staff in 2006. Skill shortages are **still at the top** of the list of problems for firms with less than 20 employees. Buwalda: "With unemployment at 3.4%, and the economy still going strong, skill shortages continue to be apparent across most industries and regions, to varying extents."

The department's focus this year will remain on addressing skill shortages through a "range of measures from increasing productivity, attracting skilled migrants and expatriates to New Zealand who can contribute to economic growth, as well as input to training and education initiatives."

— *Skills in the Labour Market – December 2005* (9pgs, 340Kb) can be downloaded from www.dol.govt.nz/pdfs/SkillsLabourMarket.pdf

DIARY

15 December 2005

Poor children who live in low-income households are more likely to die than those living in medium- or high-income households. A study published by the NZ Medical Journal found that the higher death rate of children from low-income households was seen most strongly in accidents — burns, poisoning and drowning, followed by other causes of death such as disease and conditions like asthma. Deaths from congenital causes are also tied to socio-economic levels.

18 December 2005

Software company Marshal Ltd is soon to open an office in Auckland that will employ 40 people.

- The level of **advertised job vacancies** is 3% lower than it was a year ago but has remained relatively constant over the last six months. The growth in vacancies have been trending downwards since April 2004.

The Department of Labour's most recent Job Vacancy Monitor found the greatest falls in job advertisements were for scientists, architects and engineers, health technicians, finance and sales workers, and in the building and printing trades.

But, some industries had increased job vacancy ad levels. Ads for specialist information technology staff rose the highest (+24%), and ads for the food industry workers, social workers and furniture and textiles workers all rose significantly.

— *Job Vacancy Monitor – November 2005*, can be downloaded (4pg, 134Kb) from www.dol.govt.nz/PDFs/jvm-monitor.pdf

- With official interests rates at 7.25% — the highest in the OECD — and the high dollar reducing the profitability of exporters, a high growth period of the New Zealand economy may have come to an end. The latest New Zealand Institute of Economic Research (NZIER) business opinion survey found that **business pessimism** — business people who expect business conditions to worsen — is at the most pessimistic level (-71%) since 1971. A net 5% of firms say their activity slowed in the December quarter, a sharp turnaround from 4% saying their business activity improved in the previous quarter. This is the

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19 December 2005

In an effort to retain staff, two New Plymouth companies offer training to their workers that leads to national qualifications. Howard Wright Ltd and MCK Metals Pacific are offering staff the opportunity to complete a National Certificate in Manufacturing and Mechanical Engineering, Level 1. Howard Wright Ltd finance manager Claire Gyde says up-skilling staff and offering training is part of being a good employer in today's tight labour market.

The government has suspended plans for a scheme it had been promoting that would have helped parents save to pay for their children's tertiary education.

The Australian Treasury does not support the Australian government's claim that workplace reform legislation passed this month would unleash a wave of labour productivity growth. The Treasury report released to the *Australian* newspaper, through the official information act, predicted businesses would experience a short-term cut in productivity as employers opted to use cheaper, less efficient workers. The report also predicts the wages of people on minimum pay rates — 1.6 million workers — wouldn't keep pace with consumer price increases and these workers would be worse off in the long-term.

20 December 2005

NZ consumer confidence drops to the lowest level in five years, according to a McDermott Miller survey. Westpac chief economist Brendan O'Donovan attributes the fall to the effects of higher interest rates and petrol prices.

A bird flu pandemic could be the worst economic catastrophe since the Great Depression of the 1930's according to Treasury. In a briefing paper, Treasury says lost output could be 10% - 20% of GDP in the year a pandemic occurred and could be as much as \$40 billion over four years as the economy struggles to recover. The full report can be read at www.treasury.govt.nz/pandemic

first time since 1998 that a majority of firms reported lower business activity. And a net 4% of firms **expect to reduce staff** in the next three months. NZIER president Brent Layton; "This information raises the probability of a recession. It may not be a deep recession or a long one, but it certainly raises the possibility."

Strength in parts of the economy may soften or avert a recession. Macquarie Bank economist Tim Bowring says virtually full employment, steady immigration and resilient housing markets may soften the blow.

But rising oil prices or a bird flu outbreak could tip the scale. UBS economist Robin Clements points out that in previous recessions, **outside shocks** had acted as a catalyst and oil prices or a pandemic could play that part this time. Clements: "When you get the economy at this fragile level, it doesn't take much to knock it over the edge."

