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EMPLOYMENT

towards an active employment policy

NEW ZEALAND PLANNING COUNCIL

NZPC October 1980
Employment:
Towards and
Active Employment Policy

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towards an active employment policy

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FOREWORD

Because of its concern about increasing unemployment the Planning Council decided in 1979 that the highest priority should be given to a search for policies which were likely to sustain full employment in ways that would contribute to the improvement of living standards. We therefore established a task force, under the convenorship of Mr Ron Guthrie, to consider the issues.

The task force produced, in January 1980, a discussion paper "An Employment Strategy for the 1980s" which was widely circulated. This report stems from that discussion document and the reactions to it. In May 1980 the task force, having provided an excellent basis for a full Council report, completed its work. This document is the responsibility of the Council, not the task force.

On behalf of the Council I wish to thank Mr Guthrie and the members of the task force: Mr Chris Livesey (Planning Council Secretariat), Mr Peter Palmer (Planning Council Secretariat), Major-General Les Pearce (Chairman, Vocational Training Council), Mr Brian Picot (New Zealand Planning Council), Dr Don Turkington (Senior Lecturer, Industrial Relations Centre, Victoria University of Wellington). Thanks are also due to Council members Miss Claire Drake and Mr Ted Thompson who were consultants to the task force; and to Mr Ken Piddington (director of the Council's Secretariat until March 1980) and Mr John Martin (the current director), for the major contribution they have made to the production of the task force's report and this Council report.

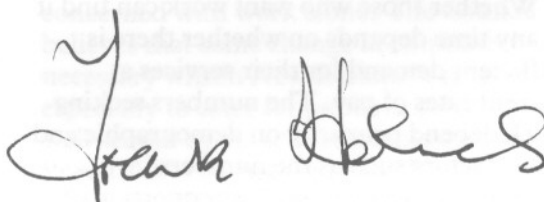
We also extend thanks to the many people who responded to the task force's discussion paper either in personal discussion or by correspondence.

The process of consultation was more extensive than that undertaken for any other report which the Council has issued. We believe that the task force paper, and the discussions members of the Council and Secretariat have had with various individuals and groups have influenced

attitudes towards employment policies. Some specific policy changes, along the lines suggested by the task force, have already occurred in 1980.

The Council was concerned not to duplicate the work on employment policy being done by other groups, such as the Employment Conference. However we are confident events have proved that the decision to proceed with our own independent study was well justified. This report, we believe, will be an important contribution to the deliberations of others working on employment policies.

Employment: Towards an Active Employment Policy, does not claim to deal comprehensively with all the issues involved in achieving and sustaining full employment. It concentrates on how to improve our employment services and our education and training systems in ways that will contribute to that goal. This should sustain support for changes needed to make the New Zealand economy stronger and thus lay a sounder basis for the future of the country. The report should be read in conjunction with previous reports of the Council, especially *Economic Strategy 1979*, and a forthcoming report which will explore more fully the requirements for creating enough jobs to provide satisfying employment for the large numbers of New Zealanders who will enter the labour force in the 1980s.



FRANK HOLMES, Chairman.

INTRODUCTION

New Zealanders, for many years, have placed a central importance on the maintenance of full employment. For three decades after World War II the New Zealand economy was able to provide paid employment for virtually all who sought it. In recent years it has been much less successful in providing jobs.

In our job-oriented society people who want, but cannot find, paid employment often experience severe financial, psychological, and social stress. This undermines their self confidence, their sense of purpose in life, their sense of belonging to a wider community, and their physical and mental health. The despair followed by apathy, which is commonly experienced by those who are unemployed for a long time, can often be discerned in the young after only a few months of unemployment.

Periods of sustained unemployment also impose costs on the whole community. Symptoms of social stress, such as crime and racial tensions, tend to increase. Income support to the unemployed, and the attempts by the Government and other agencies to deal with the problems related to unemployment are expensive. Furthermore there is the waste of resources represented by the unemployment of people who could be contributing to increased living standards for all.

The current depressed state of the employment market is a matter of deep concern to all New Zealanders.

Whether those who want work can find it at any time depends on whether there is sufficient demand for their services at current rates of pay. The numbers seeking work depend primarily on demographic and social factors such as the numbers in working age groups and the proportion of married women who wish to have paid employment. The availability of jobs is determined mainly by the demand for the goods and services being produced though the relationship varies. For example, capital investment or technological innovations may make it possible to produce a given

volume of goods and services with fewer workers. (This is the main way in which the standards of living of workers and others have been improved.)

The New Zealand economy has had negligible economic growth for some 5 years. This is the prime cause of our employment difficulties. In previous publications the Council has suggested a strategy directed towards achieving a return to sustainable if moderate economic growth.¹ The Council will continue to contribute to discussion of these wider economic issues.

This report describes the present employment situation and the future prospects for employment, and suggests a range of possible measures to improve the workings of the labour market. The Council believes that such an active employment policy can help with some of our present problems while assisting the process of change necessary to achieve economic growth.

Part I discusses the current and prospective employment situation and briefly outlines some of the reasons why the numbers of unemployed have increased dramatically in recent years.

Expansion of output still depends quite heavily on our ability to expand imports of equipment, materials, and fuels. New Zealand's external situation, dominated by massive increases in bills for oil, deteriorated from the mid 1970s. Despite an increased volume of exports and heavy overseas borrowing, New Zealand has still had difficulty in financing the imports needed even for a slowly growing economy. Slow growth has meant few new jobs. At the same time the number of people seeking work has grown rapidly. The gap between supply and demand for labour is partly reflected in the current high levels of registered unemployment.

Over the next decade the number of people in the labour force is likely to

¹See *Planning Perspectives*, March 1978, and *Economic Strategy 1979*, January 1979.

increase substantially. One factor contributing to this is the increasing demand from married women for access to paid employment. This major social change adds to the pressure on the economy to generate employment opportunities; it also requires a reconsideration of New Zealand's traditional employment practices.

Can the New Zealand economy provide the jobs in the numbers which will be sought? In early May 1980¹ there were 28 800 registered unemployed and 19 300 on job creation schemes. Reducing these numbers is proving difficult. The answer lies largely in the way New Zealand takes advantage, through structural change and technological innovation, of the considerable opportunities for development² available to us.

However, a resumption of economic growth is unlikely to mean a return to the employment pattern of the post-war years. The employment aspirations of women, and the much faster rate of structural and technological change (which is both inevitable and necessary in the 1980s) together mean that the traditional definition of full employment is no longer appropriate. Even in the most favourable economic circumstances there are likely to be more people "in transition" between jobs.

The Council suggests that full employment could now be defined as: a situation where there is an approximate balance between those who want paid employment and the jobs available, such that those who want paid employment can obtain it, or training leading to it, within a reasonable period after commencing a job search.

Part II of this report begins by mentioning some elements of the economic policies which the Council believes are necessary for New Zealand to move back to an economic growth path. Economic growth and thus employment opportunities, will depend on the country's ability to break out from the balance of payments constraint.

This in turn will be contingent on the country's ability to employ effectively all its available resources including the labour force. Substantial export growth is both necessary and feasible; savings in liquid fuels and other imports can be achieved; and investment elsewhere in the economy can improve New Zealanders' standards of living. The Council believes that there is no inherent reason why the achievement of full employment (as defined earlier) within the 1980s should be beyond our grasp.

We discuss in this document a set of measures towards an active employment policy which will, in the Council's view, help New Zealand achieve this objective.

While an active employment policy cannot of itself guarantee jobs for all, it can improve the way in which job opportunities are matched with those seeking them and thus contribute to economic efficiency in its widest sense. But an active employment policy has a social purpose too: it can soften the harshness of unemployment for individuals and their families. Assisting individuals to develop their potential improves our capacity as a nation to lift the rate of economic growth and thus to provide jobs.

The Council is not advocating defensive policies to protect the status quo, but what the OECD describes as positive adjustment policies. These policies are designed to ensure that people and communities gain, not lose, from structural and technological change. By reducing the fear of the changes needed to restore growth, raise employment, and improve living standards, policies of positive adjustment will contribute greatly to the achievement of these important aims.

An active employment policy is not concerned with work alone. The Council believes that some change in emphasis is necessary within New Zealand's schools, especially to cater for pupils at present not well served by current academic courses. Specifically, we make proposals for a vocational education option for the significant but relatively small numbers who are at risk in making the transition from school to work. We also make some proposals for improvement in skill training in its various forms.

To assist those who are affected by change to make the necessary adjustments

¹Statistics on employment and unemployment have not been updated beyond April-May 1980 because subsequent figures are distorted by seasonal factors.

²See Donald T. Brash *et al.*, *Investment Issues*, June 1980.

to their working lives the Council proposes modifications to employment, placement, and counselling services; to relocation assistance; to adult retraining; to the structure and provision of income maintenance; and to assistance for the disabled. We propose the abolition of the present unemployment benefit and its replacement by a slightly lower job search allowance payable for a finite period—normally not longer than 10 weeks. The efforts of the Department of Labour should then be directed to improving the individual's prospects for employment. A training allowance at a reasonable level would replace the job search allowance during a period of training.

The Council has recognised that changes in the traditional roles of men and women have implications for the structure of income maintenance. On the other hand, extension of income maintenance beyond the present entitlement involves additional cost (which is difficult to estimate). We propose some first steps in respect of both people with working spouses and re-entrants. The extent to which the community wishes to take these steps and move beyond them is a sensitive issue in which rights, practicalities, and cost will have to be balanced.

Redundancy is an inescapable corollary to the change which the New Zealand economy is experiencing. Some universal ground rules are urgently required to improve the security of affected individuals and to ensure that labour resources made redundant are re-employed as quickly and effectively as possible.

While the Council believes that the economy has the capacity to achieve full employment (as earlier defined) a substantial short-fall in paid employment is likely to persist for some time, and there will always be smaller periodic shortfalls due to cyclical and seasonal movements in the economy. The Council suggests some modifications and extensions to existing job creation measures. Employment creation is however a palliative, not a substitute, for normal paid employment or effective vocational guidance, training, relocation, or placement services.

An effective employment policy, along the lines proposed by the Council, places heavy responsibilities upon those charged

with administering it. In our view co-ordination of training activities is in need of improvement. More positive involvement in employment and training policy of unions, employers, and the education community is called for. Greater attention should be directed to encouraging initiative at the regional and local levels. After considering several options the Council proposes the creation of a representative Labour Market Advisory Board directly responsible to the Minister of Labour. We also propose that the Department of Labour should be given the responsibility, the authority, and the resources to develop and administer the various measures which together make up an active employment policy.

The quantity and quality of employment are among the most crucial issues facing New Zealand in the next decade. The achievement of sustainable full employment is at the forefront of the tasks before us. It is inextricably linked with a return to economic growth and thus an improvement in real incomes as well as expansion of job opportunities. An active employment policy must be seen in this wider context. Equally it should not be seen as the responsibility of the Government alone. The attitudes and actions of others in the community will contribute to the progress New Zealand makes in achieving full employment.

PART I

AN OVERVIEW OF EMPLOYMENT

Chapter 1 The Situation Today

Labour Force and Employment Growth

For more than 20 years between the end of World War II and the early 1970s employment in New Zealand grew at about the same rate as the labour force.¹ Between 1961 and 1976 this rate of growth was, on average, over 2 percent per annum.² However, since 1974 growth of employment (both full-time and part-time) has slowed markedly. On average the 1970s were characterised by low, and even negative, growth of full-time employment in the private sector. During the period 1974-79 the average increase in full-time surveyed employment (excluding employment created under the various State assisted schemes) was a mere 1400 each year: an average reduction of 4600 jobs each year in the private sector, and an average increase of 6000 jobs in the public sector (see table 1).³ During the same period the rate of growth of part-time employment also slowed down (see table 1).

The very slow growth in employment has occurred at a time when considerably more people have been entering the labour force than leaving it. This rapid growth in the

labour force is largely attributable to: the youth bulge in the population caused by the increase in the number of live births that occurred in each year from 1951 to 1962 (see fig. 1); and the increasing participation of women in the labour force (see table 2).

The combined effect of all these factors has been a gap between the supply of jobs and the demand for them at prevailing rates of pay. This job gap is partly reflected in the growth of the number of people registered as unemployed or employed on job creation programmes (see figs. 2 and 3). Undoubtedly there are also people who want paid employment but have not registered as unemployed. Only a household labour force survey could reveal just how many people are in this category.

Table 3 summarises the visible changes that have taken place in each of the last 4 years.

The reasons why New Zealand has had low employment growth are complex. In part they relate to changes in our external situation; in part to developments within the New Zealand economy.

Over the two and a half decades from the end of World War II to the early 1970s New Zealand's rate of economic growth was lower than that of most other OECD countries. Nonetheless, with brief exceptions, this moderate growth in real GDP provided jobs for virtually all who sought them and at the same time met New Zealanders' aspirations for higher real incomes.

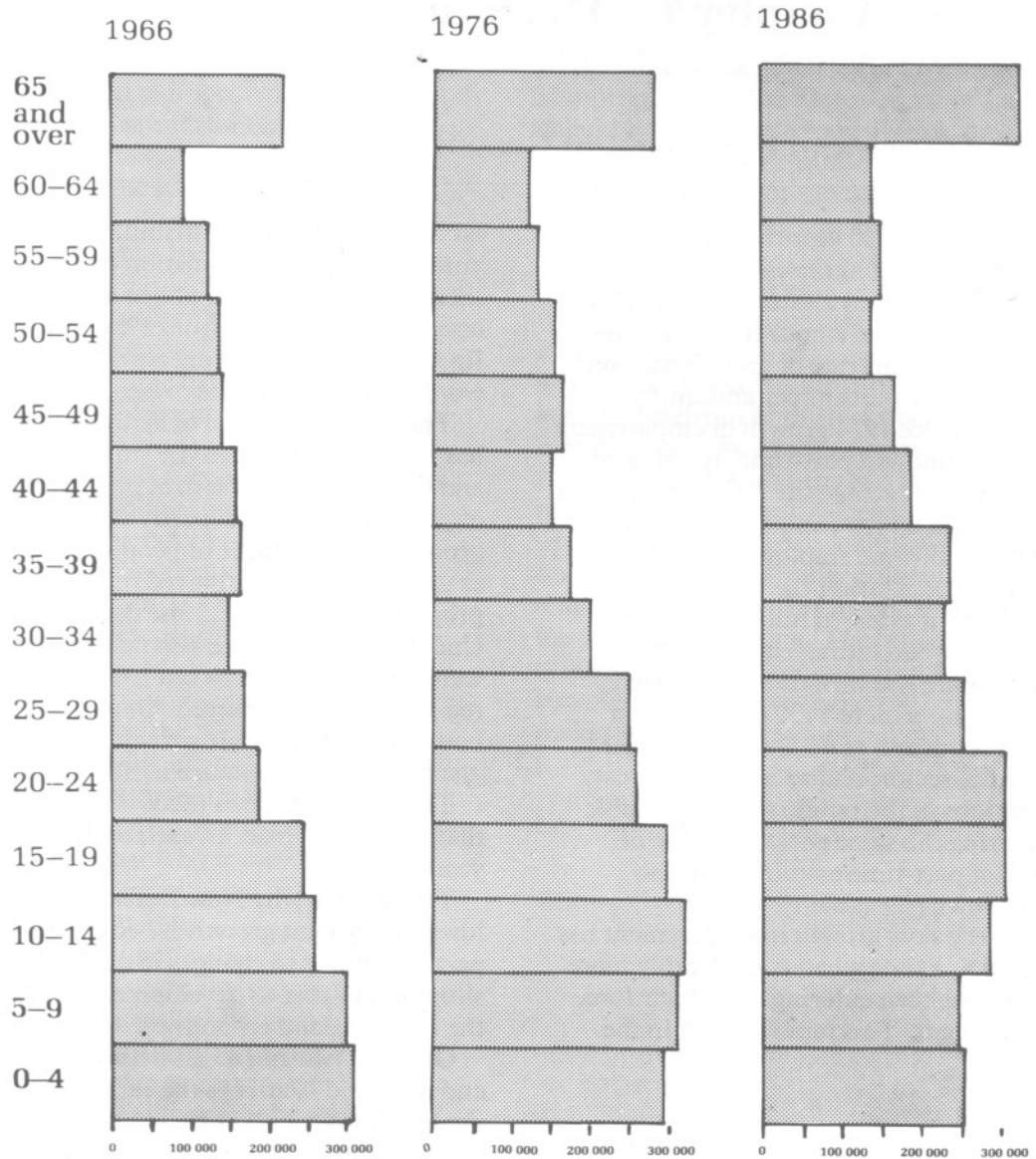
The basic pastoral industries provided the foundation for this successful performance. High growth in productivity—attributable to a

¹In this document labour force refers to all those people who have, or are actively seeking paid employment.

