

Did you say sustainable full employment at high wages?

Many people believe unemployment is here to stay — that it is inescapable in a modern competitive economy.

Such gloomy expectations present a challenge. Why can't we do better? New Zealand enjoyed full employment from the late 1930s to the early 1970s. Today Sweden and Japan both have full employment — and they are both modern, competitive economies. So why can't we have full employment now?

In *The Fully Employed High Income Society*, Dennis Rose sketches and tests a picture of New Zealand's return to sustainable full employment at high wage rates.

It concludes that the goal — while not simple or easy — is feasible. And it explores some of the changes needed to reach it.

The Planning Council is using that scenario to help people see that full employment is possible, and that we can all do something to help achieve it.

Full employment is not something that can be left to government, or to employers, or to unions alone. The return to full employment requires a commitment, and action, from each of them and all of us.

Yes, should we settle for anything less?

Earning our living in a changing world

The shape of the economy is always changing. The things we make, buy and use, the jobs we do, the ways we work together, change over the years.

New Zealand has worked through several major structural changes in the last 150 years. Most recently — in the 50s and 60s, we built a new urban manufacturing economy alongside our older pastoral base. At first the urban economy was inward looking — focused on producing goods for ourselves so that we didn't have to import them. This provided growth in incomes and employment — but many goods cost more than imported ones — so our standard of living slipped behind other countries.

Stages of NZ Economic Development

- The self-sufficient Maori economy
- The early extractive economy
- The pastoral dominant economy
- The import-substituting economy
- The internationally competitive economy

Now, New Zealand is in another transition to a much more 'open' economy. From a broader base in agriculture, manufacturing and services, we aim to produce and trade in open competition with the rest of the world.

This is a bold leap — but far from unprecedented. Most high income countries are much more open to international competition than New Zealand.

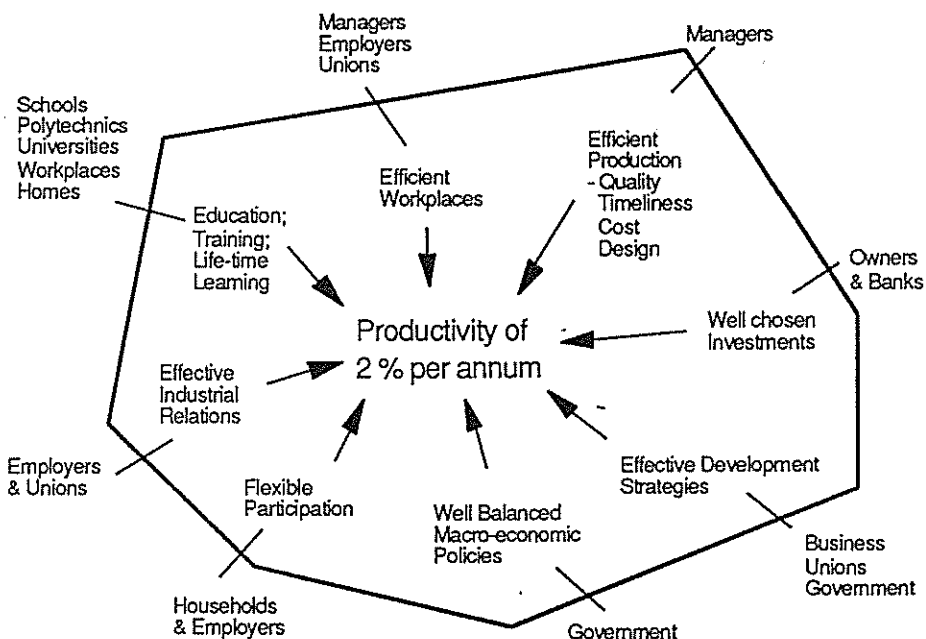
The market test

Growth in jobs and incomes depends on how well, together, we produce goods and services

- that people in competitive overseas markets will buy
- that you and your neighbour will choose ahead of those made overseas.

The tests are the same here as overseas — quality, price, promptness of delivery, and good service. All these depend on how well we use our skills, materials and investment to produce what people are prepared to pay for — in a word, productivity.

Better productivity is the key to sustainable increases in production, incomes and employment.



Responses from business

Managers have to be looking for better products and better ways of producing them.

Production, processing, quality control, transport, presentation and marketing are all important. So are research, product development and design aimed at improving methods of production and the products themselves. A greater effort is needed in every sphere of business — large firms, small firms, foreign and local firms, government services, communication, banking, tourism, education and health services, farms and on the factory floor.

Responses from people

Productivity is about our skills and how we use them.

More effective work calls for increased education, training and retraining. We lag behind other developed countries, particularly in our technical and service training. That poses urgent issues — not just for educators and government — but for each of us and our children.

Organising our work, and our workplace, to make best use of our skills, is basic to productivity. Efficient production means thinking smarter — making use of everyone's good ideas on how to economise on time and effort to make better products more cheaply, to use less materials, and to manage our resource base within sustainable limits.

Managers and unions will have to meet two tests — of working together to increase the size of the cake as well as resolving how it is to be divided.