Treasury is predicting the economy will grow by 1.7% in the year to March 2007. Economic growth was just 0.2% in the September 2005 quarter and over the year to September was 2.7%.

- People applying to become New Zealand residents under the **Skilled Migrant** Category have had the bar raised. The Department of Immigration has increased the number of points applicants must have in order to gain acceptance as a Skilled Migrant from 100 to 140. Minister of Immigration David Cunliffe says there is high demand for New Zealand residency and the government can afford to be more selective than it has been in targeting migrants who can take up jobs that New Zealand businesses need doing.

The higher points criteria comes with **added flexibility** for the department. Applicants who have a points tally below 140 — but have a job or job offer in New Zealand — may also qualify. Cunliffe: "This flexibility will enable us to keep tailoring the category to meet employers' needs, while taking into account the suitability of applicants. Migrants that can prove employers want to hire them to fill vacancies are the ones New Zealand needs."

- The government also acknowledges it is a great **immigration strategy** to encourage people to come to New Zealand for short stays on temporary work permits, student visas and even as tourists. *Migration Trends*, a report by New Zealand Immigration, says there is a strong link between temporary stays in New Zealand and the granting of permanent residency. It notes that people in the country on work permits are often here because they have skills that are in demand; foreign students can offer employers recognised New Zealand qualifications; and tourists have a better idea of whether they think they would like to live here. A growing proportion of people granted permanent residency first came to New Zealand on a temporary permit. In 2004/05, 88% of principal applicants approved for residency had previously held a work, student, or visitor permit.

In the 2004/05 year, 82,500 people were issued permits to work in New Zealand — up 12% on the previous year. Over 21,000 young people were here on working holiday schemes. And 77,600 people came on student permits.

- The government is also raising the immigration quota to 51,500 permanent residents per year. Last year 48,815 people immigrated

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22 December 2005

The Department of Labour has published the answers to frequently asked questions raised by employers and employees regarding their responsibilities should a flu pandemic strike NZ. Planning for a pandemic such as avian flu can be found at http://dolworkplace.custhelp.com/cgi-bin/dolworkplace.cfg/php/enduser/std_alp.php

The income threshold at which students must begin to repay their students loans will rise from the beginning of April from \$16,588 to \$17,160. The rise is based on the Consumer Price Index increase of 3.36%.

23 December 2005

2005 saw the loss of around 75 jobs in furniture factories in the Christchurch area. The latest job losses (19) are at Renaissance Furniture as it closes its doors. Owner Ross Cooper blames the closing of his business on competition from cheap imports.

24 December 2005

Having only been able to recruit 80% of the personnel it needs over the last six years, the Australian military is reconsidering its historical ban on recruits with specific medical issues. Army, navy and air force chiefs want to accept more than 10% of applicants who are currently rejected on the basis they are either overweight, have poor eyesight or suffer from asthma.

25 December 2005

Christmas Day.

28 December 2005

Staff shortages have resulted in the Department of Justice being unable to collect millions of dollars worth of fines. A report, released to the National Party under the Official Information Act blames "staff vacancies" for fine receipts being \$3.4 below target. At the same time, the department's personnel budget was \$717,000 under spent due to "continued recruitment difficulties". Minister of Courts Rick Barker says that low unemployment has made it hard to recruit good-quality staff.

to New Zealand. Of these, 23,854 were approved under the Skilled Migrant Category.

Even so, only 6,157 more people arrived to stay long-term than left — about half as many as the year before.

— *Migration Trends – Background*, 20 December 2005, Minister of Immigration, can be downloaded (6pg, 77Kb) from www.beehive.govt.nz/Documents/Files/Migrant%20Trends%20attachment.doc

- The **minimum wage** is to rise by nearly 8% from 27 March. The adult rate will go up 75c to \$10.25 per hour and the youth rate (16-17 year olds) will move to \$8.20. Minister of Labour Ruth Dyson says lifting the minimum wage has three advantages. It ensures that lower paid workers share the benefits of New Zealand's economic growth, it encourages people to join the workforce and it provide protection for some of the most vulnerable workers. Dyson: "The latest increase will benefit around 91,000 adult workers, most of whom are women, and around 10,000 youth workers. It can be made with confidence in the current economic and labour market conditions, without being at the expense of jobs."