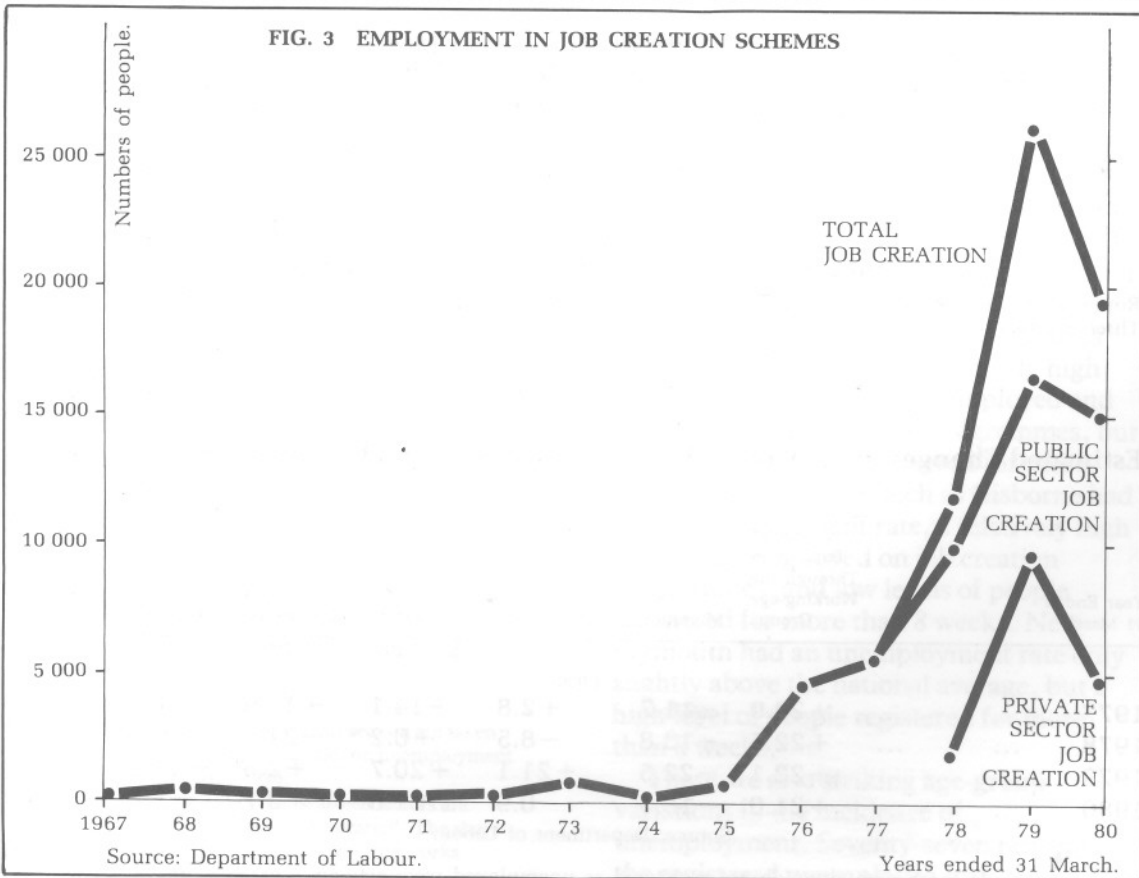
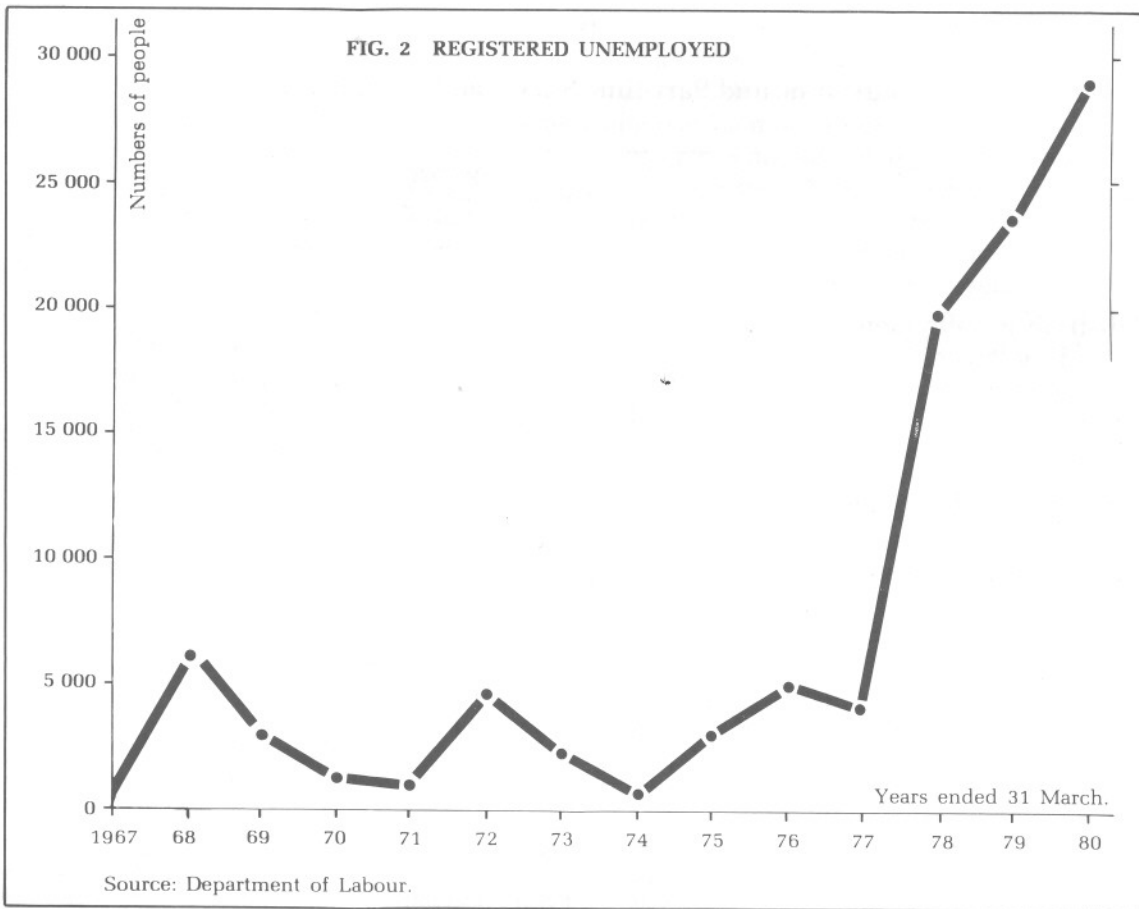
²Census data.

³These figures come from the Department of Labour's Half Yearly Employment Information Survey which covers most firms in most industries, and defines full-time employment as three-quarters or more of the scheduled ordinary time hours of a particular industry. Data from the survey is not strictly comparable with data from the Census since the latter is a survey of all persons in New Zealand and defines full-time employment as 20 or more hours per week. In the survey public sector comprises Government departments, Government corporations, and local authorities (including hospital boards and the like). Private sector comprises all other employers.

FIG. 1 POPULATION BY AGE-GROUPS



Source: 1966, 1976: Census.
 1986: Low immigration assumption in N.Z. Population and Labour Force Projection 1979-2011
 (Base: 31 March 1978), Department of Statistics.



considerable degree to the application of innovation and technology—and favourable conditions in overseas markets enabled farming to provide the foreign exchange needed by the secondary and tertiary sectors for their expansion. The growing labour force was taken up in manufacturing and the provision of services.

New Zealand's combination of a low level of unemployment with moderate rates of price increase over a long period was a subject of international curiosity. Reasonably stable import prices, a fixed exchange rate, and in retrospect little disagreement over shares of increasing incomes were important factors contributing to this stability.

During the 1970s circumstances changed significantly. Farmers, receiving a declining share of national income, curtailed expansion. The effects of the slow

growth of primary exports were aggravated by a serious fall in the terms of trade after 1973, with prices of oil and other imports increasing much more than prices of our exports. This has led to persistent balance of payments difficulties. The expansion of the economy has had to be curbed to keep overseas borrowing within bounds.

The position has been worsened by domestic inflation which accelerated in the late 1970s. This has adversely affected business confidence, investment, and the demand for labour (see appendix 2). Until recently, the tendency for New Zealand's costs and prices to rise more rapidly than those in other countries with which we trade also hampered efforts to increase exports and to reduce the need to borrow overseas.

These factors have all contributed to the slow growth of the economy and of employment since the mid 1970s.

Unemployment

Early in May 1980,¹ 28 800 people were registered as unemployed—about 2.4 percent of the labour force—and a further 19 300 were employed under the temporary employment programme or in publicly subsidised jobs in the private sector. In total these people accounted for about 4 percent of the labour force.

New Zealand has a number of regional labour markets with their own particular characteristics. The percentage of the workforce which is registered as unemployed or employed on job creation programmes vividly reflects these variations. Districts recording the highest figures early in May 1980 were: Whangarei (11 percent), Tauranga (7 percent), Napier (6.1 percent), and Christchurch (5.4 percent). Least affected centres were: Invercargill (1.5 percent)², Timaru (2.3

percent), and Wellington (2.4 percent). The average length of time for which people are unemployed also varies regionally. In Whangarei, New Plymouth, Napier, and Tauranga approximately 50 percent of the registered unemployed had been registered for over 8 weeks. In contrast only just over 20 percent had been registered for more than 8 weeks in Invercargill and Gisborne. Some centres (e.g. Christchurch) had a relatively high percentage registered as unemployed and employed on job creation programmes, but low levels of people registered for more than 8 weeks. Others such as Gisborne had a low unemployment rate, a relatively high percentage employed on job creation programmes, and low levels of people registered for more than 8 weeks. New Plymouth had an unemployment rate only slightly above the national average, but a high level of people registered for more than 8 weeks.

There are also striking age-group variations in the incidence of unemployment. Seventy-seven percent of the registered unemployed were under 30

¹Except where stated all figures in this section are taken from Department of Labour statistics on unemployment and job creation at 2 May 1980.

²It should however be noted that seasonal factors are important in some areas such as Invercargill. The sharp seasonal variations in the pattern of freezing works employment distorts the figures.

years of age, and 48 percent were under 21. Approximately 10 percent of those in the labour force under 18 years old were registered as unemployed. In addition, in this age group there is likely to be a degree of hidden unemployment. Some return to school because they are unable to find a job whilst others who are under 16 and therefore not eligible for an unemployment benefit, may not register. Females under 18 years old have a higher unemployment rate than males in the same age group.

The 1976 Census indicated that 22 percent of those describing themselves as unemployed were Maoris and 4 percent were Polynesians, but Maoris constituted only 7 percent, and Polynesians only 1.9 percent of the labour force.¹

Unemployment is also concentrated among the inexperienced and the unskilled. Fifty-six percent of the registered females early in May 1980 were either school-leavers, domestic and hotel workers, or process factory workers; while 42 percent

of the males were either labourers or school leavers. The percentage of females unemployed who were school-leavers (21 percent) was much higher than the equivalent male category (9.3 percent).

There is unfortunately a paucity of in-depth data and this restricts our ability to analyse the situation. For instance, the proportion of the unemployed registered for more than 8 weeks has increased in the last 5 years, and now constitutes 36 percent of those registered at any one time. There is however little information available about the characteristics of these people. Nor do we have data on the frequency with which people become unemployed, or information about those employed on job creation programmes. Is unemployment a widespread experience or is it being circulated among a relatively small group of people who continually move on and off the register? Do many people migrate within New Zealand to look for work? From where to where? How many of the registered unemployed have dependants? There are currently no reliable statistics available on these aspects or on the extent of unregistered unemployment.

¹The Census is the only source of information as the Department of Labour does not collect comparable data.

Emigration

In the last 4 years there has been a substantial net outflow of population from New Zealand.¹ It has been argued that this emigration has reduced the pressure on jobs, and lowered the unemployment rate below what it otherwise would have been.

To find out who is leaving New Zealand and why, the New Zealand Planning Council conducted a survey of emigrants, in October 1979.² We learned that 85 percent of those over 15 had been in the labour force during the previous year compared with a labour force participation rate of 62 percent for the total population aged 15 and over at

the time of the 1976 census. Though the emigrants were predominantly young, they were generally skilled and experienced. Twenty-five percent of those over 15 had a trade or technical qualification, and 15 percent had university or professional qualifications. On average those interviewed had held their last job for 3 years, and had an average of 8 years' work experience in their trade or occupation.

It appears, therefore, that it is predominantly the skilled, experienced, employed people who are leaving. The jobs they release are not usually suitable for the largely unskilled unemployed. Emigration of this kind reduces the numbers who would have been available for employment, but it can also reduce opportunities for employment where skilled and experienced people are needed to sustain jobs for others.

¹For the March years 1977-1980 the net loss (on a total migration basis) was approximately 85 200 and the net loss (on a permanent and long-term migration basis) was approximately 120 400. Department of Statistics.

²Rosemary Barrington and Judith Davey, *Migrants and their Motives*, July 1980.

Skill Shortages

Significant factors affecting the structure of the labour force in the last few years have been the entry into the work force of the large numbers of young people born in the late 1950s and early 1960s; the continued strong growth in female employment despite slow overall employment growth (see table 2); the continued rapid growth in part-time employment (see table 1); and substantial emigration particularly of employed, skilled, experienced workers.

These four factors seem likely to have had the net effect of reducing the proportion of the workforce with skills and experience. Young people lack work experience and training; women returning to the workforce and part-timers have few opportunities for training or retraining; and emigration is a direct loss of skill resources. Such a reduction of the skilled segment of the workforce can limit the ability of New Zealand to seize opportunities for expansion and development.

The occupational vacancy survey conducted by the Department of Labour has revealed consistent shortages in a number of key areas. In October 1979 there were vacancies for 107 toolmakers, with a duration rate¹ of 76 percent, 175 fitters/turners (69 percent), 147 fitter/welders (49 percent), 290 motor mechanics (53 percent), 131 electricians (59 percent), 661 sewing machinists (43 percent), 148 sheet metal workers (76 percent), 234 carpenters and/or joiners (33 percent), 332 clerks (29 percent), 121 general nurses (57 percent), and numerous other skilled vacancies with small numbers but high duration rates. Growth in the economy during 1979 could well have been restricted by skill shortages in key areas.

Conclusion

The slow growth since 1974 in the number of new jobs has coincided with large increases in the numbers of people

seeking work. This has created a gap between supply and demand which is partly reflected in the current high levels of registered unemployment. In addition, the growth in the labour force together with the high net outflow of skilled workers has reduced the proportion of skilled and experienced people in the workforce and has led to a shortage of skilled workers in some key areas.

¹Figures in brackets refer to the duration rate which is the percentage of vacancies in an occupation unfilled for more than 6 weeks.

Chapter 2 The Future

The future employment situation will be determined by complex factors on both the supply and demand sides. The main determinant of the growth of the labour force will be already identifiable demographic trends; but migration and social attitudes to paid employment will also be influential. The composition of the

labour force will depend on those same social attitudes together with the economic circumstances. The number of jobs available will be related to the growth of demand for the goods and services that New Zealand produces. The types of jobs and their location will be determined by what is produced.

Growth of the Labour Force

The growth of the labour force during the 1980s will be determined by three factors: the movement of people through the age groups, changes in the proportion of people in each age-sex group who are in the labour force (commonly referred to as participation rates), and net migration. Of these, the movement of people through the age groups will be the most important.

The only source of comprehensive information on participation rates is the 5-yearly Census. Consequently very little is accurately known about movements in participation rates since 1976. Nevertheless, several longer-term trends are discernible.

Female participation rates in New Zealand are probably still lower than many other OECD countries.¹ The decline in the birth rate in recent years, the difficulties of many families living on a single income, and changing social attitudes almost certainly will encourage or oblige women to stay in, or re-enter, the labour force in greater numbers. The availability of child care facilities and flexible hours of employment will also determine women's participation rates in the paid labour force.

While the participation rates for women in most age groups are likely to increase, there may also be a continuing decline in the

participation rates of groups such as females under 20 (because of increased attendance at educational institutions), males as a whole, and over 60-year-olds.² In general, the participation rates of different age-sex groups will also vary according to whether jobs are easier or harder to get and with the level of real wages and salaries.

Migration patterns, too, are linked to the availability of employment and the level of incomes in New Zealand relative to elsewhere, especially Australia. At present New Zealand does not have any basis on which migration trends can be predicted with reasonable confidence. Inflow and outflow relationships can change very quickly. Past patterns show that emigrating New Zealanders have returned to New Zealand, on average, about 2–3 years after departing, and recent data suggests that the numbers emigrating are now declining after having reached a peak in 1979.

Table 4 (taken from appendix 1) gives a Department of Labour estimate of net additions to the labour force to 1991. This estimate is based on an assumption of zero net migration from 1980 onwards, and forecasts of participation rates. Appendix 1 shows that towards the end of the decade

¹Department of Labour, *Women in the Workforce*, 1980.

²See New Zealand Population and Labour Force Projections 1979–2011 (Base: 31 March 1978), Department of Statistics.

additions to the labour force, due to the passage of population through the age groups, become smaller but it is anticipated that these decreases will be largely offset by increased female participation rates.

Appendix 1 also contains two Department of Statistics labour force projections.

Despite the uncertainties about participation rates and migration it is clear that throughout the 1980s the labour force will grow considerably faster than employment has grown in recent years, and that women will progressively make up a larger proportion of the labour force. Although compared with the rate of employment growth that occurred in earlier post-war periods¹ the labour force growth likely to be experienced during the 1980s is not particularly high, there is no room for complacency.

¹See p. 9.

TABLE 4

Net Additions to the Labour Force²

Year Ended 31 March	Male	Female (thousands)	Total
1976 (Base)
1977	3.6	10.6	14.2
1978	3.4	9.9	13.3
1979	1.3	8.7	10.0
1980	10.9	13.3	24.2
1981	10.7	13.0	23.7
1982	11.6	14.2	25.8
1983	12.3	14.3	26.6
1984	13.0	14.6	27.6
1985	12.9	14.6	27.5
1986	12.0	14.4	26.4
1987	12.5	15.3	27.8
1988	11.9	15.1	27.0
1989	11.8	15.4	27.2
1990	11.0	15.7	26.7
1991	8.7	15.0	23.7

Source: Department of Labour.

²Those working or seeking work for 20 or more hours per week.

Employment Patterns

The pattern of employment during the 1980s will be primarily determined by two factors. One is the structural and technological change required if New Zealand is to achieve sufficient economic growth for sustained full employment. This is discussed more fully in chapter 3. One implication of such changes is that there is unlikely to be much growth in demand for unskilled labour, and there could even be a significant displacement of such labour.

The process of structural change and growth is likely to require greater geographic mobility on the part of the workforce. There appears, however, to be a growing resistance to shifting from one centre to another for employment or promotion. The substantially increased costs of moving home (largely caused by higher interest rates), the difficulty of selling houses in some areas, and the particular difficulties that moving raises for the increasing number of two-income families are contributing factors. Such disincentives to geographic mobility could

exacerbate the degree of structural unemployment.

The other major factor that will affect employment patterns during the 1980s is the continuing and dramatic change in the role and status of women. There is now an increasing demand from married women for access to paid employment not only to supplement family incomes, but also as a means of asserting their independence and enhancing their self-esteem. Society has moved a considerable way towards meeting these aspirations; many of the traditional social pressures and structural factors (such as unequal pay) which discouraged women from entering the workforce have gone or are being reduced. However, women are continuing to seek new forms of work organisation (such as part-time jobs, job-sharing, and more flexible hours), and facilities (such as child care centres) which would enable them to have greater access to paid employment. Although the demand for greater flexibility in the structure of employment is coming primarily from women, it is by no means confined to them.

An Employment Goal

In the past it was usually accepted that full employment had been achieved if the numbers of registered unemployed were low. The generally very low numbers of registered unemployed during the 1950s and 1960s were in part a reflection of a relatively stable economic structure undergoing a slow rate of change. Nevertheless throughout that period a significant number of people were unemployed and undertaking job searches at any time. For example, the 1966 Census recorded 9107 people (0.9 percent of labour force) as unemployed and seeking work. People were, however, much less inclined to register as unemployed, because they usually felt confident that they would find a suitable job fairly quickly. For example, at the end of March 1966, there were only 395 people registered as unemployed.

However, the increasing pace of change in many sectors of the economy is likely to mean that in the 1980s, even in the best economic circumstances, there will probably be more people "in transition" between jobs than in the past. New Zealand is unlikely therefore to return to the levels of registered unemployment commonly experienced in the 1950s and 1960s. The Council considers that an employment goal should recognise this major change in our economic environment.

People with working spouses have never been eligible for an unemployment benefit, so there has been little incentive for unemployed married women to register. Today, with the growing demand by married women for paid employment, achievement of the traditional full employment goal (low numbers of registered unemployed) under present policies would not necessarily indicate that the employment aspirations of the community had been satisfied.

Considering both the likely impact of structural and technological change and the changing role of women, the Council suggests that for the future, full employment could be defined as:

a situation where there is an approximate balance between those who want paid employment and the

jobs available, such that those who want paid employment can obtain it, or training leading to it, within a reasonable period after commencing a job search.

The Council believes that under this definition a person's employment should be voluntarily chosen and should be compatible with his or her abilities and aptitudes. It should also be structured in a way that is compatible with the responsibilities that he or she wishes to assume for the care of dependants. A corollary to this is that there should be an adequate range of facilities catering for the care of children, the elderly, and invalids.

The Council suggests that the achievement of full employment in the terms outlined above would be an appropriate employment goal for the future.

At present we are falling short of this goal. There is a serious imbalance between those who want paid employment and the jobs available. And as discussed earlier, forecasts suggest that in the absence of a much faster rate of growth than we have achieved in recent years the numbers unable to find paid employment will remain high. There also remain substantial impediments to participation in paid employment for many people, particularly women.

The combination of a serious employment gap now and realistic assessments of the immediate economic prospects imposes very severe constraints on how quickly progress can be made towards the employment goal. In this situation the areas of greatest need should be tackled first.

Approximately 6000 people have been registered as unemployed for more than 13 weeks. This is about 20 percent of all those registered. Because of the very damaging effects of long-term unemployment, the Council believes that the primary objective of employment policy should be the avoidance of long-term unemployment. Policies to move us closer to the employment goal in other areas where we are falling short should be phased in as soon as possible within overall constraints.

PART II

EMPLOYMENT POLICIES FOR THE 1980s

Chapter 3 Growth of Output and Employment

Part I outlined briefly some of the reasons why it has been more difficult recently to provide jobs for all who seek them. One important pre-requisite for full employment is a growing demand for goods and services. In the 1950s and 1960s if output was growing too slowly to sustain full employment it was possible, in the short run, to stimulate demand. Higher demand for goods and services would persuade businesses to expand output, and employ more workers to produce it. But artificially stimulating demand was never an adequate prescription for full employment in the New Zealand economy. With high inflation and a persistent balance of payments deficit in recent years this option has become even less appropriate. An expansion of job opportunities requires policies which are directed to removing the impediments to economic growth.

