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Senate Finance and Public Administration Legislation Committee

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Canberra ACT 2600

(submitted via email to [fpa.sen@aph.gov.au](mailto:fpa.sen@aph.gov.au))

## Minimising and managing the risks of labour hire in the public sector

### Introduction

All levels of government in Australia are heavily reliant on labour hire, often from multinational suppliers with complex corporate structures designed to reduce taxes. These firms are awarded large, lucrative government contracts; receive indirect support from other government spending; increasingly work in essential services like aged care and home care services; and manage sensitive and personal information for government agencies.

At the federal level, expenditure on labour hire has grown rapidly and without necessary oversight and controls. Annual spending on labour hire is now estimated to be \$5 billion per year, equivalent to more than 20% of the wage cost of the entire Australian Public Service (APS). It is financially imprudent for the federal government (and other public institutions) to source labour through companies that are avoiding corporate income taxes, shirking good governance responsibilities, and helping to drive down employment standards and personal income. *Who are these shadowy global firms are extracting growing profits from re-shaping every aspect of the labour market, while conditions for the vast majority of workers in Australia are declining, and the ability of governments to deliver and pay for essential public services is diminished?*

**There is a specific and urgent need to analyse aggressive tax avoidance schemes.** This submission fills that gap by revealing the largest labour hire operators in Australia and how **multinational structures may facilitate profit-shifting and reduce taxable income.** The following is a preliminary analysis of some of the largest labour hire multinationals operating in Australia. Notably, these firms are also dominant providers of outsourced labour for the public sector. Given the specific interest of this inquiry in digital transformation, this submission also gives an overview of public sector labour hire for information and communication technology (ICT) services.



In addition to identifying the least responsible labour hire firms, this submission also identifies firms that appear to comply with some legal and moral obligations regarding taxation. Hays, for example, reports a substantially higher profit margin than its labour hire competitors in Australia, and according, pays significantly more in tax. Randstad, while it pays zero tax in Australia and is incorporated through the Netherlands and several other tax havens, reports its revenue and tax payments in accordance with the [Global Reporting Initiative's standards](#).

Given the extensive risks associated with widespread labour hire, CICTAR recommends that public sector employment through these firms should be minimised. Dependence on labour hire undermines the capacity of the public sector to deliver the basics required of government and public administration. Worse still, when governments rely on labour hire firms that are engaging in aggressive tax avoidance, public money is channelled into overseas tax havens, supporting the profits of corporate giants while undermining funding for essential public services in Australia.

Where labour hire is engaged, CICTAR recommends that **contractors should be required as a condition of any contract to implement reporting to publicly declare revenues and tax payments in every country globally**. [The Global Reporting Initiative \(GRI\) Tax Standard](#) provides an existing and globally recognised reporting standard. This is the most effective means to use government spending to increase transparency and help reduce tax avoidance. Suppliers who receive over AUD10 million per year from government contracts should also be required to file full financial accounts with the Australian Securities and Investments Commission (ASIC). In addition, labour hire **contractors should be vetted according to past contract performance**. Finally, CICTAR recommends that, in order to promote better public accountability in this area, **government should track and disclose beneficial ownership** for all of its contractors, **disclose the details of labour hire contracts** valued over AUD1 million per year, **provide comprehensive cost-benefit analysis** to support any decision to use labour hire and **create monitoring and performance measures** to ensure services are provided as intended over the life of any contracts.



## Table of contents

<b>Introduction</b>	<b>1</b>
<b>Labour hire in the public sector</b>	<b>4</b>
<b>Public sector labour hire in ICT</b>	<b>6</b>
<b>ATO Corporate Tax Data (2018-19) for Australian Subsidiaries of Largest Labour Hire Multinationals</b>	<b>8</b>
<b>Summary: Corporate governance &amp; tax analysis of key labour hire firms in Australia</b>	<b>9</b>
<b>Detailed: Corporate governance &amp; tax analysis of key labour hire firms in Australia</b>	<b>11</b>
Adecco (Modis, Ajilon)	11
Randstad (Aurec, HR partners, Chalfront Consulting)	13
Persol (Programmed, Skilled, Kelly Services)	16
Recruit Holdings (Chandler Macleod, PeopleBank, Aurion)	18
Outsourcing Inc (Bluefin, Clicks IT Recruitment, Horizon One, Hoban Recruitment, Index, PM-Partners, Marble Group)	22
Hays	25
Serco	26
Probe (Stellar)	28
Datacom	29
Will Group Inc (DFP Recruitment, Quay Appointments, u&u)	30
Concentrix Services Pty Ltd	31
Paxus (Adcorp)	31
Fujitsu	32
<b>Conclusions and recommendations</b>	<b>33</b>