Dyson reiterated the government's election pledge to lift the adult minimum wage to \$12 per hour by the end of 2008, "if economic conditions permit".

- The Green Party calls the 75c per hour minimum wage increase "an insult to low-paid workers". Social development spokesperson Sue Bradford says that for those struggling to feed, clothe and house their families, a "paltry" \$30 per week isn't going to go very far. Bradford: "It's time employers started to pay their fair share and accepted that wages should be high enough to live on. The taxpayer should not continue to be expected to subsidise business to the extent they are at present through top-up programmes like Working for Families and the Accommodation Supplement. These are just forms of unrecognised corporate welfare."
- Bradford also criticises the continuance of **youth rates**. She says paying 16 and 17 year olds less than adults — while expected to do the same work — is discriminatory. Bradford's private members bill that would abolish the youth rates is to be debated by parliament next month.
- But the Employers and Manufacturers Association calls the Green Party's intent to abolish youth rates and include 16 and 17 year olds under the adult minimum wage protection "unhelpful". EMA employment services manager David Lowe says that doing away with youth rates would make it even harder for young people to get their **first job**. Lowe points out that the unemployment rate for people aged 15 to 19 is 12.4%, against the workforce average of 3.4% and he suggests this gap could worsen with the removal of youth rates. Lowe: "If an employer has a choice between a school leaver with no work experience and a more experienced worker, they are going to choose the worker with more experience unless there is some incentive to do otherwise. It can be quite some months before a young person is able to contribute much to a workplace at all, as they have to be taught all the basics first, including such things as time keeping."
- The World Bank has ranked New Zealand as the **easiest country in the world** in which to do business. The number one "ease of doing

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29 December 2005

Unemployment of more than 20% in some parts of Germany — and dim prospects for any improvement — is the key factor behind record numbers Germans leaving their country. More than 150,000 Germans left the country in 2004. In the fifteen years since German unification, more than 1.8 million Germans have migrated.

1 January 2006

New Year.

5 January 2006

NZ's annual trade deficit is now over \$6.6b. The deficit was 21.6% of the value of exports, the highest percentage for a November since the 1975 oil crisis.

8 January 2006

Air NZ management and unions enter negotiations regarding the fate of the company's "wide-body frame" maintenance workforce. The airline is considering a plan from the workers' union that would keep several hundred highly skilled jobs in NZ. The plan would cost the company \$2m per year more than if they outsourced the work, but the union believes the price is worth it.

9 January 2006

Recruitment specialists Hays New Zealand says the job market continues to be resilient and employer hiring intentions for the first few months of 2006 are high. Hays says the strongest demand in will be for people who have specialties in accountancy and finance, construction and property, information technology, and office support.

10 January 2006

The Westpac McDermott Miller Employment Expectations Index indicates workers are still upbeat about job prospects, although not quite so much as they were last year.

Rising oil prices hasn't restrained world economic output, according to the European Central Bank. President Jean-Claude Trichet: "Global growth is continuing at a pace which is dynamic, and we don't even exclude that global growth could be a little bit higher in 2006 in comparison to 2005."

business" ranking is the accumulative scoring on areas including starting a business, dealing with licences, enforcing contracts, trading across borders, getting credit and hiring and firing. In ease of hiring and firing, New Zealand ranked fourth, only behind Palau (1), Tonga (2), and Hong Kong/China (3).

Minister of Finance Michael Cullen says the World Bank survey is an important reminder that New Zealand has a light-handed regulatory regime and a strong pro-business environment. Cullen: "The fact that we have been able to combine these with good environmental standards, health and safety protections and respect for workers' rights is something of which we can all be proud."

The World Bank ranked Singapore the second easiest countries to do business in and the United States third. Australia ranked sixth and Britain ranked ninth.

— *Doing Business, Economic Rankings*, 22 December 2006, published by the World Bank Group, can be downloaded (4pg, 214Kb) from www.doingbusiness.org/EconomyRankings

- **Rising petrol prices** are affecting 25% of Taranaki firms and is even causing some employees to miss work because they can't afford petrol for their car by the end of their pay period. A survey by local economic development agency Venture Taranaki found that staff absenteeism is being affected by fuel price hikes.