Changes in the structure of the economy are necessary to encourage the expansion of those activities in which New Zealand has a comparative advantage as other less suitable activities contract. The changing structure will allow New Zealand to increase the output of goods and services overall, and therefore increase the number of jobs. More internationally competitive industries will assist in reducing the constraint which the shortage of foreign exchange now imposes on New Zealand's ability to expand output and employment.

Recent changes in exchange rate policy, export incentives, and income support for pastoral farmers represent a commitment to keeping exporting profitable. Although less attention has been given to developing effective substitutes for imports the energy

strategy is directed towards a considerable reduction in our dependence on imported oil.

Inflation has been a serious problem in many countries in recent years. But New Zealand's inflation has been more rapid than that prevailing on average in the economies of its main trading partners. Inflation affects our ability to overcome the foreign exchange constraint, and also has a direct impact on investment and employment. One reason why boosting demand does not necessarily increase output is that the potential benefits of increased spending can be largely dissipated in higher pay and prices.

In the past the incomes of wage earners and beneficiaries used to lag behind during periods of inflation. But with more people now enjoying some form of cost-of-living indexation, incomes and prices can continue to rise quite rapidly even when economic activity is depressed or unemployment is rising. Better control of inflation is a major condition for full employment.

The instability of the expansion of demand for goods and services has been another factor impeding the growth of output and employment. Instability brings uncertainty for business and tension in industrial relations. With the high interest rates which accompany rapid inflation, these developments weaken the incentives for enterprises to expand and to add to their labour force. Policies directed to more stable expansion are an integral part of a full employment programme.

Investment in plant and equipment is an important element in economic growth. Every society has to strike a balance

between making provision for investment and other expenditures which will produce more output and employment in the future, and making provision for current consumption of goods and services. If the rewards for investment are depressed, too little will be spent on providing for the future, and opportunities for employment will not grow sufficiently to provide work for those seeking it at current rates of pay. But wages, salaries, and benefits are major sources of demand for goods and services; if they do not keep pace with the capacity of the economy to increase output, some of that capacity will remain idle. However, retained earnings available for investment will be curtailed if wages and salaries and other costs of employing labour (such as levies for accident compensation and improvements in working conditions) increase at a pace not matched by the value of output. Unless productivity improves, there will be less capacity to improve the real purchasing power of wages, salaries, and benefits for the future.

Output has been growing very slowly in recent years and the ratio of investment to national output has fallen considerably. Also salaries, wages, and benefits have become an appreciably higher proportion of total before-tax private income, and the proportion accruing to farmers, companies, and other owners of property has declined. (See appendix 2.) There would be dangers to employment if these tendencies continued, with enterprises economising in the use of labour yet undertaking inadequate investment to make improvements in real income and employment in the future. The pursuit of higher pay and higher prices without consideration of the above tendencies can only aggravate the problem. Nor can the Government on its own provide a desirable solution. Employers and workers have a common interest in increasing output and in providing for a level of investment that will keep both the purchasing power of incomes and opportunities for employment rising in the future. The co-operation of the unions and employers in devising a programme to increase investment and output will greatly enhance the prospects for full employment in the 1980s.

Some people fear that higher investment in capital-intensive processes, the

introduction of new technology, and the accompanying improvement of productivity will reduce opportunities for employment. This will certainly be true for some industries but it need not be true overall. Low investment and failure to keep New Zealand's industries and services competitive through the use of new methods would weaken our ability to trade competitively. Improved productivity would not only help our overseas earnings but would also reduce inflation, raise the purchasing power of incomes more rapidly, and thus sustain a higher overall growth of activity and employment. A more dynamic growth path, through investment and technological innovation, should increase employment opportunities and not retard them.

A comprehensive policy for full employment would have to consider how to deal with all the factors which constrain the growth of output and employment. Important elements of such a policy are outlined in the Council's report, *Economic Strategy 1979*, and in *Investment Issues*. The Council will be developing its ideas on economic policies designed to achieve growth and employment in a report to be published in early 1981.

The Council does not consider that the structural and technological changes that will be required during the coming decade will, or should, occur at a pace that is beyond our capacity to cope with them. The Government should facilitate the process by implementing policies designed to promote desirable change in a manner that enables management and workers to plan for a transition. It should also improve its programmes of adjustment assistance, including measures to assist workers to cope with the changes.

In the Council's view an active employment policy which helps those temporarily unemployed to find employment, and if necessary helps them to move to new jobs, or to acquire new skills, will be essential. A commitment by the Government, employers, and unions to work together to ensure that those displaced can find useful work within a reasonable period will reduce resistance to the changes which are needed if a satisfactory rate of growth of overall output and employment is to be achieved. The following chapters

concentrate on how New Zealand's employment services can be made more effective and its education and training systems improved. Such active employment and training policies should better equip people to fill the increasing number of jobs which we believe can be made available in the 1980s with positive development policies, broadly supported by the "social partners".

Chapter 4 The Case for an Active Employment Policy

In the 1980s the labour market will change much more rapidly than in the past. Increasing the efficiency and competitiveness of our economy means that the labour force too must be used as efficiently as possible. People and institutions must be able to respond more quickly to changing skill demands and to shifts in the location and nature of employment. This will be a continuing requirement.

The Council doubts that we can continue to rely upon the relatively unaided workings of the labour market to overcome our employment problems. An active employment policy will be essential for the 1980s and beyond. It seeks to promote the best use of New Zealand's human resources; to assure the smooth adjustment of people to the changing geographical and occupational patterns of employment; and to overcome rigidities and blockages within the labour market. In particular it should have the following objectives:

- To provide the information about the changing labour market and labour force necessary to implement the policy;
- To ensure that everybody is adequately equipped to participate in the labour force;
- To ensure an adequate supply of the right skills;
- To give security of income to people who are in transition between jobs;
- To facilitate a smooth and rapid entry, or re-entry, of workers into employment;
- To support, where necessary, the demand for labour through employment creation programmes;
- To minimise unemployment; and
- To consider both the qualitative and quantitative aspects of employment.

The Council emphasises that an active employment policy alone is not an answer to unemployment. However, such a policy is a necessary part of an economic strategy to resume and sustain growth in paid employment; it will also assist people to

cope with rapid change and help ensure that the rewards of growth are distributed widely within society through paid employment.

Failure to implement an appropriate active employment policy is likely to have serious consequences. New Zealand may face a large and increasing shortage of people with the required skills. As both Australia and New Zealand will, at times, be competing for the same scarce labour resources, a skill shortage will create severe cost pressures. These in turn could undermine efforts to improve the efficiency and competitiveness of the economy and could also lead to New Zealand importing skills from elsewhere.

There are increasing numbers of people inadequately equipped with the basic educational, technical, and social skills required for employment. Those unable to cope with the demands and responsibilities of employment in the past have been able to drift in and out of jobs; they are now finding this more difficult. Proposals to assist these people are discussed in chapter 10. More numerous will be people who have moderate employment difficulties. A number of factors will determine whether this group finds satisfactory, productive, paid employment quickly without undue stress and with the minimum loss of their productive potential. These include the quality and quantity of labour market information, the extent of adjustment assistance, the availability of appropriate education and training, and how often and how long people are unemployed.

Fear of unemployment could provoke unions and employees to take a negative attitude to the introduction of new technology, and to other changes designed to improve productivity and increase the long-term strength of the economy. To gain the co-operation and active assistance of workers and their unions in these desirable objectives, the Council believes that a comprehensive package of measures to help them to cope with change is essential. In

return unions and employees should be in a much better position to help improve the productivity and efficiency within firms, industries, and the whole economy.

In the following chapters of this document we outline what we consider to be the key elements of an active employment policy.

Chapter 5 Research and Information

Adequate information about the labour force and the labour market is a vital requirement for an active employment policy. The information now available is quite inadequate. It is dispersed among different organisations and is often not brought together in a form that is useful for policy.

There is a need to know more about the nature and extent of New Zealand's labour resources. More research and information is required on:

- the employed, the unemployed, and potential members of the labour force;
- changes in participation rates;
- the changing patterns of employment and unemployment;
- migration;
- the impact of technology, and the employment implications of major investment decisions;
- the likely skill demands and manpower requirements of different sectors; and
- the structure of wage and other labour-related costs, and their effects on the allocation of labour resources.

Some of this information can be obtained only through regular household surveys. We welcome the fact that pilot surveys have recently been mounted. A regular national household labour force survey should be instituted as soon as possible. Relevant information on the registered unemployed should be collected by the Department of Labour from its clients.

Detailed manpower forecasting has not proved particularly fruitful overseas. Because of the ever-changing structure of a modern economy it is very difficult to

predict in detail the demand for specific occupations and skills. Even in health and education, where the demand is greatly influenced by reasonably predictable demographic trends and subject to some influence by the Government, manpower forecasting and planning has not been particularly successful.¹ Manpower planning for some professional occupations (such as doctors) is particularly important because supply can tend to create its own demand.

Nevertheless, despite the limitations of manpower forecasting, industry surveys can often identify specific skill shortages in the short term and the broad types of manpower likely to be required in the medium term. Such surveys can be important tools for manpower planning and employment policy.

For many years, National Apprenticeship Committees² and the Department of Labour³ have both had a responsibility for manpower forecasting and planning. The 1965 Tyndall Commission of Inquiry into Vocational Training also discussed the importance of a continuing programme of manpower forecasting and planning, and the need to translate the results of such a programme into action. The Commission's primary purpose in recommending the establishment of the Vocational Training Council (VTC) was to ensure that an effective continuing programme was undertaken and that the results were implemented by authorities concerned with training in specific sectors.⁴

Some of the Industry Training Boards (ITBs) of the VTC, such as the Agricultural Training Council, have identified in a broad way the types of skill needed for their industry for the next 5 years or so. This should be done by all sectors and the resulting information used to guide training

¹See New Zealand Planning Council, *The Welfare State?* 1979, p. 41 and p. 58.

²Apprentices Act 1948, sections 6 (a) and (b).

³Labour Department Act 1954, section 9 (e).

⁴Report of the Commission of Inquiry into Vocational Training in New Zealand, October 1965, chapter 5.

policy. The manpower planning and forecasting work of each sector should also be collated and co-ordinated to guide national short-term and longer-term training policies and programmes, to influence immigration policies, and to improve the effectiveness of labour market information services, such as vocational guidance.

A research, information, and evaluation unit focused primarily on employment would ensure that information about the labour market is co-ordinated and used effectively. This unit should provide information on matters of immediate policy concern; undertake and co-ordinate research; and monitor and evaluate existing policies and programmes.

It should work closely with industry and other research groups studying employment problems, and should be able to supply up-to-date information to both the relevant policy making groups in the public and private sectors, and to the public. The unit should be adequately staffed, and have access to all relevant information, if necessary from a computer-based information storage and analysis system.

Chapter 6 Education and Training

Today's school leaver is entering a more complex and challenging labour market than in the post-war years. There is less tolerance of the often initially unproductive school leaver; employers prefer experienced people. Young people who experiment with different jobs during their teens are now said to have a "bad work record". Employers also claim that sometimes there is a mismatch between the products of the school system and the type of labour that will be increasingly required in the 1980s.¹ Some changes are therefore required in general education to accommodate these developments.

New pressures are also emerging in vocational training. A more skill-intensive industrial structure is likely to develop. Yet increased competition and emphasis on efficiency is creating resistance among employers to participating in training schemes with long payback periods. This attitude could further enlarge the existing gap between the demand for training and its availability. Major changes are therefore required to improve the efficiency of

vocational training, particularly for those skills traditionally taught primarily "on the job".

A significant portion of the resources devoted to education is allocated to the tertiary level. So far, inability to obtain employment does not seem to be a problem for graduates of our universities or polytechnics. However, some countries have experienced considerable difficulty in this area, and job aspirations of some arts graduates may not be as easily realised now as in the 1970s. Already the services of the Department of Labour's temporary employment programmes (TEP) and placement facilities are being used by graduates in numbers which could not have been envisaged even 5 years ago. On the other hand, the demand for enrolment in our faculties of business administration and commerce, an area where expansion of employment opportunities for graduates is likely, is also noted.

Consequently, while preparation for employment is only one—and some might argue, not the most important—objective of tertiary educational institutions, they do need to be aware of the future needs of, and prospects in the employment market for, their students.

¹See "Employer", No. 55, March 1979, p. 1.

General Education

The education system is not to blame for unemployment if there is a general shortage of jobs. Moreover, preparing pupils for work is only one of the aims of schools. Nevertheless, the education system can make a substantial contribution to easing the transition of students from school to work, and to improved productivity when they enter the workforce.

A generally accepted aim of educational

policy is to ensure that all school leavers have a reasonable facility in written and oral communication, are numerate, able to work with other people, and have a good measure of self-confidence and self-esteem. All school leavers should also have some understanding and knowledge of the work world, the options and choices open to them, and their rights and responsibilities within it. Teaching specific vocational skills

should not however be the main responsibility of the schools, but rather the training systems that follow school.

The present education system serves many of its pupils very well. They emerge from school literate, confident, and eminently employable. However, some pupils do need more help. Comprehensive guidance counselling has been introduced into most schools, to help increase the pupils' knowledge of the work world, the options and choices available to them, and the implications these have for the students' education path. Activity centres have been established in a number of areas to provide intensive assistance for pupils with problems. Provision has been made to establish vocationally-oriented courses for students who return to school because they have not been able to find work. In 1980 for instance, approval has been given for an equivalent of 33 extra teachers to run such courses in 77 secondary schools. Some secondary schools have also attempted to broaden the options for those students whose vocational preparation would benefit from a less academically-oriented education. Because of community and parental pressure, the latter options have not been widely accepted. The Council believes, however, that in the 1980s, even greater efforts will be required to prepare people adequately for their working life.

In *The Welfare State?* the Council pointed out that certain problems likely to affect a child's future educational achievement compound over the years. It recommended strengthening the capacity of pre-school institutions and primary schools to diagnose and deal with such difficulties. The Council believes that trying to cope with these problems at secondary school is likely to be very expensive and exceedingly difficult.¹

After World War II community pressure encouraged the education system to place great emphasis on preparing pupils for entry into formal post-secondary study, especially universities. However, preparation for entry to university while relevant for many pupils does not suit many others. They tend to leave school without qualifications, and with a strong sense of

failure and poor self-esteem. For these people school can be a frustrating experience largely unrelated to their experiences outside the school, or to the work world they enter. Some change of emphasis in course content and a greater responsiveness by schools to the differing needs of the diverse groups within them, should help to make education more relevant and interesting. Some pupils appear to learn the basic skills in a less academically-oriented environment than is general in most secondary schools. They respond to teachers and material that are quite different from those traditional in the New Zealand education system. Greater use should be made of craft and technical subjects to teach basic maths and English. Work exploration programmes should help to relate school life to working life.

Adopting these methods and allocating time to work-oriented activity will require schools, teachers, parents, and the community to accept a more flexible approach to course content, teaching methods, and to the assessment and progress of individual students.

Passing School Certificate is regarded by employers, parents, and the community as the key to future success in the labour market. Parents usually resist the adoption of teaching methods or curricula content thought likely to preclude success at School Certificate, even when that goal is unrealistic for the pupil concerned. The Council considers that this is one factor which strongly inhibits the development of a more flexible approach.

What is required is a nationally recognised alternative assessment method, acceptable to employers, parents, and society, which can, at least in the interim, operate alongside School Certificate. A first step could be to allow more internal assessment of practical subjects and some internal assessment in other subjects.

Some schools have developed internal assessment procedures which culminate in the pupil receiving a very full school reference. This assessment, which outlines the strengths and weaknesses of the individual, often means more to the pupil, parents, and potential employers than School Certificate results in a few subjects. This type of reference could well be extended across New Zealand. If employers

¹New Zealand Planning Council, *The Welfare State?*, 1979, p. 55.

came to rely more on such references to judge job applicants, pressure on pupils to attempt unsuitable courses would be reduced.

The changes recommended for the education system will require appropriate people in primary and secondary education. Specialist assistance in the primary schools, more attention to individual needs and personal assessment at the secondary level, and work exploration programmes are labour-intensive activities. Declining rolls may offer the opportunity for some redeployment of resources.¹ However, school staffing will have to be supplemented with tutors holding relevant industrial training experience, and conversely there should be provision to second some teachers to industry. Teacher training would be required for tutors without previous teaching experience. The Government and teachers' organisations could assist such changes by agreeing to conditions of employment and salary structures to provide for entry and satisfactory promotion prospects for people with relevant qualifications or experience other than degrees.

Improvements in staffing, curricula, teaching methods, and the examination system can occur only as part of a long-term programme, and are therefore likely to be fairly slow in evolving. Urgent consideration should therefore be given to implementing a programme specifically designed to assist students who are at high risk of unemployment upon leaving school. We have already referred to the courses available for young people who return to school in February because they have been unable to find a job. These courses have developed on an ad hoc basis. The Council suggests that consideration should be given to extending this concept into a vocational education option established on a continuing basis. Such an option would aim to lay the foundation for the rapid acquisition of specialist skills when the student enters the workforce.

Vocational education option

Students could take this option either when they decide to leave school, or as an alternative, perhaps from age 14. Although the option would be open to all, it would be designed to attract people who would otherwise leave school with few qualifications.

The option would comprise:

- A common core programme designed to convey an understanding of the workings of the labour market. This would include personal development, job search skills, interview techniques, employer-worker relationships; and the rights, responsibilities, obligations, and contracts of employment.
- Courses to teach the basic skills of a related group of occupations. These courses would require the involvement of both employers and unions in each craft or industry, and would need to be linked with the training received in employment.

Once this type of course was available, a student would be able to enrol in a broad based course related to a particular industry (building, general engineering, clerical and administration, health services, agricultural and pastoral, retail, wholesale, and service industries, and so on), or to a broad occupational grouping such as industrial machine operation. Each industry course would be designed to ensure that the student attained the basic educational skills (such as maths and written expression) relevant to that industry. This might require an element of remedial education. In addition, the course would provide background information on the industry; familiarise the student with the materials and tools used; and most importantly, provide practical on-the-job experience in the range of skills covered by the industry. For instance, within a building course a student should gain some experience in concreting, carpentry, plumbing, electrical work, joinery, painting and paperhanging. The length of the course would vary according to the requirements of each industry, but none should exceed 1 year.

Those who complete a vocational education course would be well equipped to

¹New Zealand Planning Council, *The Welfare State?* 1979, pp. 51-52.

enter the work world. They should be able to choose a particular occupation knowing what was involved, and should have learned the basic skills. They should require significantly less on-the-job training, and employers' long-term training costs would thus be reduced. Those entering relevant apprenticeships should be granted a substantial reduction in hours.

Extensive work exploration programmes, and the need to continually update the content of courses to maintain their relevance to current practices in any industry would require the participation and goodwill of employers and trade unions. Employers tend to resist involvement with such programmes, particularly when business conditions are difficult. Some feel that the programmes will be time consuming and unproductive. Some trade unions fear that the programmes will be abused in that employers may substitute "free" labour for paid employees. The unions are also concerned with safety issues.

The Council believes that programmes can be organised so that the unions' concerns are met, and so that employers will recognise the long-term advantages. Guidelines for existing work exploration programmes and the Young Persons' Training Programme (YPTP) have already been agreed on by the relevant parties, and national and regional monitoring committees are being established. The existing guidelines could form a basis for the extension of work exploration under the vocational education option.

Teachers for the vocational education option should have relevant industrial and commercial experience. Some could be seconded from relevant organisations; others could be employed on fixed-term contracts.

The vocational education option should be available in all centres with secondary schools, but there should be flexibility regarding the institutions through which the courses are offered. Depending on the circumstances, community colleges, polytechnics, technical institutes, secondary schools, or some combination of these could be responsible. In some regions co-operation between several schools or other institutions, each specialising in particular industry courses may be

practical. Staff and pupils would have to be able to move more easily between educational institutions than they can at present.