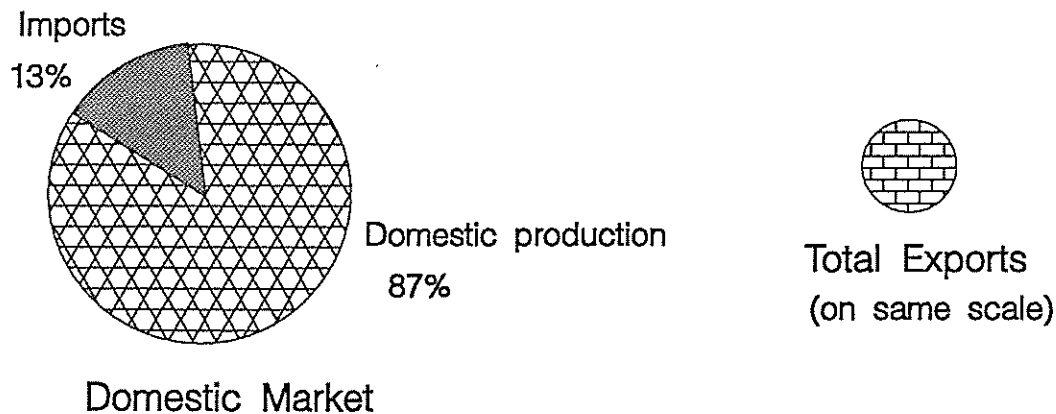
The fruits of success

So what happens if we improve productivity? Doesn't that just mean less work for the same output — and fewer jobs?

No. Better productivity, and more efficiency, mean more people here and in overseas markets will buy New Zealand goods and services. Planning Council computer models — and common sense — indicate there is plenty of scope for faster growth in our sales — enough to produce higher incomes and more jobs.

Our biggest market now is here at home — the New Zealand domestic market. Better productivity means this market can grow faster and that New Zealand goods and services will compete more effectively with imports.

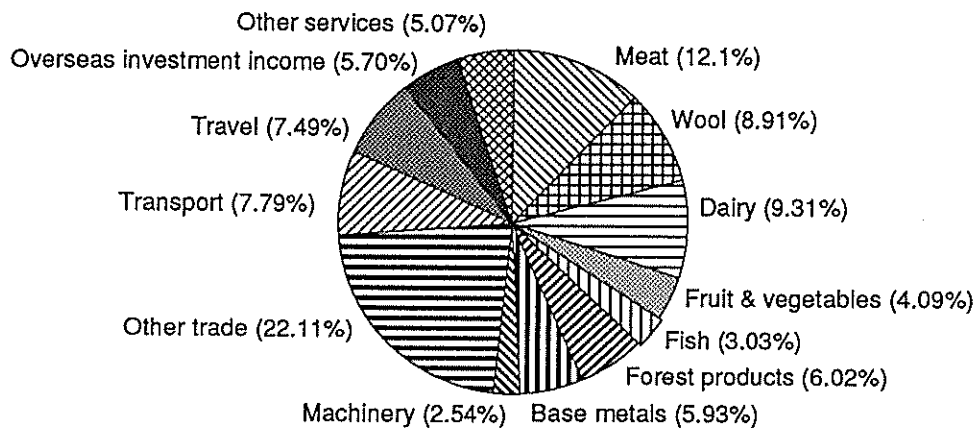
The New Zealand Market



Source: Input Output Tables 1986-87. Domestic sales equals industry purchases from other industries plus domestic value added.

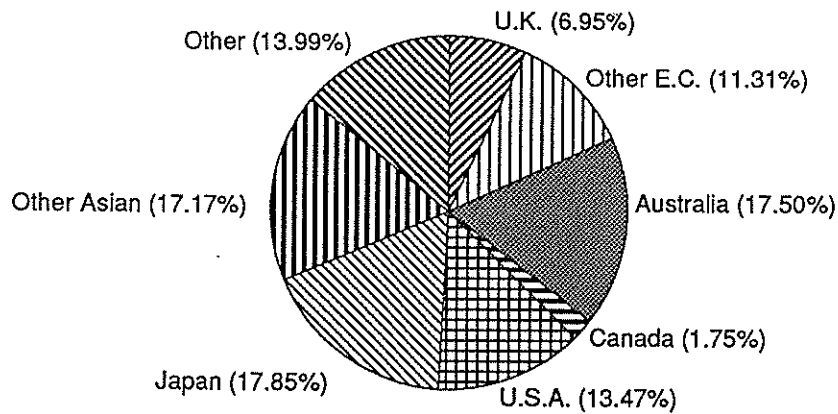
Our export market, the rest of the world, is huge and offers ample scope for well presented, more competitive New Zealand exports. The products we sell now, and the markets we sell to, offer a very wide range of opportunities for growth. We are not limited to a few commodities and a few rich markets.

What New Zealand Sells*



* % of total earnings, 1989

Where New Zealand Sells*



* % of merchandised trade earnings, 1989

So it is feasible to generate more employment in a high wage economy.