The survey of 300 firms also found that fuel prices are creating cost pressures. These come in the form of increased supply costs, increased freight and courier costs, a reduction in discretionary business spending, changing customer habits and spending, difficulties in quoting for jobs and contract pricing. Venture Taranaki chief Stuart Trundle says that half the region's businesses had increased the price of their goods or services because of soaring fuel prices. And many of those who hadn't changed the prices yet, intend to. Trundle: "This will continue to be a major factor in business for 2006 if petrol prices look likely to remain unstable in the tightening national economy."

- As the Department of Corrections **struggles to hire** enough workers to staff new prisons, it is now accepting applications from people who have had minor convictions. Previously, anyone wanting to become a prison guard wouldn't be accepted if they had any criminal convictions for the previous ten years. The department maintains there has been no change to the criteria for prison guard applicants because it always had the discretion to allow applications from people with minor convictions. Applicants still have to be free of violent or drug-related convictions, and not have had a custodial sentence for ten years.

The employee selection tests administered by the Department of Corrections have also become easier to pass. Previously, a person failing a prison guard selection test had to wait one year before they were allowed to re-sit it. Now, on failing a test, an applicant can receive tuition on the parts of the tests they failed and can re-sit it as soon as they like.

The department needs to hire 600 staff next year — included in a total of 1,800 over the next four years — mainly to staff new prisons.

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11 January 2006

Rising fuel costs is putting the squeeze on airlines. Jet fuel prices rose 70% over 2005 and Qantas Airlines expects business conditions to worsen in 2006.

Qantas warns that it might move significant parts of its engineering and maintenance work off-shore unless its engineering workers agree to a cost-cutting programme.

12 January 2006

Worker shortages in Central Otago orchards and vineyards have been averted so far this year. Despite needing 1,500 more workers than last year, Seasonal Solutions chairman Basil Goodman says the promotional campaign to bring workers to Central Otago has worked. Goodman says about 40% of the workforce are NZers and the balance are mainly from the Czech Republic, Germany, Israel and Brazil.

There will be more than 140 job losses before the fire damaged Pukeuri meat plant, near Oamaru can be rebuilt.

13 January 2006

Skilled labour shortages in Western Australia are at record levels according to Australian Bureau of Statistics. Unemployment in WA is, at 3.9%, at the lowest level ever recorded.

Perth builders call for more fast-track industry training to be developed to meet the skill shortage. Michael McLean from the Master Builders Association says some training should take months, not years.

14 January 2006

The BNZ expects the NZ\$ — that has been hovering at about \$.70US — to fall in the second half of 2006 or in 2007. Chief economist Tony Alexander says history shows it's eventually going to fall. He says a weaker dollar will lead to negative migration and economic pessimism. Exporters can expect to benefit but Alexander warns that declining commodity prices could cancel out such benefits.

- New Zealand is piloting a scheme that offers **Pacific people** who are already in New Zealand as visitors the opportunity to apply for **permits to work** in the seasonal horticulture and viticulture industries. Fijian Minister for Labour Kenneth Zinck says the offer may help to partly solve Fiji's unemployment problem.

But Zinck asks Pacific peoples wanting to work on New Zealand farms to appreciate the opportunity and return home when their term expires. Zinck's comment comes after Prime Minister Helen Clark voiced concern that temporary Pacific workers might overstay their permits. In aid of this, Fiji is considering asking the New Zealand government to change regulations so that Pacific peoples only receive 20% of the money they earn while they are still in New Zealand, with the remaining 80% sent directly home.

- Denmark has created a **highly educated and skilled workforce** that provides it with a competitive advantage that much of the rest of world lacks, according to *Newsweek* magazine. Denmark, with a population of 5.4 million, truly has a "knowledge economy" in which the average Dane begins their working career at age 33 because of the long years many spend in school and tertiary education.

The mirror side to the highly educated work force is its flexibility. Danish labour laws allow companies to hire and fire people easily. They can do this because dismissed workers collect generous welfare benefits and, being highly skilled, they are quickly guided into new jobs. Trade unions go along with this because, unlike most of their counterparts around the world, their aim is to boost overall employment rather than to defend each and every job. As a result, workers come and go, gravitating through companies and the economy to where they are most needed. As a result, each year about 30% of Danish workers change jobs, one of the highest rates in the OECD. Even so, Danish unemployment is 4.7% — is about half of the euro-zone average.