There would often be considerable advantage in locating the courses outside secondary schools. Many of those enrolled might have negative feelings about school, and may not respond well to a school environment. In addition, it may be very disruptive to have a group of people in a school who are not operating according to the usual rules of school discipline.

It is not expected that the institutions providing the vocational education courses should have to invest large sums on machinery and equipment. Practical experience should be obtained on the job in industry.

Students enrolled in a vocational education course should not receive a tertiary student grant. The course should be treated as an extension of school, and therefore not subject to fees. But consideration should be given to defraying particular expenses incurred by students, such as transport costs.

The Council believes that introducing a vocational education option is an important priority for the 1980s. There would be practical problems to resolve, including the link between broad-based vocational education and existing on-the-job training systems; the development of effective work exploration programmes; and finding and training suitable tutors. Consequently, the Council believes that the vocational education option should be introduced gradually during the 1980s. It should be carefully designed to attract initially people at most risk of unemployment. Pilot courses should be introduced as soon as possible, particularly in those areas with high levels of unemployment among school leavers. In some cases adults returning to the work force might benefit from doing a vocational education course.

In the longer term many elements of the vocational education option, particularly in the general work skills area, could be integrated into the general school curriculum; a general programme of pre-vocational training could more properly be located in polytechnics and technical institutes.

Specific Skill Training

The acquisition of a specific skill should be seen as a topping-up process. The Council believes that the following principles could be accepted as basic guidelines for skill training policy.

- The numbers trained for particular occupations and skills should be determined by industry on the basis of anticipated needs. They should not be permitted to fall during a recession if this seems likely to create skill shortages later. As skilled people are needed to train other people, skill shortages often intensify over time.
- Training systems should be able to respond quickly to changed conditions. They should bring people to the required standard in the shortest possible time.
- One institution should maintain a broad overview of training policy in the context of the labour market as a whole. Responsibility for training however may rest with a variety of institutions such as the VTC, the ITBs, apprenticeship committees, individual industries and firms, and educational institutions.

The Council has not been able to review skill specific training as a whole. However, many current training systems do not meet the principles set out above. Some of the aspects of training policy in need of improvement, and which have been brought to the Council's attention, are outlined below.

Manpower forecasting and training

In chapter 5, the Council recommended that each industry should undertake a programme of manpower forecasting to estimate both the numbers of people likely to be required by the industry in the short-term, and the general type of labour likely to be needed by the industry in the medium-term. Manpower forecasting in each industry would need to be collated and co-ordinated.

Techniques may be needed to ensure that forecasts do influence the content of

training schemes and the numbers recruited each year. Linking the number recruited for training each year to manpower forecasting would help avoid a cyclical downturn in the numbers being trained in recessionary periods. Given the uncertainty of manpower planning there must however be provision for regular reviews.

It would also be necessary to ensure a fair sharing of the cost of training among all employers in a particular industry. Currently, employers who do accept their training responsibilities are understandably resentful of those who do not pay their fair share of the costs of training the skilled manpower that they use. However, we recognise the practical difficulties of levy schemes.

Broad-based skill training

The increasing rate of change in the skills required in many occupations suggests that consideration should be given to broad-based training in clusters of skills, followed by the acquisition of specialist skills as a topping-up process. This should enable people to train to a level which suits their aspirations and abilities, and to receive training in several phases. This would assist people planning to leave and later re-enter the workforce, and should generally facilitate a more flexible labour force.

Reorganising apprenticeship and other training schemes along these lines would be a logical extension of the vocational education option discussed earlier. The Council welcomes the announcement in the 1980 Budget of the Government's support for pre-apprenticeship training for those trades prepared to improve the efficiency of their training systems.

Systematic training

On-the-job training would be significantly improved if it were undertaken by employers in a more systematic fashion.

Some employers have already instituted such training schemes, but many have not yet done so. Greater use of training manuals, the training of instructors, maintaining records of trainees' progress, and the inspection of employers' training programmes by suitably qualified people would all materially improve on-the-job training.

The Council therefore endorses as a positive step the announcement in the 1980 Budget of subsidies for the wages of instructors to be made available to firms undertaking new expanded off-job, in-house training schemes, and the restructuring of training incentives.

Any subsidies and other incentives to employers for training should be designed to reward employers who do organise their training systematically.

The VTC is currently devoting special efforts to impressing on management their responsibilities in this area. Small firms also have as much to gain as larger ones from a systematic approach to training of their apprentices.

Off-the-job training

The growing complexity of some skill training, the increasing use of broad based training, and the increasing specialisation of many firms, will mean an increase in the off-the-job component of training. Off-the-job training however should wherever possible remain integrated in a total training package which retains a strong on-the-job element.

There have been a number of complaints to the Council that the content of courses in technical institutes for some skills is somewhat out of date. For apprenticeships, course content is largely dictated by the examination prescription prescribed by the Trades Certification Board (TCB), while the content of technician courses is prescribed in most cases by the Authority for Advanced Vocational Awards (AAVA). The apprenticeship prescriptions are in turn largely determined by the skills listed in the

Apprenticeship Order established by the New Zealand Apprenticeship Committees in each trade. Outdated course content appears to result from the rather slow and cumbersome way these various institutional arrangements respond to changing conditions in industry.

The recent decision by the Trades Certification Board to call a meeting of the prescription committee for each trade at least once every 3 years should help. However, there are other problems which delay the updating of courses. These are:

- A lack of specialist resources within the TCB and AAVA.
- Some lack of co-ordination between New Zealand apprenticeship committees, serviced by the Department of Labour, and prescription committees serviced by the TCB.
- A shortage of resources within the Department of Labour to service apprenticeships generally.
- Representatives from unions and employers on apprenticeship and prescription committees who are sometimes overcommitted and not always in day-to-day touch with technical changes.

Urgent steps are required to improve the present situation. The VTC has recently reviewed the apprenticeship system, and as a result has made some major recommendations for improving the system. These include a recommendation to establish one New Zealand apprenticeship body to cover matters common to all apprenticeships. Ultimately, it may also be desirable to amalgamate the functions and the resources of the TCB and the AAVA.

Teachers in technical institutes should continue to be encouraged to update their knowledge of current trends and developments. To increase the flexibility of technical training institutions, and assist them to attract good practitioners as tutors; provision should be made for employment of some tutors on secondment or on limited term contracts. For some skills, the Department of Labour, industry groups, groups of employers, or individual companies should be able to contract with technical institutes for particular courses. This should help to make these institutions more "market sensitive" and keep them closer to the "state of the art".

Payment for skills

Emphasis should be given to increasing the monetary reward of apprentices and other trainees as they progress through their training, while less stress should be placed on entry qualifications. Within any scheme for developing a broad base of skills, followed by specialisation, a new pay structure would be required to accommodate a core tradesperson and a tradesperson with specialist skills. The recent VTC review of apprenticeship training has made recommendations in this critical area.

Rewards for skill have an important bearing on whether it is worthwhile to train. In many cases, the extra rewards are inadequate to compensate trainees for their loss of income while training. Margins for skill are also important in retaining people in occupations where their skills can be utilised to the full.

There is widespread agreement that margins for skill should be improved in many occupations, but this proves difficult in practice because of pressure to preserve old relativities and the tendency for these relativities to dominate wage bargaining. Nevertheless, given the importance of extending our stock of skills, improving the utilisation of these skills, and the strong Australian competition for skilled New Zealanders, the Council believes that this issue must be faced by unions, employers, and the Government as soon as possible.

Funding of training

Currently, who bears the cost of training varies greatly from occupation to occupation. The community, through the State, bears most of the cost of off-the-job professional and formal technical training. For those skills traditionally taught primarily on the job, employers bear almost all the cost of the on-the-job component, although subsidies have recently been introduced to encourage employers to engage additional apprentices. If some off-the-job training is involved, the cost is shared between the State, the employers,

and to some extent the trainee. The most equitable basis for sharing the cost has been the subject of long debate. Regrettably, there appears to be little prospect of any resolution. Undoubtedly the trend towards an increased component of off-the-job training referred to earlier, has transferred some of the cost of training to the taxpayer. Acceptance of a concept of broadly-based training, including the introduction of a vocational education option, would involve some further transfer of the cost of training to the State.

However, employers and individual workers must expect to bear part of the increased costs of improving training systems from which they will derive substantial benefits over time.

The structure of the training contract

Increasingly, groups of employers are co-operating and sharing in the training of an apprentice. The farm cadet schemes have, for some years, been based on this concept. Consideration should be given to extending the group apprenticeship concept to allow for apprenticeship to an industry. This would mean that an industry body could become the employer of an apprentice and be responsible for ensuring that each apprentice received appropriate training.

Such a system would have many advantages. For instance, it would be much easier than under the present system to:

- link manpower forecasting to the numbers being trained and the type of training undertaken;
- enforce training standards and provide for systematic on-the-job training;
- impose levies, or develop funding systems aimed at sharing the cost of training equitably among employers;
- extend the number of occupations (such as retailing or clerical work) which could be covered by a modern systematic cadet or apprenticeship system.

The system of apprenticeship to an industry may not suit every industry or occupation. However the review of apprenticeship training recently undertaken by the VTC has considered the question of industry apprenticeships, and

recommended that, as a first step, the legal restrictions which currently prevent an industry body employing an apprentice should be lifted. We endorse this recommendation.

Training policy administration

Currently, there are numerous institutions with an interest in training, and there are various formal and informal links among them. There is however an urgent need for an overview of all aspects of training policy in the context of the labour market as a whole. In chapter 12 the Council discusses administrative changes to facilitate such an overview.

The Council has been able in this report to discuss only some of the major issues of training policy. There is an urgent need for a broader review, and we recommend that this be given priority within the administrative arrangements discussed in chapter 12.

Chapter 7 Employment Changes During Working Life

In this and the following chapters we outline an integrated package of policies to assist those adversely affected by the process of change to make the necessary adjustments in their working lives. The policies are designed to avoid the high economic and social costs of long-term unemployment and to provide people with a reasonable level of security.

The package should be of general application, and available to everybody who is in transition. Although some unemployment can be traced to structural adjustment precipitated directly by Government action, much of it may result from the downstream effects of structural change, diversification by firms and industries, new technologies, and competitive pressures. Labour market adjustment assistance which varies according to the cause of the individual's situation is likely to be viewed as inequitable by both employers and workers. Such assistance may therefore hinder rather than help the process of change. On the other hand, policies of general application are likely to have a positive effect on

attitudes.

The Council's proposals cover the provision of income maintenance for people temporarily without paid employment, employment placement, counselling and relocation services, retraining and re-entry policies, a redundancy policy, measures to help the disabled, and policies for job creation schemes.

We envisage a typical pattern once a person registers as unemployed. There would be a job search assisted by the placement service of the Department of Labour and income maintenance would be paid during this time. If after a finite period the job search proved fruitless, every effort would be made to offer the person productive activity such as placement on a training or retraining scheme, relocation if practicable, or placement on a special employment creation project. Continued income maintenance would depend on acceptance of one of these options. Such a system would have to operate flexibly and variations would be required for some groups of people.

Placement and Counselling Services

Providing job seekers with good quality, up-to-date information and advice is one of the most effective and least expensive methods of facilitating the workings of the labour market. Overseas experience suggests that significant unemployment is attributable to a lack of adequate information about available jobs and poor communication between job seekers and placement personnel.¹

Most people have found, and will continue to find, employment through their own efforts, by word of mouth, or with the assistance of newspaper advertisements, or private sector employment agencies. In the more complex employment situation of the 1980s there will be significant numbers for whom these methods will not necessarily be effective. Private employment agencies tend to be selective in the type of jobs and clients for whom they cater and the services they offer. They tend to concentrate on the white-collar and professional sectors of the labour market, and emphasise placement

¹A. B. Philip, *Creating New Jobs*, a report on long-term job creation in Britain and Sweden; Policy Studies Institute, June 1978, p. 8.

rather than guidance counselling, training, or retraining.

We believe that guidance counselling and advice on training, retraining, and relocation, will be as important as actually placing people in jobs. Such a facility will be needed by those parts of the labour market not traditionally covered by private employment agencies, as well as those that are.

The Department of Labour is currently required under its Act to provide a comprehensive employment placement service. The most effective way of delivering such a service may vary from labour market to labour market, from region to region, or even from locality to locality within regions. Sometimes, it may be more worthwhile to fund local groups of community leaders who can work informally within the community on job matching, rather than trying to provide the service entirely from an office using only professional staff. Elsewhere the possibility of contract employment with the Department of Labour for people from the local community who have good contact with particular at-risk groups should be considered. Placement and counselling services for workers in the farming sector should probably be associated with institutions such as stock and station firms, and farmers' and farm workers' unions with which farmers already have extensive contacts.

We do not suggest that those sectors of the labour market already adequately catered for by the private sector should be the subject of aggressive competition from the Department of Labour. Rather, the department should direct its activities to those at present not adequately served, and to providing services which the private sector does not generally offer. However, it would be both inefficient and impractical to divide the labour market rigidly into public and private sector spheres of operation. The Department of Labour should therefore develop a close liaison with private sector agencies nationally and locally.

In recent years considerable progress has been made in upgrading the department's placement and guidance service. For instance, since March 1977, the number of staff employed in employment centres has increased from 103 to 373, and 10 additional

centres have been opened in various parts of the country. Approval has been granted to open three more. The layout and location of many of the centres have been substantially improved and job self-service information boards have been introduced in some areas.

However, further improvements can be made. The service should be able to search actively for vacancies and become more directly involved in lay-off and redundancy situations.¹ It should be in a position to conduct thorough assessments of its clients, particularly those who are registered as unemployed, so as to place them appropriately either in jobs, training, job creation, or rehabilitation schemes as the case may require. There is a strong element of vocational guidance in this work to help people make appropriate choices. The service should therefore have sufficient numbers of trained, good quality staff from a variety of backgrounds to provide the services outlined above.

Additional employment centres may be required in some areas and the concept of self-service job information boards should be extended wherever feasible. Modern information processing facilities are an urgent requirement, to increase the efficiency with which data is handled, to enable employment offices in different areas to exchange information rapidly, and to create a national job bank containing information about vacancies in all regions. Currently, each employment centre operates almost exclusively within its own regional labour market. The possibility of publicly distributed weekly job news sheets from each employment centre should also be investigated.

The Council believes that an increased investment in the placement service, as suggested above, should produce a fairly quick payback. It should save money by reducing unemployment and reliance on publicly funded temporary employment, encourage a more informed and purposeful cross-regional job search, and contribute to a substantial increase in the level of security for the workforce.

¹This is discussed more fully in chapter 9, *Redundancy*.

Relocation

Within a rapidly changing economic structure, geographic mobility of labour is important if imbalances between supply and demand are to be minimised. In chapter 1, the wide regional variations in the levels of unemployment were noted. An active employment policy seeks to overcome these problems by, if necessary, facilitating the movement of unemployed people to areas where they are more likely to find suitable employment. There are two key aspects to this approach. First, each region should have full, up-to-date information about the labour market in other regions. Second, relocation assistance should be provided for people who are registered as unemployed and are unlikely to find work in their own area, but are prepared to accept employment elsewhere.

A national labour market communications system

Currently, there are provisions to assist the job mobility of registered unemployed people. These include assistance with fares to another location to engage in job search, assistance with transport costs to another location if employment is found there, and for a worker with dependants, a grant of up to \$600 to cover furniture and removal costs to another location where employment has been obtained.

In practice however, because of the lack of information about jobs and job prospects cross-regionally, these provisions are rarely used. For instance, in the year ended 31 March 1980, the Department of Labour spent less than \$1000 on job mobility assistance.

The Council believes therefore, that the first priority is the creation of a nationwide communications system, such as described earlier. This would enable employment officers to inform people of the labour

market conditions in other regions, and give them access to a national job bank.

Financial assistance

There are two categories of financial assistance that should be available. First, grants to cover fares, and in some cases accommodation costs, to assist people either to engage in job searches in regions where employment prospects are better, or to attend specific job interviews in another location. Second, where the person has found employment in another region, grants should be available to assist with relocation costs, particularly for those with dependants.

Among the major impediments to labour mobility are the costs of selling and buying homes, the wide differences in house prices from region to region, and the cost of mortgage finance. To be effective, a relocation scheme must address these real obstacles to job mobility, and should therefore be reasonably generous.

The details of such assistance clearly require further investigation. It might include guaranteed access to Housing Corporation finance, perhaps at concessional interest rates, and reasonable grants to cover house purchase costs, the costs of curtains, school uniforms, and removal expenses.

Any relocation scheme would require careful administration and control. The decision to offer relocation assistance to an individual should be made by a senior officer of the Department of Labour at the regional level. It should be applied selectively, to people for whom relocation is the only logical solution to their employment difficulties, and who are in real need of assistance. Consideration should also be given to recovering from the employer of the relocating worker some of the costs of the relocation assistance.

Adult Training

The Council believes that, for reasons discussed earlier, adult training will assume growing importance in the 1980s, particularly for the following categories of people:

- those with skills which are no longer relevant, or in sufficient demand;
- those in occupations affected by technological change who may want to upgrade their skills, become supervisors, or learn a new skill altogether;
- those with skills which are becoming more complex, and who need further training to keep up with changes;
- those in unskilled or semi-skilled occupations who are highly motivated to improve their position and are suitable for further training;
- adults entering the workforce for the first time, or after a substantial period of absence;
- adults who want a change of occupation.

No single system of adult training is applicable to every circumstance. To some extent, every member of the labour force is undergoing training throughout his or her working life—learning new processes, methods, operating new machines, and so on. There has always been, and will continue to be, a considerable amount of informal adult training occurring within firms. ITBs also actively facilitate and encourage the process of continuous training within industry. Labour turnover often means upgrading skills, or learning new skills for the individuals involved. Also during the 1980s, it is likely that unions and employers will negotiate in-house training schemes, particularly when new technology is being introduced.

However, in the future, there are likely to be a significant number of adults for whom these informal, in-company arrangements, will not be sufficient if full productive use is to be made of their abilities. These people will require community assistance to engage in training or retraining. There has been a welcome announcement in the 1980 Budget that retraining assistance will be made available to displaced workers.

In chapter 6 some of the major current issues of training policy were discussed and many of the comments made there are

equally applicable to adult training. The Council also believes that the recommendation of the Educational Development Conference of 1974, for a far-reaching inquiry into “the extent to which financial assistance should be afforded to learners from the end of compulsory schooling onwards, including consideration of the possibility of devising for all New Zealanders a scheme of educational entitlement which would provide them with recurrent access to education in forms and at times best suited to their needs”¹ is more relevant now than ever before.

In the immediate future, the placement and guidance service of the Department of Labour should be in a position to offer guidance and advice to adults on the options and opportunities available and, where necessary, placement in appropriate training or retraining schemes. These may vary from confidence-building courses or refresher courses for those returning to the workforce, to short training schemes for skills in immediate demand, to extensive trade or technical training, and to the development of management skills required by the self-employed.

This will require close co-operation and co-ordination between the placement and guidance service and the research and evaluation unit referred to earlier, and those institutions which are co-ordinating or providing training services.

Income maintenance for adults placed in training schemes is obviously a key issue. We discuss the structure of income maintenance in chapter 8. In the absence of any comprehensive educational entitlement scheme, the Council believes that entitlement to income maintenance for adults undergoing training (as opposed to students) should be limited to people who are registered as unemployed, and for whom training is likely to improve appreciably their prospects of obtaining a job.

¹ *Directions for Educational Development*, a report prepared by the Advisory Council in Educational Planning, Wellington, 1974, p. 102, para 5.67.