How many more jobs do we need? As an indicative figure — about 33,000 a year for seven years — which is about the percentage rate of growth in employment we had from 1962 to 1977.

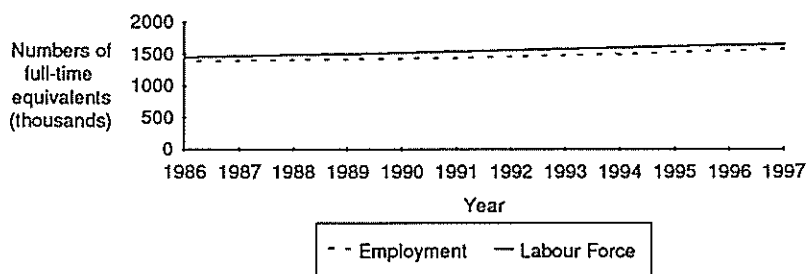
But the pattern of participation in paid work is changing and becoming more varied. More women and slightly fewer men in paid employment, more part-time work and self-employment, fewer people in 40 hour a week, 40 year jobs, fewer young people entering the work force as the baby-boom peak passes, greater variety in retirement patterns, more variation in migration, all these factors affect the number and type of jobs we will need.

As you will see from the next graph, most of those who want work (the labour force) have it. Only a small proportion don't — about 7%.

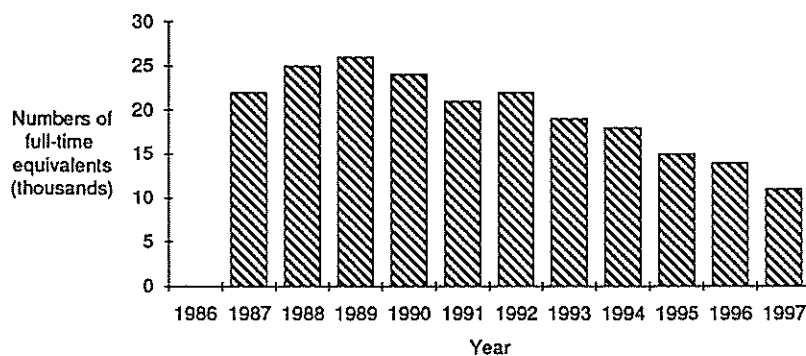
Also a more productive and adaptable economy will require people to spend more time in school, in training and retraining later in life — less time in paid work. In a high wage society, more people will have the opportunity to choose time-out from paid work.

Full employment in the 1990s will be different from in the 1960s and 1970s.

Gap Between the Labour Force and Employment:
1986 - 1997



Labour Force: Annual Increments



What can you do?

Getting to full employment means working smarter. Staying there in a changing world means working ever smarter.

We need more skills, better use of those skills, more bright ideas, more innovation, more flexibility, more acceptance of change.

And we need that everywhere — in farms, factories, high-rise offices, hospitals, schools, marae, government departments, district councils

It is the way we all work every day that determines the real shape of the economy.

So this report does not end with a set of recommendations for government. There are important things for government to do — but this is not something that government alone can do. Getting and keeping full employment — that depends on all of us.

We will reach that goal only if we believe that we can. We will not reach that goal if we think we can leave it to somebody else.

Key points from *The Fully Employed, High Income Society*

- We need to increase employment by an average of 2.5% a year to return to full employment by the mid 1990s.
- Faster improvements in productivity provide the fundamental basis for reaching that goal.
- A sustained doubling in the rate of improvement in productivity from 1% to 2% a year would do the job.
- That rate of productivity improvement has been achieved before in New Zealand — and in other countries.
- Keeping that up means we all have to be more adaptable — to changes in our own society and economy and in the rest of the world.
- We need higher levels of education, training and retraining.
- Better management of people, and of the ways we work; well-directed research and development, and more attention to design, quality and imaginative marketing are all important.
- More, well-chosen investment would make it easier to expand economic activity and employment.

- Attempts to reach full employment by lowering wage rates would require unacceptably large reductions in wage rates paid to semi- and unskilled blue collar workers.
- There are different opinions about the role of macroeconomic policy in relation to employment. These arguments are important because they inform the choices made by policymakers.
- There is a need for more co-operative planning and strategy formation within and among industries.
- What we look for as paid employment is changing: full- or part-time, self-employment, changing careers, time-out for children, travel or retraining, earlier or later retirement. This report explores the scale of some of these changes and what they mean for our full-employment goal — paid work for all who seek it.

The Planning Council re-affirms its commitment to sustainable full employment at high wages. It is using this report to promote commitment to that goal and analysis and discussion of the ways in which it can be achieved.

Other Planning Council reports available on different aspects of achieving that goal include:

Tomorrow's Skills
Work Today
What Creates New Jobs?
The Economy in Transition
Prospects

We welcome your ideas, comments and contributions to further work towards the goal of full employment.

NEW ZEALAND
**Planning
 Council**
*Te Kaunihera Whakakaupapa
 Mo Aotearoa*

The full report of *The Fully Employed High Income Society* is available from the Planning Council for \$14.95.