## Labour hire in the public sector

The following tables provide the top 20 suppliers of labour hire to the Australian public sector over the past five years, and the top agency purchasers.

These numbers are conservatively derived, based on direct agency spending on 'temporary personnel services'. They do not include federal spending on labour hire for public services under contracts in different categories. Some examples of the type of work that may not be included in the above includes research, health administration, education and training, consultancy and advisory, translation and communications services, ICT services, and various professional services.

Even based on these conservative numbers, which are limited by the poor quality of data provided via AusTender, it is clear that labour hire is a dominant presence in the Australian public service. Just **the top 20 agency purchasers spent at least AUD6.857 billion on labour hire in the last five years.** Total spend on labour hire across the APS has recently been estimated at **AUD5 billion per year**, doubling since 2016.<sup>1</sup> This amounts to 22% of the APS' total wage bill.<sup>2</sup>

The majority of the labour hire contractors provide workers to a wide range of agencies, though some are more specialised, as noted in the last column.

### Top twenty suppliers of labour hire to the public sector 2016-21

	SUPPLIER	CONTRACT VALUE (AUD) millions	# of CONTRACTS	MAJOR CONTRACTING AGENCIES
1	Hays	\$1,029	7,945	Various
2	Serco	\$623	4	ATO, Services Australia
3	Probe	\$568	7	ATO, Services Australia
4	Datacom	\$377	42	ATO, Services Australia, Health, ACIC
5	Randstad	\$313	1,913	Various
6	Recruit Holdings	\$270	1,216	Various
7	Outsourcing Inc	\$260	1,357	Various
8	Accenture	\$208	27	ATO, ACIC, Defence
9	Talent International	\$186	576	Various

<sup>1</sup>Mannheim, M. 10 Sep 2020, 'Federal Government spending \$5 billion per year on contractors as gig economy grows inside public service', *ABC News*, available at:

<https://www.abc.net.au/news/2020-09-10/contractors-and-the-public-service-gig-economy/12647956>

<sup>2</sup>Australian Bureau of Statistics, available at:

<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/employment-and-earnings-public-sector-australia/latest-release>



10	Will Group	\$184	1,316	Various
11	Concentrix Services Pty Ltd	\$177	1	Services Australia
12	Hudson	\$172	1,516	Various
13	Ignite	\$150	675	Various
14	Paxus	\$146	472	Various
15	Rubik 3	\$142	541	Various
16	Adecco	\$141	632	Various
17	Finite	\$99	366	Various
18	IBM	\$84	9	ATO, ACIC, Home Affairs
19	First People Recruitment	\$80	636	Various
20	Compas	\$78	292	Various
	<b>TOTAL for the top 20 suppliers</b>	<b>\$5,287</b>	<b>19,543</b>	

Source: AusTender, contracts for 'temporary personnel services', 2016-2021

The federal government agencies that are most dependent on labour hire are listed below, with the total amount they spent on labour hire contracts over the last five years.

#### Top twenty purchasers of labour hire in the public sector 2016-21

	AGENCY	CONTRACT VALUE (AUD) millions	# of CONTRACTS
1	Australian Taxation Office	\$1,699	2,827
2	Services Australia	\$979	95
3	Department of Health	\$651	3,241
4	Department of Veterans' Affairs	\$635	5,717
5	Bureau of Meteorology	\$458	1,687
6	Department of Social Services	\$321	934
7	Department of Agriculture, Water and the Environment	\$320	1,586
8	Department of Education, Skills and Employment	\$244	1,348
9	Australian Federal Police	\$207	395
10	IP Australia	\$180	645
11	Australian Electoral Commission	\$175	726
12	Digital Transformation Agency	\$135	754
13	Department of Agriculture	\$134	1,014
14	Australian Criminal Intelligence Commission	\$131	317
15	Department of the Prime Minister and Cabinet	\$118	698
16	Australian Digital Health Agency	\$115	545
17	Department of Industry, Science, Energy and Resources	\$97	666
18	Department of Foreign Affairs and Trade	\$93	127
19	Attorney-General's Department	\$85	340
20	Australian Securities and Investments Commission	\$80	342