Flexibility is vital in the provision and structure of training schemes for adults. In some cases training will be provided in institutions. In other cases it may be desirable to pay the equivalent of the income maintenance appropriate for an individual as a wage subsidy to an employer who is willing to provide training. In such cases, the employer should be required to provide systematic training on the basis of an agreed training programme. New measures, announced in the 1980 Budget, provide for income maintenance for unemployed people undergoing training in institutions, and for a wage subsidy to employers who undertake to train unemployed people. These indicate a recognition of the need for a flexible approach to retraining.

To limit the cost to the individual and the community, the aim should be to minimise training times. Credits should be available for previous experience, including that experience which arises from participation in the work force.

In the Council's view the time spent by some people out of the paid workforce caring for children or other dependants may provide an appropriate period for training or retraining on a part-time basis. In other cases adults could be encouraged to enrol in evening classes to learn the desired new skill. It is recommended that the requirements of the AAVA and the TCB that people must be in employment related to the training course they are undertaking should be liberalised wherever practicable, to allow more people to start their training before they re-enter the workforce.

In chapter 15 the Council discusses policies which would assist women, many of whom have skills that are in demand, to re-enter the work force.

Chapter 8 Income Maintenance

The purpose of income maintenance for the unemployed is to assist people who are normally dependent upon paid employment for their income but who are temporarily without paid employment while they find a job. It should therefore be payable only to those who genuinely wish to obtain paid employment, and only for the period they are engaged in a job search.

Income assistance of this sort is not intended to sustain people for long periods. It should clearly reflect its proper function as short-term income support. The Council believes therefore, that the present unemployment benefit should be abolished and replaced with a job search allowance, payable for a finite period only, and subject to the following procedures.

- 1) Upon enrolling for work with the Department of Labour the client would be interviewed and if eligible receive a job search allowance at the appropriate rate in accordance with the applicable regulations.¹
- 2) If still unemployed after 4 weeks of receiving the allowance the client would again be interviewed and progress in the job search reviewed.
- 3) If still unemployed after a further 4 weeks, a third interview would be held. At this point every effort would be made to offer the client a number of options designed either to occupy his or her time productively, or to improve his or her prospects for employment. These would include placement on a specific or general training scheme, relocation if practicable, or placement on a job creation scheme. Where a reasonable alternative was available, the job search allowance would not be continued for longer than 2 weeks after this interview. In most cases, therefore, the job search allowance would not be paid for longer than 10 weeks; continued income would depend upon the acceptance by the individual of one of the options offered by the department. At that point the job search

allowance would cease, and would be replaced by a training allowance, or the wage appropriate to a job creation scheme.

Obviously such a system should operate flexibly. For instance, in some cases, reference to training schemes might be agreed upon at the first interview while in others, a period of job search longer than 10 weeks may be appropriate. There should also be provision for employment officers to discontinue the payment of income maintenance if it became clear that the persons concerned were not engaging in a serious job search, or were refusing to accept employment within their capabilities. The Council also considers that young people, in particular, should be expected to accept offers of part-time employment if the earnings from such employment are at least equivalent to the job search allowance. There would also need to be some appeal procedure to safeguard against unreasonable actions on the part of employment officers. Such an appeal procedure could be extended to dismissal from participation in training, retraining, and other schemes operated by or through the Department of Labour.

There may well be a few people who, although capable of working, are not enthusiastic about work and unreasonably refuse to accept any of the options offered. These people could be said to have opted out of the labour force. They should no longer be the responsibility of the Department of Labour. (Whether some subsistence welfare benefit should be available for them is a separate welfare policy question beyond the scope of this document.)

The changes we propose are specifically designed to minimise the number of people unemployed for long periods of time. This is an aspect of the present situation of special concern to the Council. We readily concede that of itself the concept of a job search allowance does not "solve" our unemployment problems; although it could to some extent circulate a given level of unemployment, it does not create jobs.

The Council believes, however, that the proposed changes in income maintenance

¹The unemployment benefit is currently payable 7 days after the expiry of the applicant's holiday pay entitlements, or 7 days after registration, whichever is the later. It is proposed that the job search allowance would be subject to the same rules.

coupled with the emphasis placed upon training represent a more constructive approach to the situation that exists than does the present unemployment benefit. They are also well suited to coping with unemployment that results from the reorganisation of industries.

However, success in minimising long-term unemployment, in the manner outlined above, is dependent on maintaining a relatively low level of unemployment—certainly no more than New Zealand has at the moment. While our proposals would still be valid with higher levels of unemployment, success in minimising long-term unemployment would decline proportionately. This would vary from region to region.

The Council suggests that the job search allowance should continue to be paid to people for whom no reasonable alternative options are available, but that effort and resources should be concentrated on minimising the numbers in this situation, and the length of time any individual is unemployed.

The level of income maintenance

The job search allowance, designed primarily as short-term income support, need not, in the Council's view, be particularly generous. However, should the job search prove unsuccessful, the placement of people in either an employment creation scheme or in training creates a different set of circumstances.

Award rates are payable on job creation projects and people on these projects will therefore receive a living income. Both in practice, and in equity, continued income maintenance will also be required for those placed in training schemes. This income maintenance should take into account:

- The need for a living income.
- The question of relativity with wage rates payable on a job creation project. If the income received while training is *markedly less than that payable on a job*

creation project, there will be an understandable desire to be placed on a job creation project. The latter are, in general, more expensive to run, and less likely to contribute to an upgrading of the skill levels of the workforce, than are training schemes.

The Council therefore recommends that people placed in training schemes should receive a training allowance which could be established at an equivalent rate to national superannuation.

Payment of a training allowance at this level to single people under 20 who have formerly been in employment could result in an over-generous level of income maintenance in relation to the level of wages generally paid to this age group. The Council suggests, therefore, that a young single person's training allowance should be established at a rate equivalent to 75 percent of the adult single person's training allowance. This would be payable to under-20-year-olds who have been in employment for 6 months prior to enrolling with the Department of Labour.

A training allowance should also be available to unemployed school-leavers. However, all school-leavers on a training course should receive the same level of income maintenance. Therefore, the new entrants' training allowance should be equivalent to the tertiary student grant.

Having established a training allowance structure related to an established and recognised standard of income, the job search allowance could be fixed as a percentage (for instance 75 percent) of the training allowance applicable to each individual, except perhaps for school-leavers for whom the tertiary student grant could also serve as a job search allowance.

Both the job search and the training allowances would be taxable (except for the allowances payable to school-leavers because the tertiary student grant is not taxed). Appendix 3 compares the changes suggested above with existing income maintenance allowances.

In order to encourage people to accept part-time employment or training the Council considers that both the job search and training allowances should be abated for earnings, but by a formula which does *not discourage people from working*.

Who should qualify for the job search and training allowances?

The current unemployment benefit is paid only to people aged 16 or over enrolled for work with the Department of Labour who have no other means of support. Married applicants qualify only if their spouse is earning less than \$25.00 per week.

The Council considers that both job search and training allowances should continue to be available to people who qualify for the unemployment benefit. But in recognition of major changes in the roles of men and women, the Council suggests that consideration should be given to extending entitlement in a number of areas.

Married people

Continuing changes in the roles of men and women, discussed in Part I, have particular relevance to eligibility for income maintenance during unemployment. Significant numbers of people now pride themselves on their independence from their spouse's income and resent the statutory assumption, implicit in the present provisions, that they should be kept by their spouse. The expenditure patterns of many families are now based on two incomes; the sudden loss of one income can cause severe financial difficulty. There are also people who describe themselves on official forms as single, and are thus eligible for the unemployment benefit, when they are living in a *de facto* relationship.

The Council believes that these social trends should be recognised in the benefit structure. Consequently, the provision of job search and training allowances to each person in his or her own right if he or she should become unemployed, should now be given serious consideration. Such an extension in eligibility would be a major social reform¹ continuing in the direction of recent legislation against discrimination.

¹Such a move raises complex social issues (such as the position of those whose work is caring for their families) beyond the scope of this document.

Logically, each person with a working spouse and no dependants who enrolls as unemployed should receive the rate for a single person. However as a first step, it is suggested that consideration should be given to paying such people half the rate of a married person with a dependent spouse. The costs of this proposal are discussed in detail in chapter 13.

The Council has been concerned at the current and prospective pressures on public expenditure particularly in the category of transfer payments. A widening of the criteria for eligibility for income maintenance for the unemployed would have to be considered in this context. It would be a costly innovation and the timing of its introduction must be a political judgment related to prevailing budgetary considerations, and to the priority which the Government accords to this innovation compared with other important social needs and other claims on the public purse.

Re-entrants to the workforce

Currently, any person is entitled to enrol for work with the Department of Labour, but income maintenance is not available to people re-entering the workforce after a period of absence if they have other means of support. The Council believes that re-entrants should continue to use the placement and guidance facilities of the department. In principle the Council also favours the extension of eligibility for job search and training allowances to re-entrants. The number of people who are currently not in the workforce but would like to re-enter it is not easily estimated, but it would not be unreasonable to assume that the numbers could be large. Financial inducements for these people to try to re-enter the workforce could well overload the facilities of the Department of Labour and the education system and involve considerable additional public expenditure both in terms of benefits and the resources required to meet training demands. It is also unrealistic, indeed damaging, to encourage people to engage in what may well be a fruitless job search, not only because aggregate employment opportunities are not

there but because the position is particularly serious in individual districts and smaller population centres.

Consequently, the Council cannot support at this time, the extension of the job search or training allowance to re-entrants to the workforce. It suggests however, that as a first step consideration should be given to granting a re-entrant who is placed by the Department of Labour on a training scheme likely to lead to his or her employment, an incidental expenses allowance of \$10.00 per week on the same basis as is now available to unemployed people placed in training schemes.¹ The costs of this proposal are discussed in further detail in chapter 13.

Part-time workers

Job search and training allowances should also recognise the growing demand for, and incidence of, part-time work (which partly reflect the social trends discussed earlier). The Council suggests therefore, that consideration should be given to making available job search and training allowances to people who have been employed for 20 hours or more per week, on a pro rata basis in proportion to the number of hours worked in the previous employment.

Who should pay the allowance?

At present applicants for unemployment benefit must first register with the Department of Labour then apply to the Department of Social Welfare for payment to be made. This system is subject to much criticism because of the confusion and inconvenience it causes unemployed people.

Several suggestions have been made to improve the system. These include transferring the payment of unemployment benefits to the Department of Labour,

locating officers of the Department of Social Welfare in employment offices, or eliminating the requirement to register for work in order to qualify for the unemployment benefit.

The Council considers that the Department of Labour is the appropriate agency to which applications should be made for payment of income maintenance during unemployment. If this function were transferred to the Department of Labour the computer facilities of the Department of Social Welfare should still be used for processing the payment of income maintenance.

Improving the procedures for paying income maintenance

The relative ease with which until recently people could generally find employment created some suspicion in the community about the motives of people who claim the unemployment benefit. There is sometimes an assumption that a high proportion of the applicants are more interested in obtaining income maintenance than work. Some of the present procedures for paying the benefit seem to have been constructed on this premise. If it were ever true, it is certainly not the case now. The majority of applicants are genuine job seekers, some of whom apply for the benefit only as a last resort.

The proposal to switch the payment of such income maintenance from the Department of Social Welfare to the Department of Labour, thereby linking the allowance closely to participation in the labour market, may assist in changing community attitudes. However, the Council believes that some other improvements in procedures are required.

For instance, the current unemployment benefit is not paid out until the statements by the applicants regarding the reasons for loss of employment, particularly the time of expiry of the last wage payment, are verified with the previous employer. This can take some time and can be distressing for the applicants.

¹See Budget Press Statement No. 15 of the Minister of Labour, Hon. J. B. Bolger, 5 July 1980.

The Council suggests that generally the payment of the job search allowance should not be delayed until the applicant's statement is verified. The officers issuing the benefit should have the power to withhold payment only if they have serious doubts about the applicant's statement. If after the verification process it is clear an applicant has been overpaid, an adjustment could be made to subsequent payments or an order for recovery obtained.

The current benefit can in several situations be withheld for up to 6 weeks. The most common are where the person has been deemed to have left his or her previous employment without good reason or has been dismissed for misconduct.

Departmental officers have considerable discretion in deciding whether to withhold the benefit on these grounds. In some offices it is exercised only in cases of serious abuse. In other offices a much stricter interpretation prevails. A withholding provision based on these criteria can be useful as a reminder to people not to leave their present employment in a hasty or ill-considered way, or before arranging alternative employment. The Council believes, however, that the regulations governing income maintenance should not contain any implication that people can be punished for being unemployed—an attitude neither desirable or relevant in the 1980s.

We therefore suggest that people who are apparently applying for a job search allowance for the first time should not be subject to a withholding provision based on the two criteria mentioned previously. In addition, any person applying for the allowance on any subsequent occasion, and who does have the payment withheld for either of the above two reasons, should receive a written explanation of why this has been done.

Chapter 9 Redundancy

To be declared redundant is a traumatic experience which often evokes feelings of anger, bitterness, and betrayal. Redundancies are typically fraught with tension and uncertainty, but are unfortunately inevitable in an industrial structure undergoing rapid development and change. While benefit to the community can be expected from the improved efficiency in the allocation of resources, people are unlikely to accept the changes if the visible consequences for them are simply disruption and insecurity.

At present redundancies are handled almost entirely by the employers and unions directly concerned. Generally, the parties concentrate on negotiating a redundancy agreement, the main purpose of which is to provide a payment for workers made redundant. Finding new jobs is often overlooked. It may be beyond the resources of the particular union or employer involved. Nor is there a consistent set of guidelines for dealing with these situations. Consequently, each case is usually negotiated as a separate issue. This tends to increase the level of uncertainty and insecurity surrounding redundancies, encourages the parties to treat each case as a battleground, and is not conducive to good industrial relations.

The community has an interest in both improving security and certainty for individual workers and ensuring that the people made redundant are re-employed quickly. The Council believes that these objectives can be at least partly achieved by the establishment of some universal ground rules. As in many countries, these ground rules should be established jointly by the central organisations of employers and workers. If, however, no progress is possible along these lines in the near future, the community's interests might be best served by the development of a comprehensive national redundancy policy initiated by the Government. The Council outlines below the main elements of a possible policy although it recognises that a national redundancy scheme could only be

introduced after extensive consultations with employers and unions.

Notice of redundancy

Most awards now contain a requirement that an employer must notify the union prior to issuing redundancy notices. Sometimes this means a phone call 5 minutes before the workers are told, while some of the more sophisticated agreements require 4 weeks' notice.

There is no legal requirement for the employer to notify the Department of Labour and only rarely are the department's officers involved in these situations. However, if all employers were legally obliged to provide 4 weeks' notice of a redundancy to the Department of Labour as well as the relevant unions there would be real advantages for all concerned.

Such a period of notice would facilitate the active involvement at an early stage of placement officers whose main interest is to assist people to find employment. These officers would interview workers on the job, identify people who may have particular employment difficulties, and generally assist people to find alternative work or, if necessary, placement on a training or employment creation scheme. Their early involvement would encourage employers to plan a redundancy situation better than they often do now, and would facilitate more rational discussion between the employer and the union(s) on how best to organise the redundancies.

The provision of a more adequate universal notice period, and the active involvement of the placement and guidance officers, would do much to maintain a calm atmosphere and, over a period of time, lessen the fear of redundancy.

People who had not succeeded in obtaining alternative employment at the end

of the notice period would have had an extensive involvement with officers of the Department of Labour. They should not, therefore, be subject to a 7-day stand-down following the expiry of their holiday pay before receiving the job search allowance.

The Council recognises that in a small number of cases, such as bankruptcy, employers will not be able to provide 4 weeks' notice. In such circumstances, the employer could apply to the Department of Labour for an exemption from the notice requirement, and 4 weeks' pay in lieu of the notice period could be due to the affected workers.

Redundancy payments

The concept of redundancy pay is now largely accepted in the community. The payment is usually regarded by employers and unions as compensation both for lost benefits (which accrue with service to one employer—accumulated sick leave, holiday entitlements, etc.) and for insecurity and tension. They are also often regarded as a bribe necessary to obtain the peaceful acceptance of change, and an orderly transition to a new situation.

However, at present the level of redundancy payment, or whether a payment is made at all, is determined not by any principle of equity, worker to worker, but by the financial position of the worker's firm, and the strength of his or her union. Where businesses fail, there are often difficulties even in obtaining workers' legal minimum entitlements.

Confusion about the purpose of redundancy payments has led to anomalies. While unions and most employers have regarded these payments as compensation rather than as income maintenance, the Department of Social Welfare has regarded them as half and half. Whether any part of a redundancy payment is used for income maintenance is a matter of luck, depending on how quickly the worker secures alternative employment.

In order to increase the level of certainty, improve our industrial relations, encourage the acceptance of change, and overcome the

above anomalies, we suggest that all workers declared redundant in terms of defined criteria be entitled, as of right, to a standard compensatory payment. This payment should be related to the worker's current rate of pay and length of service with the employer. It should not be offset against income maintenance entitlements: it should be universal and guaranteed, compensatory in nature, and part of a total package of labour market policies. The Council understands that there is a generally accepted level of redundancy pay common to many of the agreements between major companies and their respective unions, and this could provide the basis of the agreed standard payment.

As part of a total approach to active employment policies, the standard payment should suffice in most circumstances. We anticipate, therefore, that unions and employers should, upon the implementation of this proposal, gradually withdraw from negotiating redundancy agreements (except in exceptional circumstances). They should concentrate on a full involvement with the active employment policies and focus their attention on finding people new jobs. The Council suggests that the closer the guaranteed standard payment is to existing generally accepted levels, the greater the argument for abolishing altogether negotiation of redundancy payments above the guaranteed standard. In order to discourage negotiation of additional redundancy payments, the Council suggests that payments made above the standard level be considered as income when assessing entitlement to income maintenance, and be taxed as normal income.

There are important questions about who should pay the standard payment and how it should be funded. It could, like holiday pay, be a statutory obligation on employers. Employers could pay a levy to a State fund or take out a redundancy insurance policy. It could be funded from general taxation.

While a mandatory obligation on employers may seem to be the simplest solution, this may not on its own achieve the desired objective. In some cases, long drawn out legal proceedings would be required, while in others there may simply not be enough money. At times payment of

redundancy money to some may jeopardise the continued employment of others. On the other hand, increasing taxation is not likely to meet with a great deal of sympathy in the community.

The insurance industry is also unlikely to welcome involvement in a comprehensive compulsory insurance scheme. The risks are so indeterminable that premiums could not be based on actuarial principles. Among insurers there is also a strong dislike of compulsory insurance schemes for purposes which are essentially aspects of social welfare policy.

The Council suggests that the simplest and probably fairest approach would be either a fund administered by the State but based on a levy on employers, or a compulsory requirement on employers to provide a guaranteed payment with the State providing an emergency fund to cover those situations where the employer just could not pay. In the latter case, where redundancy pay would jeopardise the jobs of remaining workers, the State might provide the employer involved with concessional loans to be repaid when the employer was in a position to do so. In cases of bankruptcy, the State might pay out the redundancy entitlement, and perhaps other entitlements, and become a priority creditor.

If it were not considered feasible or desirable to involve the State, a small levy on employers and perhaps employees to cover emergencies (jointly administered by the employer and the unions) would be an alternative.

Such a national redundancy policy, incorporating a universal redundancy payment and mandatory redundancy notice period, would contribute significantly to improving the security of workers. This would help facilitate a responsible, rational, and flexible approach to change by workers, employers, and the community.

Chapter 10 The Disabled

One of the consequences of a more competitive economy may be less tolerance among employers and workers for the employment of people who are perceived to have an impaired capacity for work or have specific learning difficulties. Without special assistance these people may suffer the disadvantages of rapid change, but gain few of the benefits. The Council believes that this would be both inequitable and costly in the long term.

The placement and guidance service should be able to recognise people who require specialist assistance, and either refer them to appropriate agencies or carefully place them in appropriate employment.