The price that business pays for the flexibility to hire and fire with relative ease is **high wages**. The average hourly manufacturing wage in Denmark is 73% above the OECD average. And taxes are also high: up to 63% is collected through income tax to pay for schools, health care, unemployment benefits and — in contrast to other European countries — the state funds almost all retirement pensions.

Of course, Denmark faces the same wage competition from Eastern Europe, India and China as other high wage countries. But where union leaders elsewhere fight a rearguard battle against globalisation, Danish labour unions and management essentially conspire to find ways to keep the high-end jobs at home. And they accept that lower-end jobs will go.

The Danish strategy for coping with their relatively high wages may be typified by manufacturer Novo. The company has recently closed a plant which makes the Novo Pen 3, a cartridge diabetics use to inject themselves with insulin. However, before the manufacturing equipment was shipped to its new site in China, Chinese workers came to Denmark to be trained by the people whose jobs they were replacing. Half of the displaced Danes will work assembling the new-generation Novo Pen 4, which will remain in Denmark for three to four years until production is perfected. The other half of the work force made redundant by the Novo Pen 4 closure went into an in-house job-

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15 January 2006

The price of petrol in NZ has already risen seven cents per litre in the first two weeks of 2006. The *Herald on Sunday* refers to high oil prices as “a permanent fixture”.

16 January 2006

Taranaki people wanting to build a new house or make major renovations to an existing one face waits of up to six months, due to a shortage of tradespeople to do the work.

18 January 2006

The Reserve Bank of NZ has decided it must be consulted when Australian-own banks operating in NZ — Westpac, ANZ National, Bank of NZ and ASB Bank — plan to outsource work to a third country. Together the four banks control 85% of NZ banking. The policy doesn't bar banks from outsourcing but insists the RBNZ be convinced that outsourcing doesn't affect a bank's ability to meet its daily commitments in the event of a crisis.

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

training centre where were matched up with new jobs in the company. “Education, education, education—it's the only way to save jobs,” says Novo senior shop steward Niels Erik Olsen. Danish adults spend an average of 4.3% of their working hours in on-the-job training, the highest in the OECD.

- The **Make Poverty History** campaign and the Live 8 concerts that drew unprecedented public attention to poverty in Africa and elsewhere (see *Jobs Letter* 233) achieved “depressingly little” according to Noreena Hertz, in the *New Statesman*. The campaign was so popular at the time, 10 million people in Britain alone bought *Make Poverty History* white wristbands, three billion people worldwide watched the concerts on television, hundreds of performers, celebrities and politicians queued up to appeal to the G8 leaders who were meeting soon after in Scotland. The bid was to convince the G8 leaders to write-off “odious loans” that had been made to heavily indebted countries, provide these countries with more and better aid, and remove developed countries' agricultural subsidies. But Hertz points out that half a year later, only 18 of the 62 heavily indebted countries have had even part of their public debt cancelled. Of the \$50 billion of aid that was promised at the G8 meeting, most was already pledged and still isn't due to be distributed until 2010. And **no significant action** is scheduled to be taken on agricultural subsidies until 2013.

Hertz argues that the failure of the Make Poverty History campaign to make real progress towards eliminating poverty was because it overly simplified the message and didn't want to sound too radical so as to appeal to more people. It also had to maintain unity among the huge range of organisations in its own ranks. Because of this, the **overriding issue of justice** — that is, how legitimate systems allow poverty to become so pervasive, power imbalances, and how people on the margins are not allowed to participate in decisions that affect their lives — **never even made it** into the *Make Poverty History* campaign.

Hertz: “A focus on justice would entail, for example, a push for a process that uses arbitration tribunals to identify and cancel illegitimate debts, such as loans knowingly made to tyrannical dictators who were never going to use them in the interests of their people. It will also involve demanding the creation of a mechanism for the repatriation of money stolen by corrupt regimes, the billions of dollars in offshore bank accounts that by right should be sent home. This will mean pushing our governments to put pressure on the big banks. The focus on justice will mean, too, a push for comprehensive and far reaching redistributive policies, both domestically and internationally, to ensure that those who are disproportionately gaining from globalisation pay for this privilege when the privilege is to the detriment of others. And it will mean putting pressure on the World Bank and IMF to allow countries to determine their own economic policies, a freedom that was not denied any of the rich countries of today when they were on their development paths.”

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