A number of agencies (such as the Rehabilitation League N.Z. Inc.) offer assistance to people with disabilities. However, these agencies are generally unable to cope with the numbers requiring their assistance and often have substantial waiting lists.

It may be necessary to engage in a continuing campaign to educate employers to assess very carefully whether a person's disability would really impair his or her effectiveness at any particular job, and to provide suitable access to their premises for the physically disabled. More assistance should be available for workplace adaptation and aids for disabled people. Problems of transport and access to training facilities require further attention. A more aggressive use may have to be made of the under-rate workers' provisions of the Industrial Relations Act, with the employment service seeking positions for disabled people on this basis.

For people who are severely handicapped, or for people who require a long transition period, greater use should be made of "sheltered employment" to enable them to engage in some productive activity.

Reference has been already made to a group of people who, for a variety of reasons, have difficulty in coping with modern living including the responsibilities of employment. Some follow lifestyles which may be destructive to themselves and the community. Some adopt modes of dress

and behaviour that are unacceptable to the mainstream of society.

Previously they have probably drifted in and out of employment and may have spent periods in prisons or mental hospitals. In future, they will find it more difficult to obtain employment in the conventional labour market. This is likely to heighten their feelings of alienation and rejection.

In addition the recent absence of employment opportunities has created a group of chronically unemployed people who may now have great difficulty fitting into a conventional employment situation even if it were available.

Rehabilitation in this area requires an imaginative, sometimes unconventional, response. Experiments have shown that many of these people respond to different types of work organisations and structures, such as those found in work co-operatives and work trusts. Therefore the present group work schemes and rehabilitation programmes should be extended and such ventures encouraged as part of an active employment policy.

We see a need to help these groups to organise themselves into effective working units, and to provide them with advice on business procedures and loans on reasonable terms for equipment and working capital.

Support should aim to foster the development of self-confidence and self-sufficiency to the point where members can participate in the conventional economy, either as individuals or as a business enterprise. Often this would be required only at the outset while they learned to work together and develop their skills. Apart from the initial provision of work and training it is not envisaged that the Department of Labour would provide direct support to these groups, but would primarily act as a referral agency.

The Council endorses the measures announced in the 1980 Budget designed to provide assistance to co-operative enterprises involving unemployed people. Such assistance recognises that because many members of these work groups are

likely to have had unstable work records and a low level of assets, they may face major obstacles in obtaining the resources and services available to more conventional businesses. The work skill development programme announced in the Budget should also provide positive assistance for young people who do not have, or have lost, basic work skills and work habits.

Rehabilitation is often a slow labour-intensive process. The Council is convinced that for reasons of equity, and social stability, it is in society's interests to invest a reasonable share of adjustment assistance in the process. Failure to provide the disabled with adequate assistance is likely to add to the class of welfare dependants. In some cases, they may exercise their frustrations through various forms of antisocial behaviour.

The Council recommends that consideration be given to increasing the resources available to agencies and groups that are successfully working with those who have particular employment disabilities.

Chapter 11 Employment Creation

In the period immediately ahead, growth in the economy is unlikely to be sufficient to create paid employment for all who will be seeking it. Even in the medium term the combination of economic growth and the active employment policies outlined in chapters 4-10 will not always be sufficient to achieve full employment. The economy will continue to be subject to cyclical fluctuations in activity and in the availability of paid employment. Structural change is not an even or instantaneous process; nor are the adjustments to it. People may have to wait before either permanent paid employment or an appropriate training opportunity becomes available and would need time before making a decision to relocate. They will however continue to seek paid employment during such involuntary transition periods.

There is also a significant seasonal variation in the availability of, and demand for, paid employment in the New Zealand economy. This is particularly evident in primary production and food processing. In the summer months the demand for paid employment is boosted by students.

The Council believes that specific creation of paid employment should always be one component of an active employment policy, although the need for it will vary at any time according to national and regional economic conditions. It is not a cheap option and should not be regarded as an alternative to paid employment arising from expansion in the economy. Nor is it a substitute for effective vocational guidance, training, relocation, or placement services. It is a complementary back-up measure.

Central and local government special-works projects have long been used to counter unemployment (for example for freezing workers in the off-season). The existing temporary employment programme (TEP) and the student community service programme are extensions of this earlier response to seasonal and cyclical unemployment. Schemes to create jobs in the private sector, such as the farm employment scheme (FES) and the

additional job programme (AJP) have been introduced in more recent years. During 1979 about as many people were employed under these programmes as were registered as unemployed. In 1979-80 gross Government spending on job creation was about \$133 million.

Valuable work has been done under these schemes. Nonetheless, there has been criticism of some aspects: the short-term nature of the work (a maximum of 6 months) which provides little security for any employee or scope for projects requiring a stable workforce for longer than this; the apparently useless nature of some work (e.g., clearing land which later reverts to its previous state); some lack of opportunities for employees to develop their skills and employment prospects; the limitations imposed by paying only wage subsidies plus sometimes a small allowance for transport and overhead costs; the use of TEP by departments seemingly to circumvent restrictions on permanent staff numbers; the alleged use of the schemes by employers in the private sector to substitute subsidised for non-subsidised employees; and the claim that many of the private sector jobs would have been created even if the wage subsidy had not been available.

Changes to the public sector employment creation schemes were announced in the 1980 Budget. These modifications recognise the different needs of particular groups of job seekers and give more emphasis to training within employment creation programmes. The temporary employment programme is to be phased out and replaced by four new programmes: a winter employment programme for those seasonal workers who are unable to find work in their off-season; a student community service programme for tertiary students unable to find work in the long vacation; a work skill development programme to develop the work habits and basic skills of mainly young job seekers; and a project employment programme to provide short-term employment for job seekers who

do not come within the scope of the other programmes.

In this chapter we discuss policies for employment creation in the following areas:

- public funding of additional work;
- facilitating job creation in the private sector;
- the programming of capital works.

Public Funding of Additional Work

Additional work that is publicly funded should enhance social, economic, and cultural development in the broadest sense. It should be an investment in the future; be relatively labour intensive; contain a training component; endeavour to utilise otherwise idle resources; and have a relatively low import content.

Only useful work should be undertaken. In terms of both the self-image of employees and the benefit to the community, work that is not useful is no better than simply paying the unemployment benefit but is undoubtedly more costly.

Work should usually be in the form of projects rather than continuing duties so that temporary or subsidised workers do not substitute for permanent staff. (This is also relevant to non-profit community organisations which can become dependent on staff paid for under employment creation programmes.) We therefore endorse the emphasis on finite projects contained in the recent announcements.

The Council considers, however, that the current limit of a maximum of 6 months for both the duration of, and the length of employment on, such projects (except under the work skill development programme) is too inflexible. Given the current situation, projects and employment on such projects of up to 2 years' duration should be considered in some parts of the country.

Projects should provide employees with opportunities to learn and to develop skills, preferably those that are, or are likely to be, in short supply. In some cases, these projects should also be used to enable groups with particular employment difficulties, such as the members of a work trust, to forge themselves into an effective

unit that can then compete for work on the open market. The new work skill development programme may help.

Planning job creation projects

Local authorities, Government departments, community organisations, and private employers should all be encouraged to plan possible projects that can be "put on the shelf" but quickly activated to provide jobs where necessary. The need for such projects is clear now but the maintenance of such a "buffer stock" should be a permanent feature of employment policy. Within broad guidelines set out by the Government there should be scope for flexibility in the design and implementation of projects to meet local and regional needs effectively.

It would help the planning of job creation projects if funds could be made available for "pre-investment" expenditure (e.g., design work) even though the actual expenditure on employment creation would not be incurred until later. Equally, an assurance that funds for job creation will be continued beyond the end of the financial year should encourage forward planning. While an open-ended assurance could not be expected the Government should consider financial procedures which would facilitate planning. Perhaps a rolling programme involving "commitment" and "planning" levels as in the Government's work programme might be appropriate.

Job creation projects in the private sector

Expanded activity in the private sector must be an important source of jobs in future. The Council has outlined policies

designed to achieve that expansion. We have doubts, however, about the effectiveness of subsidised job creation projects in the private business sector. Care is needed to ensure that such subsidies create new jobs and do not simply subsidise employment that would have been created anyway.

Facilitation of Employment Growth in the Private Sector

The Council believes that there is scope for measures to facilitate employment growth where market forces do not appear to be effective in generating activity and employment.

Rural employment

Farmers in some areas find it difficult to obtain or hold farm labour in part because of relative isolation and lack of services. These disadvantages may be overcome if people have a greater stake in a district than just a job. Farm workers who have a small holding in the district are less likely to move away. Farming communities may wish to ensure that their district scheme and local authority regulations permit this possibility.

The Rural Banking and Finance Corporation and the Marginal Lands Board provide finance to assist people with farm-related jobs (shepherds, tractor drivers, fencers, shearers, share-milkers, etc.) to purchase small areas of rural land which in themselves are uneconomic, but which with the worker's other earnings will meet outgoings and provide a reasonable standard of living. During the years ended March 1979 and March 1980 financial assistance was provided by these agencies for about 135 and 185 workers' holdings respectively; but demand is higher. The Land Settlement Board occasionally offers for sale rural workers' units for which there is also a high demand. These agencies should be encouraged to meet this demand

in areas where there are likely to be difficulties in attracting and retaining farm labour. Consideration should be given to basing lending on the past record of the applicant in cases of leasehold blocks and also to extending present policies to include prospective, as well as established, farm-related workers.

Various share-farming and partnership-farming arrangements could also help to attract and retain farm workers. These would provide greater security for farm workers, an incentive to increase farm production, and an equity to help with financing their children's education and purchasing a retirement home. The Farm Workers' Association is encouraging developments of this nature.

Schooling is a major issue for many on farms and in rural communities. The costs of sending children to boarding school are high; this together with uncertainty about the future of some rural schools sometimes leads farm workers to move to the towns as their children grow older. Measures to stem the decline in rural populations will help to keep open rural schools thus easing one disincentive to rural employment. The 1980 Budget announced an increase in the school boarding bursary and school transport assistance limits. Attention should continue to be directed to the problem of staffing rural schools.

Schemes have been developed (for example in Nelson) which offer young people the opportunity of seasonal work in rural areas. These schemes broaden the horizons of the participants and overcome seasonal labour shortages for fruit picking and other horticultural activities. Some of

the young people participating in such schemes may as a result decide to seek further employment in rural areas. The Council would like to see these schemes extended.

Small-scale, labour-intensive activities

Some people have chosen to provide, or would like to provide, their own employment through small-scale labour-intensive activities (for example arts or crafts, agriculture, or fishing). These people are a valuable part of social and cultural diversity in New Zealand. In particular many Maori people and communities find this type of development attractive.

The value system of this group may be somewhat different from that of the mainstream of New Zealand society. They are usually satisfied with lower incomes than would be considered necessary by most New Zealanders; it is only because of this that these labour-intensive activities are seen as viable by them.

There are obstacles to such ventures. Finance is often not available from conventional sources. Rural land and building policies aimed at preventing "uneconomic" units are in direct conflict with this option. Although the Government is making available some finance and extending advisory services for those

choosing to engage in these activities some further assistance may be required. Where district schemes, regulations, and legislation (such as the Factories Act) hinder small-scale activities they should be reviewed.

Efforts to develop markets for artists and craftspeople should be supported. Increased expenditure by public bodies and firms on purchasing local arts and crafts, and on staging performances by local artists, is recommended.

Regional development assistance

In the Council's view a major objective of regional development policies should be the creation of employment based on the resources of the region. Regional development should be seen as an important element in the planning and implementation of any national employment policy. Under the Town and Country Planning Act 1977, employment is identified as one of the matters to be considered in regional and district planning schemes. The new and more positive approach to regional planning under this Act should facilitate co-operative action by central government, local authorities, and private enterprises to identify and bring to fruition viable developments which will create employment in the regions.

Programming of Capital Works

The programming of public sector capital works can take into account the relative employment situations of different regions. Currently, projects in areas with high unemployment may be brought forward. This should continue where possible. Forward planning and design of public sector works can also contribute to the development of a buffer stock of employment creation projects mentioned

earlier.

Some key industries (e.g., heavy engineering and construction) are vulnerable to sudden changes in demand for their output. Programming by the Government of its works activity can help to maintain stability in these industries. There can also be scope for co-operation between the public and private sectors in respect of planning for major projects.

Chapter 12 The Administration of an Active Employment Policy

Sustaining full employment will be a more complex and difficult problem in the 1980s than it was until recently. Ad hoc approaches to the formulation and implementation of policy will no longer do. The stress on the existing machinery will be increased if the measures suggested in this document are adopted. The administration of employment policies should, we believe, be reviewed on the basis of the following principles: effective co-ordination of active employment measures nationally and regionally; community involvement in an active employment policy; and regional flexibility.

Effective co-ordination at the national and regional levels

At present no one institution is effectively responsible for advising the Government on employment and training policies.

Co-ordination difficulties among various agencies have already affected the development and implementation of policies. A particular area of fragmentation is training: responsibility for policy and the delivery of services is divided among the Vocational Training Council (VTC) and its industry training boards (ITBs), the Department of Labour, national and local apprenticeship committees, the Department of Education (and the various institutions of learning), and the Department of Maori Affairs.

Similarly statutory responsibility for manpower forecasting and planning lies with the VTC, the Department of Labour, and apprenticeship committees. But it is not clear which should co-ordinate the results of forecasting and planning to ensure any necessary action. The links between training policy and services, manpower forecasting and planning, and vocational guidance and placement services are also inadequate.

The lack of clear lines of responsibility within the central government is particularly evident in the regions where there are training liaison committees, vocational guidance liaison committees, employment advisory committees, and work exploration committees, all operating within their own particular spheres. In addition, while the regional development councils are charged with the promotion of employment, they are responsible to the Department of Trade and Industry and have few formal links with employment bodies. Under the Town and Country Planning Act 1977, the new regional and united councils also have a concern with employment needs. Provision is needed for better co-ordination of the work of all these bodies and the avoidance of duplication.

Community involvement in active employment measures

A dynamic employment policy requires the close involvement of unions, employers, and the educational community in its development and implementation.

Currently, unions and employers participate in a number of bodies directly concerned with employment and training policy, e.g., the VTC, ITBs, apprenticeship committees, prescription committees of the TCB, the Consultative Committee on Employment Policy, most of the regional committees listed earlier, and ad hoc committees set up to consider particular issues. Representatives from educational institutions also participate in many of these bodies.

The Council believes, however, that the involvement of the major social partners and the education community is currently too diffuse. The lack of a central focus limits the opportunities for participation in the development of policy on a continuing

basis at the highest level. It also places great pressures on already busy people. A review of the present arrangements should aim to strengthen the effective participation in policy-making of unions, employers, and educationalists.

Regional flexibility

Chapter 1 noted the wide regional variations in the New Zealand labour market. Even within regions there are differences in labour markets, for example

between South Auckland and the Auckland Isthmus, and between Porirua and Wellington City. An active employment policy must be flexible enough to respond to the differing needs of different parts of the country. The most effective way of achieving this is often to devolve responsibilities for both policy development and implementation.

We mentioned earlier the considerable number of committees and agencies operating regionally. Co-ordination among these groups should be designed to strengthen the regional input, not weaken it.

Options for Re-organisation

The Council has considered three broad options for administrative reform: to create a semi-autonomous statutory authority; to create a Department of Employment; and to reorganise the Department of Labour.

A statutory authority?

A precedent for a semi-autonomous statutory authority is the British Manpower Services Commission. On this model the authority would comprise representatives of unions, employers, and others directly concerned with employment policy. It would administer the placement and guidance services, and the job creation and apprenticeship functions of the Department of Labour and the VTC (ITBs could continue as agents of the authority). The authority should carry out its own research and evaluation.

This option has a number of attractions. It would provide for the direct and immediate community involvement in policy and its implementation. It offers the possibility of greater flexibility than currently within the departmental structure in both policy and staff recruitment.

On the other hand the Council saw disadvantages. The creation of a monolith

could well make more difficult the introduction of a desirable degree of flexibility and diversity in policies and services. Too great a degree of independence could lead to an expansion of competitive services elsewhere within the public sector. In any event such a radical departure from the existing system could not be brought effectively into operation with the urgency we believe is necessary.

A Department of Employment?

It has been argued that the establishment of a Department of Employment separate from the Department of Labour would underline the Government's commitment to positive employment and training policies. Particular importance has been attached to the separation of employment responsibilities from regulatory and industrial relations functions. Experience suggests that the decision to establish a new department is one to be approached cautiously. There is inevitably a difficult settling in period. It would also be necessary to consider whether the resulting two departments would each command sufficient "critical mass"—in terms of numbers and career opportunities—to make the contribution expected.

A reorganised Department of Labour?

The Department of Labour is currently charged by statute (The Labour Department Act 1954) with the general function of promoting and maintaining full employment and training and amongst other things of providing "a complete employment service for the purpose of servicing workers in employment, assisting employers to provide employment, assisting persons in all sections of the community to find better or more suitable employment (whether in professional, technical, supervisory, or any other capacity), and assisting persons who require occupational readjustment or training or other assistance to enable them to continue or resume full time employment" (section 9a); and with "making surveys and forecasts of the classes of employment from time to time required or available or likely to be required or available, and to do all things deemed necessary or expedient for the purpose of placing suitable and qualified persons in such employment on a voluntary basis" (section 9e).

With full employment after the war, these aspects of the department's responsibilities were overshadowed by its regulatory and industrial relations role. Throughout the 1970s, however, the industrial relations role has become even more demanding and additional regulatory responsibilities have been allocated to it. These developments and new policy responses together with the substantial increase in the number of registered unemployed have changed the demands on the department. As one indication of the department's changed role, its Vote has increased from \$11.5 million in 1974-75 (0.3 percent of total Government expenditure) to \$162.3 million in 1979-80 (2.0 percent of total Government expenditure). Most of this increase has occurred in employment and training.

If the department were to be given a stronger role in co-ordinating and overseeing employment and training policy, a strengthening of its formal links with other relevant bodies and greater input from the social partners at the policy level would be required. Some reconsideration of its

management structure might also be appropriate. The objective would be to ensure that those parts of the department concerned with employment and training had the resources necessary to carry out their important functions. The required experience and skills are not necessarily those appropriate to the department's industrial relations or regulatory functions—and this should be recognised in personnel policy and organisational structure. This separation of functions is of particular importance in districts, where the perception of the department is still heavily influenced by its formerly dominant inspection functions.

The Council's view

After considering these three options in the light of the three basic principles discussed earlier, the Council recommends that consideration be given to the following institutional arrangements.

The Department of Labour should become the central source of policy advice, co-ordination, and leadership in the development of an active employment policy. The management structure of the department should be reviewed to ensure that the organisation and resources of those parts responsible for employment and training—placement, vocational guidance, job creation, training, research and evaluation—are effectively co-ordinated and capable of handling the important responsibilities we propose should be vested in them. A separate management structure responsible for employment and training is envisaged nationally and in district offices.

The Consultative Committee on Employment¹ to become a statutory Labour Market Advisory Board.

This board would be the main focus for community representation and involvement in all aspects of employment policy. It would be directly responsible to the

¹The Consultative Committee on Employment is a non-statutory consultative tripartite body, chaired by the Secretary of Labour, which monitors and advises on employment policy.

Minister of Labour and might be constituted along the following lines:

- 1 independent chairperson;
- 1 representative from the Department of Labour;
- 1 representative from the Department of Education;
- 2 representatives from the Federation of Labour;
- 2 representatives from the Employers' Federation;
- 1 representative from the Combined State Unions;
- 1 representative from the State Services Co-ordinating Committee.

It is suggested that representatives from each of the above-named bodies should be very senior people in their organisations, e.g., permanent heads in the case of departments.

The Labour Market Advisory Board would be able to establish standing or ad hoc committees on employment issues. The New Zealand apprenticeship body, discussed in chapter 6, would logically become a permanent committee of the board. The board might find it appropriate to establish a standing employment services committee to act as the prime source of advice on placement and guidance, job creation, assistance to the disabled, and so on.

Current questions that might be considered by ad hoc committees of the Labour Market Advisory Board include the impact of new technology on employment, work exploration schemes, the manpower requirements of the energy projects, and the employment implications of structural change. This would give the social partners the opportunity to discuss these crucial issues within the context of the labour market as a whole.

The board would be able to make appointments to its committees not only from those organisations represented on it but also from those with a special interest or a contribution to make.

The creation of a Labour Market Advisory Board necessarily implies some re-evaluation of the role and structure of the Vocational Training Council. The VTC has been particularly successful at an industry level, and as a working tripartite organisation. With its statutory relationship to the Minister of Education, it has acted as

an important link between education and industry. However, it is suggested that its ability to develop national training strategies and policies would have been assisted by association with an advisory body with an overview of the total labour market. The Labour Market Advisory Board would provide such an overview. It would therefore be an advantage to both the VTC and the Labour Market Advisory Board if there were close links between them.

The Council suggests, therefore, that the VTC should retain its separate status, and a special relationship with the Minister of Education. However, its primary responsibility should be to the Labour Market Advisory Board and the Minister of Labour.

Close co-ordination between the Labour Market Advisory Board and VTC could be assisted if the independent chairman of the Labour Market Advisory Board were also the chairman of the VTC. This person would then be a vital link between the Labour Market Advisory Board, the VTC, and the Minister. The position would need to be full time, and would require someone who is of high standing in the community and acceptable to all parties.

The Labour Market Advisory Board should have its own small secretariat to provide expertise and independent advice. (For "pay and rations" such a secretariat could be located within the Department of Labour.) Consideration could be given to having a common secretariat for the VTC and the Labour Market Advisory Board. Improved co-ordination and more efficient utilisation of resources could follow from such an arrangement.

The important point is however that the Labour Market Advisory Board secretariat should have flexibility in recruiting staff. People could be seconded to it from unions, employers' organisations, firms, or the State Services. Or they might be employed on contract to service specific projects or to committees of the board. This type of arrangement would be much more flexible than present arrangements for the VTC secretariat.

The ITBs, as industry-based organisations, would continue to employ their own staff, but on each ITB there should be representation from the

Department of Education and from both the training section and the research and evaluation unit of the Department of Labour. This should ensure close links between training policy and the implementation of training. ITBs should be clearly charged with producing qualitative and quantitative manpower forecasts for their sectors. The results would be co-ordinated within the department's research unit and be available to the Labour Market Advisory Board. Ultimately, apprenticeship committees should be merged with, or work alongside the ITBs. These changes would we believe facilitate the more rational approach to training as discussed in chapter 6.

In the regions there would be regional labour market advisory boards, constituted like the Labour Market Advisory Board. These would replace existing regional committees. The regional boards would be serviced by officers of the Department of Labour and should develop close links with the relevant regional planning authorities.

Conclusion

These proposals are designed to ensure that an active employment policy is administered effectively and economically. The aim is not to supersede private or local community initiatives. It is to bring these together with central government assistance into a more effective set of policies to develop the skills of workers and to create as much useful employment as possible.

Chapter 13 Costs of Implementing the Council's Proposals

In *The Welfare State?* the Council recommended that Government spending should on average during the 1980s increase at a lower rate than the economy as a whole. Assuming an average growth rate of the economy of 3 percent per annum (but lower in the short term), it suggested that Government spending overall should grow at only 2 percent per annum on average. This was recognised to be a difficult task. The Council remains of the view that economic circumstances make necessary continuing restraint on Government expenditure. But those same economic circumstances—as was acknowledged in *The Welfare State?*—give measures comprising an active employment policy a degree of priority. “For example, the rate of technological change, the need to move into new areas of production, and the desire of women to be in the labour force all suggest greater emphasis on technical training (as well as ‘retraining’) and this will cost more.”¹

Expenditure on employment policies has increased rapidly in recent years in response to increased levels of unemployment. Net expenditure under Vote: Labour for employment and training in 1977–78 was about \$37 million; in 1979–80 it was about \$145 million. Over the same period, gross expenditure on the unemployment benefit rose from \$30 million to \$66 million. In addition, there have been increases in other employment related expenditure under Votes such as Education, Maori Affairs, Internal Affairs, and Social Welfare.

¹New Zealand Planning Council, *The Welfare State?*, 1979, p. 15.

More effective use of existing resources

Many of the changes advocated in this document are aimed as much at using

existing resources more effectively, as at increasing the resources available for employment activities. Changes in emphasis in education, more systematic and efficient training, employment creation that enhances development, a national redundancy policy, and improved co-ordination among the array of organisations at present involved in employment and training are examples of this.

In some instances the effectiveness of resources already being used could be improved by the provision of modest amounts of additional resources.

For example, on the assumption that a suitable network is in existence, the cost of appropriate software, central site resources, and equipping 26 offices with screens and printers to enable the employment service to exchange up-to-the-minute information among its offices and to establish a central vacancy bank, is estimated to be between \$400,000 and \$500,000. The incremental cost of equipping additional offices with screens and printers would be about \$8,000 per office. Once the system was in position there would be relatively small annual operating costs. Such a system would enable a greatly improved service to be offered by existing staff to both job seekers and employers. It should more than pay for itself by reducing expenditure on such items as unemployment benefit and employment creation.

Similarly, while the cost of a comprehensive household labour force survey would probably exceed \$1 million annually, the Council believes that the information that it would yield should produce significant savings by enabling existing policies and expenditures to be better directed and more effective.

The establishment of a Labour Market Advisory Board and its regional counterparts is another instance where a relatively small additional expenditure should enable much more effective use to be

made of the large expenditures presently taking place. The Council estimates that the increase in staff associated with the organisational changes proposed in chapter 12 would be less than 20 and that the additional cost would not exceed \$500,000. It is confident that the benefits from having such a multi-partite body with an overview of employment policy should, over the years, outweigh this cost.

Additional expenditure

The direct costs of implementing the active employment policy outlined in this document can be divided into two categories:

- Expenditures that are largely independent of the number of people unable to find paid employment at any particular time. These include improvements in:
 - Education.** For example, strengthening the capacity of pre-school institutions and primary schools to diagnose and deal with difficulties likely to affect a child's future educational achievement, developing an alternative assessment method to operate alongside School Certificate, bringing people with diverse backgrounds and experience into secondary teaching and enabling secondary teachers to spend periods of time seconded to industry.
 - Training and training systems.** For example, putting on-the-job training on to a more systematic basis, keeping the content of off-the-job courses up to date, and reducing unnecessarily long periods of training.
 - The operation of labour markets.** For example, improved access to more extensive information on vacancies and job prospects, relocation assistance, and national redundancy provisions.
 - The development and implementation of active employment policies.** For example, a comprehensive household

labour force survey, the establishment of the Labour Market Advisory Board and the other staffing and organisational changes proposed.

It is estimated that the implementation of these elements of an active employment policy (including the computerisation of the employment service, the household labour force survey, and the organisational changes mentioned above), together with improvements in assistance for those with disabilities would when fully implemented, cost under \$10 million in any one year.

- Costs that are primarily determined by the numbers of people involved (for example, the vocational education option, the job search allowance, costs of training and retraining, and employment creation). Estimates of these costs, most of which are shared in various ways between the State and employers, are considered below.

Vocational education option

About 31 000 students left school in 1978 with only one or no passes in School Certificate exams; the "at risk" group to which priority should be given would come from this number. It was assumed that the vocational education option would cater for up to 5000 students in the first full year. On the experience of the present young persons' training programme with appropriate adjustments, it is estimated that the annual cost per 1000 students would be about \$0.5 million, so that an initial cost could be around \$2.5 million. It is envisaged that additional educational buildings and other capital expenditure will not be required. The extent to which the vocational education option is expanded over time should depend on both the need that exists for it and the capacity of the education system to implement it.

Job search allowance, training and employment creation

It is very difficult to estimate the cost of the Council's proposals for changes in income maintenance. There are five main variables:

- The distribution of people among various schemes and their status (married, single, and so on). This causes variations in costs—even if the total numbers of unemployed are unchanged.
- The extent to which the Council's proposals would increase the number of people eligible for some form of income maintenance.
- The extent to which the Council's proposals would attract more people to register as unemployed.
- The extent to which the Council's active employment policies would, by filling more vacancies, reduce the number of people registered as unemployed or on employment creation.
- Any increase in the total numbers of unemployed related to the economic situation and independent of the income maintenance available. This would increase the cost under any system of income maintenance.

The Council has nonetheless attempted to estimate the gross budgetary cost of its proposals. As a first step we estimated the gross costs per 1000 of the relevant benefits and associated expenses paid for 12 months:

	\$(million)
Unemployment benefit	3.5
Job search allowance ¹	2.8
Training allowance ²	3.6
Training places ³	2.0
Incidentals allowance ²	0.05
Employment creation (in the public sector)	7.1

¹This should correspond to over 5200 individuals receiving a job search allowance during the year since the average period for which any one person would receive the allowance should be less than 10 weeks.

²This would correspond to well over 1000 trainees during the year since the average length of training courses would be much less than 12 months.

³Additional costs incurred by the institution in which the training places are created.

We then obtained a range of estimates by applying different assumptions about the flows of people through the various programmes to two different employment situations. The details of these are shown in appendix 4 and may be summarised as:

Employment Situation A—48 000 people registered as unemployed or on job creation schemes (approximately the situation at 2 May 1980).

The annual gross budgetary cost of existing policies in this situation has been estimated as \$190 million. The additional annual gross budgetary costs of the Council's proposals have been estimated as lying within the following ranges:

- Application of job search and training allowances—a saving of \$7 million to a cost of \$3 million. The variation in the estimate depends primarily on what assumptions are made about the net effect of the new policies on the flows of people through the various programmes.
- Extension of eligibility for income maintenance to those with working spouses—\$2 million to \$25 million. The estimates are directly related to the additional numbers assumed to receive income maintenance (700 and 8000 respectively).
- Extension of incidentals allowance to re-entrants—\$0.8 million to \$4 million. The estimates are directly related to the numbers assumed to receive the allowance (400 and 2000 respectively).

Employment Situation B—58 000 people registered as unemployed or on job creation schemes under present policies.

The annual gross budgetary cost of existing policies in this situation has been estimated as \$230 million. The additional annual gross budgetary costs of the Council's proposals have been estimated as lying within the following ranges:

- Application of job search and training allowances—\$8 million to \$21 million.
- Extension of eligibility for income maintenance to those with working spouses—\$2.5 million to \$32 million.
- Extension of incidentals allowance to re-entrants—\$0.4 million to \$2 million.

The possible range of additional gross budgetary costs is therefore very wide—from a saving of about \$4 million to a

cost of about \$32 million if 48 000 were registered under existing policies; and from about \$11 million to \$55 million if the economic situation deteriorated to the extent that a further 10 000 were registered under present policies.

The most significant single factor is the extension of eligibility for income maintenance to those with working spouses. The wide variation and uncertainty in the estimates has concerned the Council, as has the possible cost (although the upper estimates are, we believe, likely to be on the high side). Clearly, before any decision could be taken to move in this direction much more precise estimating exercises would be needed. The numbers of those with working spouses who would become eligible could be most accurately established by a survey. This is a further reason for giving early attention, in the Council's view, to the household labour force survey.

Costs to employers

Greater numbers undertaking skill specific training or retraining with a work based component and increased numbers of students engaged in work experience and work exploration through the vocational education option are likely to mean some increases in cost for employers in the short-term. Against this must be set the gains expected from a reduction in skill shortages and increased productivity.

If the standard redundancy payment were made a mandatory obligation on employers, the Council's proposed redundancy policy would only involve additional costs for employers if and when they became involved in a redundancy situation. If however the payment were to be financed by means of a levy, this would involve a small increase in costs to all employers, and perhaps all workers.

Conclusion

The Council believes that expenditure on active employment policies should have high priority within the Government's

overall expenditure strategy. Similarly we believe that it is in employers' interests to accept the costs of training. In the case of Government expenditure, in present circumstances increased expenditure on employment policies should mean some reduction of expenditure in other areas¹ and the phasing in of some proposals after more detailed investigation of cost estimates, for example, the extension of eligibility for income maintenance. (It should be noted too that no allowance has been made for savings in Government expenditure on police, justice, or health and welfare services which should follow the introduction of more positive employment measures.)

The effect on Government expenditure of the Council's proposals cannot of course be considered in isolation from the wider economic question of how the expenditure is financed (and the after-tax cost will be more important than the gross estimates shown in this chapter). The purpose of the present exercise has been to give a broad measure of the costs which could be involved in the Council's proposals.

The benefits from an active employment policy will be experienced by the community over time. We have earlier emphasised that the policies we propose are to be seen in the context of a national strategy to facilitate and encourage economic growth and thereby employment. They are designed to reduce skill shortages; to match more effectively vacancies and potential employees; to make the best use of underutilised labour and other resources; and to improve the general quality of our labour force. Expenditure on employment policies is therefore seen by the Council as one necessary aspect of New Zealand's investment to take advantage of the opportunities ahead.

¹In previous documents the Council has indicated some areas where it believes such reductions should be made. For example, increasing the age at which national superannuation is payable, and using changes in the exchange rate in place of subsidies and tax concessions to producers.

Chapter 14 Other Factors Affecting Employment

Technology

Recent breakthroughs in electronic technology, particularly the micro processor, have stimulated a wide-ranging debate in the community about the likely employment effects of technological change. Views range from extreme pessimism to unbounded optimism. There are however a number of basic realities which should be widely understood in the community and which need to be considered.

If high unemployment and a declining standard of living are to be avoided, New Zealand has little choice but to apply the new technologies widely. Export performance will depend on our ability to compete with other countries using the technology. Import substitution industries will survive only if they are able to compete reasonably well with imports. This may mean that in some industries there will be fewer jobs available. The alternative however may be the collapse of those industries.

New Zealand is well placed to obtain real advantages from micro-processing technology. In many applications, micro-processors will enable small-scale and batch run production to compete effectively with large-scale production runs, thereby overcoming one of the major constraints on New Zealand manufacturing. New Zealand is not heavily dependent on an ageing capital infrastructure vulnerable to competition from the application elsewhere of new technologies. New Zealand also has a well educated workforce with experience of innovation and the adaptation of technology to New Zealand conditions. This places us in a good position to exploit the design and application possibilities of the new technology.

There are also major constraints on the speed with which the new technology can be introduced. These include the cost of the technology. Although the hardware is relatively cheap, the software—the design

and implementation phase—often is not. There are also severe shortages of labour in some key design aspects of the new computer technology.

Historically, the aggregate employment effect of technology has been positive. Previous scares, for example when computers were introduced, have not proved well founded. The application of technology to the production process has undoubtedly improved living standards and working conditions.

In the short term, however, the application of technology in some sectors can hurt employment. There may be a net decline in the number of jobs in some industries, no employment growth in others, or a slower rate of growth than otherwise would have occurred to obtain the same level of production. It cannot be assumed, however, that if the technology had not been applied employment would have continued to expand in line with historic trends or previous links between increased production and employment growth. The industry may have stagnated or collapsed through failure to adapt.

It is the short term disruptive effects, however, which are most visible and which create the deep fears of technological change.

Technology also directly creates some new employment. This may occur in sectors which achieve a technological breakthrough and can, therefore, capture an increased market share in the world economy or through the creation of entirely new products. Expansion of employment will also occur in making or servicing new equipment. A general improvement of efficiency contributes to an improvement in the balance of payments. This enables domestic demand to increase more rapidly, creating opportunities for employment to cater for the growing demand.

It is a mistake, however, to match up the estimated loss of jobs with the estimated job

creation effects, and come to a conclusion about the impact of technology on employment. Such a sum ignores the substantial flow-on and secondary effects which are probably more important in the long run. Generally speaking, a technology will not be applied unless it lowers costs or creates more wealth for the firm or organisation concerned.

The result may be higher profits, higher wages, lower prices, lower taxes, or a combination of all these. Alternatively, the firm or organisation may expand the level of service at little extra cost but using a similar number of people. By improving the efficiency with which we use resources, including labour, through the application of technology, the potential wealth of the community is increased. If this wealth is utilised, there is an increase in the disposable income within the community for investment or spending elsewhere. Consequently, some sectors may expand because of technological change in another quite unrelated sector. For example, the expansion of the restaurant industry has occurred largely because of the increase in disposable income. Similarly increased income and leisure, and technological improvements in the transport industry have created a new mass travel industry employing thousands of people.

In future we may choose to use increased wealth created by technological improvements to reduce class sizes and employ more teachers, improve community services, or to share available work by increasing leisure with no reduction in income.

For all these reasons, therefore, the Council takes an optimistic view of the likely long term effects in New Zealand of technological change on the overall levels of employment. The major problem will be handling the short-term disruption to employment which may occur in some sectors, and facilitating training and

retraining to avoid imbalances in the labour market attributable to technological change.

The active employment policies discussed in this document are designed to ease the movement of people out of industries with declining employment, into those which are able to expand employment. Such policies including those aimed at improved efficiency in training and retraining are, therefore, part of the answer to the short term problems which can arise from technological change. A dynamic employment policy should do much to reduce the fear of technological change evident in the workforce. In addition, there should be an active dissemination of information about trends in technological change and their likely impact, coupled with consideration by the social partners and the Government of the need for policy change.

New Zealand employers and workers would benefit considerably if their organisations could agree on the broad principles to guide the introduction of technological change. Workers (and their unions), as the people most directly affected by any changes, should be closely involved with decisions to alter the means of production of goods and services. Planning and consultation is necessary so that all the parties can consider the timing of changes, any qualitative changes in the working environment, and any need to retrain, relocate, or to take any other measures that may be necessary. A positive approach to the involvement of unions and workers is likely to achieve maximum benefit from the new technology for all concerned, and to avoid bitter and costly disputes.

The Government should also actively encourage, wherever possible, New Zealand firms and industries to seize the opportunities that some of the new technology presents for increased export earnings and more efficient import substitution.

Migration Policy

In chapter 1, the Council indicated its concern with the recent high levels of emigration. Far from solving the

employment problem, continued emigration is likely to make it worse by depriving New Zealand of needed skills and

reducing the dynamism of our society. Despite emigration, the labour force has continued to grow, unemployment has risen, and there are substantial skill shortages.

Recent trends indicate that the rate of emigration is slowing down substantially. This will increase the rate of growth of the labour force but may not lessen our skill shortages in critical areas, as there is still strong competition from Australia and elsewhere for these skills.

Given the potential growth of the labour force, the Council would place more

emphasis on improving the skills of New Zealand workers by training rather than by relying on a general programme of immigration to try to solve these problems.

At the same time the Council recognises that for some highly specialist skills, training in New Zealand may not be economic. This could be overcome by assisting New Zealanders to train overseas and by selective immigration. Equally serious skill shortages may sometimes emerge which cannot be satisfied by short term increases in training, and which may require selective immigration.

Reduced Working Hours

Current employment difficulties, and the difficulties that some people expect to arise from technological change, have led to demands for reduced working hours as a means of creating more employment.

The Council is not opposed to reduced working hours as such, and believes that longer holidays, a shorter working week, etc., are potential ways of sharing out the increased wealth that results from a growing economy. Such choices are for the community to make. However, we do not have a healthy expanding economy at present. Consequently, reduced working hours, unless compensated for by a proportionate increase in labour productivity, will only increase production costs, thereby increasing the rate of

inflation, reducing our international competitiveness and compounding our already extensive skill shortage.

In these circumstances reduced working hours are likely to be accompanied by some reduction in real income per head. While some people, as individuals, may wish to take this option, the Council considers that in our present situation it would be neither acceptable nor desirable across-the-board. Many people could not afford a reduction in their income; and furthermore, while there are shortages of skilled labour, any significant reduction in working hours would compound these shortages and further limit growth of the economy and of employment.

Industrial Relations and Personnel Management

A period of change in our industrial structure will test the management capacity of New Zealand's enterprises and public agencies, particularly in the preservation of good relationships between management and workers. The employment policies recommended here, if successfully implemented, will ease the task, but they will not remove the need for more active interest in improving personnel management and industrial relations.

Many New Zealand firms have tended to

regard industrial relations and personnel management as of secondary importance to other aspects of management such as finance, production, and marketing. This attitude will have to change. Generally speaking a substantial upgrading of industrial relations and personnel management is urgently required. This implies better recruitment policies, more training and more authority for people involved in this aspect of management than hitherto has been the case.

Structure of unions

The wide-ranging and comprehensive involvement of the various interest groups in labour market policy advocated in this document will require most of these groups to upgrade their financial, research, and other resources. In particular, the present structure of unions in the private sector militates against effective union involvement. Legislative and judicial decisions from the early 1900s have resulted in a large number of small craft based, often regional, unions with traditionally a narrow focus on wages and conditions of employment. This has made it difficult for the union movement to develop financial resources or a strong central organisation necessary for today's circumstances. Many of the unions themselves have recognised their own structural weaknesses, and it has been FOL policy for many years to encourage amalgamation of unions particularly along industry lines. Unfortunately, progress has been slow.

The Council considers that a case can be argued that the reorganisation of the union movement into larger, preferably industry based organisations, is just as crucial to New Zealand's future economic and social development as the restructuring of industry.

In order to speed up the process of change, therefore, the Council suggests that the reorganisation of unions could be encouraged by substantially raising, in progressive steps, the minimum number of members required for continued registration under the Industrial Relations Act¹, while on the other hand, grants-in-aid or suspensory loans could be made available to unions who do achieve a certain number of members (for instance, 30 000) to help cover the costs of amalgamation, establishment of new facilities, etc. Such a scheme would leave the unions free to undertake the details of amalgamation themselves.

¹Under the Industrial Relations Act 1973, most unions are only required to have an absolute minimum of 10 members to continue to qualify for registration under the Act.

Chapter 15 Increasing Access to and Choice Within the Labour Market

Reference has been made earlier to the dramatic changes in the role of women that are occurring in New Zealand. Women are seeking paid employment in greater and greater numbers, and on terms which suit their other responsibilities. To accommodate these pressures, and to utilise their skills and energies, more flexibility in the structure of paid employment is required, and some of the hindrances to women participating in the workforce need to be reduced.

Changes in social attitudes are not, however, confined solely to the traditional role of women. In the more recent past, increased wealth has been used primarily to increase income, with relatively small reductions in working hours. While it is difficult to generalise about values and social attitudes the Council believes that there are indications that some people in the community may now place more value on increased leisure time, and this number could grow in the future. In a previous document¹ the Council has emphasised the desirability of recognising the diversity of values in New Zealand, and accommodating them wherever possible. Changes that allow greater flexibility in the structure of paid employment allow both men and women more personal choice between income and leisure. Such a choice is quite separate from the question of a general reduction in working hours, discussed in chapter 14.

We now outline a number of changes to increase flexibility in employment so as to allow more people access to the labour market, and greater personal choice within it.

Part-time employment

There has been a phenomenal growth in part-time employment in the last 20 years.

¹New Zealand Planning Council, *Planning Perspectives 1978-1983*, 1978, pp. 56-58

As noted in chapter 1, even during the recent period of very slow growth in employment, part time employment continued to expand. It is particularly suitable for those who are easing back into the workforce after a long period without paid employment, who want to combine paid employment with unpaid employment in the home or elsewhere, who want to spend more time with their children, or experiment with different lifestyles, or who are satisfied with the income they receive from reduced hours.

Coincidentally, the expansion of the service industries has increased the demand for part-time employees, both to staff peak demand periods, and generally to improve flexibility.

However, some industrial awards still do not allow part-timers; others penalise employers who employ them. It is generally true that part-timers are still confined to less skilled work with few promotion prospects and with little access to superannuation and other fringe benefits.

The Council suggests that unions and employers in both the public and private sectors should aim to remove restrictions to part time employment (except those restrictions which protect full-time workers from being forced to work part time against their will),¹ to provide part-timers with the same conditions of employment as full-timers, and to utilise part-time labour more efficiently by increasing the opportunities for part-timers to train, earn promotion, and have careers.

Flexible work patterns

More flexibility in the structure of paid employment, through such measures as

¹The protection referred to here is the present provision in many awards restricting part time employment for part-time pay, to 30 hours per week or less, in order to protect full timers from arbitrary reductions in their working hours.

flexible working hours and job sharing can increase the access to paid employment for more people, and allow people more choice of lifestyles. Some companies and Government departments have instituted successful flexible working hours schemes, and there are some examples of successful job sharing. However, there is still considerable suspicion of such schemes among some unions and employers. The Council, nevertheless, would like to see a greater use of such schemes.

Childcare facilities and leave to care for dependants

Whether or not many people, especially women, have a genuine choice about engaging in paid employment, is determined largely by their ability to withdraw from the workforce to bear children (or care for sick dependants), without sacrificing their careers, and by the availability of satisfactory child care and pre school educational facilities. Until adequate parental and domestic leave provisions and child care and pre school educational facilities are available a substantial section of the population will continue to be denied access on equal terms to training and paid employment. This is undesirable and inequitable and the Council suggests that solutions to these difficulties should be actively sought. Within the Public Service, there has been a considerable improvement in child-minding and parental leave provisions in recent years. A Bill providing for maternity leave and employment protection in the private sector was recently introduced and is the subject of considerable debate.

Home mortgages

A major factor denying many young couples the possibility of one of them withdrawing from the workforce to become a full-time parent, or to enjoy their family, is the high income required to service a mortgage. We therefore welcome the

introduction by some lending institutions of repayment options that reduce the initial payments, and suggest that slow start mortgages should be more widely offered.

Leave without pay

There are strong social arguments in favour of entitlement (without pay) to maternity and paternity leave and parental leave to care for young children. There may be other situations, too, where leave without pay would enable people (who are willing to forgo income) to try something different, pursue a particular interest, widen their education, or contribute to the community in some way. However, they need leave on terms which preserve long-term security of employment and any superannuation rights. Unions and employers might consider leave without pay entitlements for longer serving employees in their awards and agreements.

Flexible retirement

Currently, retirement usually occurs at a specific age—either 60 or 65. For many people an arbitrary retiring age is irksome and unsatisfactory. Some wish to retire early to pursue an interest or even a new career, but are locked in by superannuation. Others may wish to retire gradually by a staged reduction in their hours of work, but cannot do so within the existing job structure. On the other hand, there are those who are forced out of work at an arbitrary retiring age, when they are still highly productive and wish to continue working. This is a waste. The Council supports a more flexible approach to retirement.

Transferable superannuation

One of the major obstacles to experimentation, job changes and flexibility, especially for the middle aged, is superannuation. Under many schemes any

job change, or even leave without pay, can mean severe financial loss. Ways of improving the portability and flexibility of superannuation should be further explored. This should apply in all sectors and across all sectors.

PART III

CONCLUSION

In this document we have explored some of the current and likely future trends in the structure and growth of employment, and have made recommendations for changes in employment policies. We have registered the importance we attach to meeting the employment aspirations of New Zealanders and noted the difficulties New Zealand is likely to face in achieving full employment in the period ahead. We have considered the implications for employment of structural and technological change.

The Council believes that, in conjunction with policies to promote growth in production and employment, New Zealand must now adopt a much more active employment policy. Indeed, we suggest that future growth will depend partly on improvements in education and training, on the ability to match the supply of labour more effectively with demand, and on the co-operation of workers and unions in adapting to structural and technological change. We have also recommended that, in order to cope with the intermittent failure of the market to create sufficient employment, job creation policies should be accepted as a continuing feature of employment policies, and therefore planned for in a systematic fashion.

Because we believe that an active employment policy cannot work without the active co-operation and involvement of the key interest groups, such as employers and unions, as well as the Government, we have suggested a multi-partite framework at national and regional level.

The Council consulted extensively among a wide cross section of groups and individuals in preparing this document. It was quite evident from these consultations that the community still places central importance on providing employment for all who want it.

Traditionally, however, New Zealanders have looked to the Government to solve such major economic and social problems.

Various pressure groups tend to pursue their own narrow interests with little concern for the welfare of others or the overall economic and social health of New Zealand. These wider considerations are thought to be the Government's concern and the Government's alone.

To a considerable degree, governments have tended to encourage such an attitude. They tend to emphasise the responsibility to govern, pursue policies and make changes without much consultation with groups likely to be affected by them, promise too much and give little public recognition to the "limits of government".

The problems of the 1980s are however so complex that no government can solve them on its own. Expanded job opportunities with increases in real incomes depend upon a return to economic growth. An active employment policy must be seen in this wider context. The achievement of sustainable full employment in the 1980s is in the Planning Council's view among the crucial challenges to the ability of New Zealanders to work together towards national goals.

Appendix 1 Growth of the Labour Force

TABLE A1.1

Projected Total New Zealand Labour Force^{1, 2}

Assuming "changing" age-specific labour force participation rates³ and net immigration variant designated:

At 31 March	Low ⁴			Medium ⁵				
	Males	Females	Total	Males	Females	Total		
	(thousands)							
1978 (Base)	878	427	1305	878	427	1305
1980	882	441	1323	885	444	1329
1981	886	450	1336	891	455	1346
1982	892	462	1354	898	467	1365
1983	900	475	1375	909	481	1390
1984	910	489	1399	922	496	1418
1985	923	504	1427	935	510	1445
1986	936	518	1454	947	525	1472
1991	1010	557	1567	1022	564	1586

Source: Department of Statistics

¹Those working or seeking work for 20 or more hours per week.

²These projections have as base the estimated labour force at 31 March 1978, and are based on the assumption that 1970-72 life table mortality rates (total population) apply throughout the projection period.

³"Changing" age-specific labour force participation rates assume the continuation of 1956-76 trends in age-and-sex specific labour force participation rates until 1986, after which time participation rates are assumed to remain constant.

⁴The "low" net immigration variant assumes net annual immigration during years ending 31 March as follows: -28 000 (1980), -19 000 (1981), -10 000 (1982), -5000 (1983), zero (1984), and 5000 (1985 onwards).

⁵The "medium" net immigration variant assumes net annual immigration during years ending 31 March as follows: -22 000 (1980), -14 500 (1981), -7000 (1982), zero (1983), and 5000 (1984 onwards).

TABLE A1.2

Components of Growth in the Labour Force¹

Year Ended 31 March	Net Additions Due to Passage of Population Through the Working-age Groups ²			Net Reductions Due to Past Migration ³			Sub-total			Net Additions Due to Changes in Participation Rates ⁴			Total Net Additions to Labour Force ⁵		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
	(thousands)														
1976 (Base) ...	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1977 ...	15.5	7.9	23.4	-6.7	-3.2	-9.9	8.8	4.7	13.5	-5.2	5.9	0.7	3.6	10.6	14.2
1978 ...	15.6	7.7	23.3	-7.6	-3.9	-11.5	8.0	3.8	11.8	-4.6	6.1	1.5	3.4	9.9	13.3
1979 ...	15.6	7.4	23.0	-10.3	-4.9	-15.2	5.3	2.5	7.8	-4.0	6.2	2.2	1.3	8.7	10.0
1980 ...	15.1	6.5	21.6	-0.6	+0.1	-0.5	14.5	6.6	21.1	-3.6	6.7	3.1	10.9	13.3	24.2
1981 ...	14.4	6.0	20.4	-0.6	+0.1	-0.5	13.8	6.1	19.9	-3.2	6.9	3.8	10.7	13.0	23.7
1982 ...	14.9	6.5	21.4	-0.5	+0.1	-0.4	14.4	6.6	21.0	-2.8	7.6	4.8	11.6	14.2	25.8
1983 ...	14.9	6.3	21.2	-0.4	+0.1	-0.3	14.5	6.4	20.9	-2.2	7.9	5.7	12.3	14.3	26.6
1984 ...	15.3	6.4	21.7	-0.3	+0.1	-0.2	15.0	6.5	21.5	-2.0	8.1	6.1	13.0	14.6	27.6
1985 ...	14.9	6.1	21.0	-0.3	+0.1	-0.2	14.6	6.2	20.8	-1.7	8.4	6.7	12.9	14.6	27.5
1986 ...	13.9	5.8	19.7	-0.4	+0.1	-0.3	13.5	5.9	19.4	-1.5	8.5	7.0	12.0	14.4	26.4
1987 ...	14.3	6.0	20.3	-0.4	0	-0.4	13.9	6.0	19.9	-1.4	9.3	7.9	12.5	15.3	27.8
1988 ...	13.5	5.6	19.1	-0.4	-0.1	-0.5	13.1	5.5	18.6	-1.2	9.6	8.4	11.9	15.1	27.0
1989 ...	13.3	5.2	18.5	-0.4	-0.2	-0.6	12.9	5.0	17.9	-1.1	10.4	9.3	11.8	15.4	27.2
1990 ...	12.4	4.7	17.1	-0.4	-0.2	-0.6	12.0	4.5	16.5	-1.0	11.2	10.2	11.0	15.7	26.7
1991 ...	10.1	3.4	13.5	-0.3	-0.3	-0.6	9.8	3.1	12.9	-1.1	11.9	10.8	8.7	15.0	23.7

Source: Department of Labour.

¹ Those working or seeking work for 20 or more hours per week.² Zero net migration and constant 1976 participation rates.³ Actual migration 1977-79, zero net migration thereafter. The box shows only flow-on effects of the actual migration that occurred in the 3 years 1977-79.⁴ Based on long-term trends and forecasts of participation rates.⁵ Zero net migration from 1980 onwards.

Appendix 2 Output, Investment, and Income Shares

TABLE A2.1

Average Annual Increase in Gross Domestic Product 1968-1980

Years ended 31 March				
1968-70	1971-73	1974-76	1977-79	1980
(percent)				
2.1	3.5	4.3	0	2

Source: Department of Statistics and NZIER estimates.

TABLE A2.2

Investment Ratios 1967-1980

	Years ended 31 March					
	1967-71	1972-76	1977-79	1980		
Investment as a percentage of GDP	22.5	23.8	22.4	20

Source: Department of Statistics and NZIER estimates.

TABLE A2.3

Components of Private Income (Before Tax): 1968-1979

	Changes in shares				Growth of Components 1968-70 to 1977-79		
	Years ended 31 March						
	1968-70	1971-73	1974-76	1977-79			
(percent)							
Salaries and wages	60.1	62.3	64.2	64.6	267
Farm incomes	8.1	8.8	7.0	5.9	148
Business and investment...	10.8	9.2	9.0	8.7	174
Company incomes	13.7	12.8	11.9	10.3	158
Social security benefits and pensions	7.3	6.9	7.9	10.5	396
			100.0	100.0	100.0	100.0	242

Source: Department of Statistics, National Accounts (old series) and OECD Secretariat estimates.

Appendix 3 Proposed Rates for Income Maintenance

Status	Current ¹ Unemployment Benefit	Job Search ^{3,4} Allowance	Training ² Allowance
Married person with dependent spouse + children	\$94.70 net + \$4 for each child	\$92.09 gross (+ allowances for children?)	\$122.78 gross (+ allowances for children?)
Married person with dependent spouse	\$94.70 gross	\$92.09 gross	\$122.78 gross
Married person with working spouse	-	\$46.05 gross	\$61.89 gross
Single adult (20+)	\$56.82 gross	\$55.25 gross	\$73.67 gross
Single young person (under 20)	\$43.23 gross	\$41.44 gross	\$55.25 gross
New entrants	Rate of benefit related to tertiary student grant ⁵		

¹Rates for unemployment benefit at 1 August 1980.

²Rates for training allowance are equivalent to national superannuation at 1 August 1980.

³The job search allowance is 75 percent of the training allowance in all cases. The training allowance is equivalent to national superannuation, except for the single young person allowance, which is 75 percent of the single adult training allowance.

⁴The proposed job search allowance falls slightly below the current unemployment benefit, except in the case of a married person with a dependent spouse and children. In this case, the job search allowance is well below what is currently payable. Some additional child support allowances would be required for these people under the new system.

⁵Tertiary student grant at 1 August 1980 was \$23.00 per week basic with up to \$17.00 per week allowance for hardship. It is not taxable.

Appendix 4 Estimates of Cost

The purpose of these estimates is to indicate a realistic range of possible costs; the assumptions underlying them have been made accordingly.

People Registered Unemployed and in Job Creation Schemes at 2 May 1980

	Number
Receiving unemployment benefit (including emergency unemployment benefit)	21 300 ¹
Registered, not receiving income maintenance	7 500
Employed in job creation schemes	19 300
	48 100

¹At 25 April 1980.

Annual Gross Budgetary Cost of Proposed Policies

A. Assuming no change in the employment situation from 2 May 1980.

(i) Application of job search and training allowances.

Type of Assistance	Estimate I		Estimate II	
	No.	Cost (\$m)	No.	Cost (\$m)
Job search allowance	16 300	45.6	17 300	48.4
Registered, not receiving income maintenance	7 000	—	7 500	—
Training places and allowance	5 000	28.0	5 000	28.0
Job creation schemes	18 300	109.5	19 300	116.6
	46 600	183.1	49 100	193.0

Both estimates assume that as a result of the implementation of an active employment policy more people will be placed in employment than before. However, Estimate I assumes that the net effect on the flow of people through the various programmes will be a reduction of 1500 (i.e. 1000 fewer in public sector job creation schemes, and 500 fewer registered unemployed). Estimate II assumes that the increased placements will be more than offset by additional registrations of unemployed people who had not been previously registered.

(ii) Extension of eligibility for income maintenance to those with working spouses.

Type of Assistance	Estimate I		Estimate II	
	Change in No.	Cost (\$m)	Change in No.	Cost (\$m)
Job search allowance	+ 600	1.4	+ 6 000	14.4
Registered, not receiving income maintenance	+ 200	—	+ 1 000	—
Training places and allowance	+ 100	0.5	+ 2 000	10.4
	+ 900	1.9	+ 9 000	24.8

The cost estimates are directly related to the assumptions made about the additional numbers of people with working spouses in the various programmes (700 and 8000 respectively).

(iii) Extension of incidentals allowance to re-entrants.

Type of Assistance	Estimate I		Estimate II	
	Change in No.	Cost (\$m)	Change in No.	Cost (\$m)
Registered, not receiving income maintenance	+ 100	—	+ 500	—
Training places and incidental allowance	+ 400	0.8	+ 2 000	4.1
	<hr/>	<hr/>	<hr/>	<hr/>
	+ 500	0.8	+ 2 500	4.1

The cost estimates are directly related to the assumptions made about the numbers of re-entrants receiving the allowance (400 and 2000 respectively).

B. Assuming deterioration of 10 000 in the employment situation.

(i) Application of job search and training allowances.

One of the main objectives of the Council's proposals is to reduce the number of people who experience long-term unemployment. It is envisaged for example that people should generally not remain on a job search allowance for more than 10 weeks. As we do not support training for its own sake, implementation of the Council's proposals in an employment situation which had deteriorated would be likely to require relatively greater recourse to employment creation—the more expensive option.

Consequently the additional cost has been estimated at 1.3 times (rather than 1.2 times) the additional cost in A(i) above giving:

\$238.0 million—\$250.9 million

(ii) Extension of eligibility for income maintenance to those with working spouses.

As for B(i) above:

\$2.5 million—\$32.2 million

(iii) Extension of incidentals allowance to re-entrants.

In a deteriorating employment situation it is likely that under the Council's proposals the number of re-entrants placed in training and thus eligible for the incidentals allowance would be reduced. It has been assumed therefore that the additional cost in A(iii) above would be reduced by half giving:

\$0.4 million—\$2 million

NZPC
October
1980