	<b>TOTAL for the top 20 purchasing agencies</b>	<b>\$6,857</b>	<b>24,004</b>
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Source: AusTender, contracts for 'temporary personnel services', 2016-2021

### Public sector labour hire in ICT

Digital and ICT services are a key growth area for labour hire in the public service. The tables below provide the top 20 suppliers of digital / ICT focused labour to the APS, and the top twenty agency-purchasers. These supplier firms provide labour for 'computer services' including computer programmers, various forms of systems design, support and maintenance. Again, due to weaknesses in the AusTender database, it is not possible to isolate labour hire from other forms of 'computer services' such as leases of hardware or software.

#### Top suppliers of labour hire to the public sector in ICT

	<b>SUPPLIER</b>	<b>CONTRACT VALUE (AUD) millions</b>	<b># of CONTRACTS</b>	<b>MAJOR CONTRACTING AGENCIES</b>
1	IBM	\$1,224	132	Services Australia, various
2	Leidos	\$606	232	Defence, ASD
3	SAP Australia	\$540	171	Various
4	Accenture	\$451	40	Various
5	Fujitsu	\$431	216	Various
6	Paxus (Adcorp)	\$287	673	Various
7	Talent International	\$237	553	Various
8	Adecco	\$235	409	Various
9	Finite Group	\$215	439	Various
10	Datacom	\$196	31	Various
11	COBS Telstra	\$185	467	Defence, ASD
12	Recruit Holdings	\$181	430	Various
13	Compas	\$171	388	Various
14	Hays	\$148	454	Various
15	Outsourcing Inc	\$140	361	Various
16	Amazon Web Services	\$129	9	Various
17	Ignite	\$125	301	Various
18	Encore IT	\$124	285	Various
19	Verizon	\$111	30	Various
20	Kinetic IT PTY LTD	\$108	6	Defence only
	<b>TOTAL (for the top 20 suppliers)</b>	<b>\$5, 844</b>	<b>5,627</b>	

Source: AusTender, contracts for 'computer services', 2016-2021



The federal government agencies that are most dependent on outsourced ICT services are listed below, with the total amount they spent on ICT services contracts over the last five years.

**Top twenty purchasers of labour hire in the public sector 2016-21**

	AGENCY	CONTRACT VALUE (AUD) millions	# of CONTRACTS
1	Services Australia	\$2,390	2,845
2	Department of Defence	\$2,313	1,686
3	Department of Home Affairs	\$1,224	1,991
4	Australian Taxation Office	\$1,025	820
5	Digital Transformation Agency	\$498	115
6	Department of Education, Skills and Employment	\$348	1,068
7	Department of Agriculture, Water and the Environment	\$256	212
8	Department of Industry, Science, Energy and Resources	\$216	553
9	Department of Social Services	\$197	629
10	Department of Foreign Affairs and Trade	\$138	380
11	Department of Finance	\$132	451
12	Australian Signals Directorate	\$128	292
13	Department of Veterans' Affairs	\$90	404
14	Department of Infrastructure, Transport, Regional Development and Communications	\$55	123
15	Australian Financial Security Authority	\$39	139
16	Geoscience Australia	\$35	96
17	Department of the Prime Minister and Cabinet	\$34	94
18	Australian Competition and Consumer Commission	\$27	20
19	Australian Communications and Media Authority	\$25	74
20	Australian Federal Police	\$19	46
	<b>TOTAL (for the top 20 purchasing agencies)</b>	<b>\$9,189</b>	<b>12,038</b>

Source: AusTender, contracts for 'computer services', 2016-2021



## ATO Corporate Tax Data (2018-19) for Australian Subsidiaries of Largest Labour Hire Multinationals

Name	Total income (AUD millions)	Taxable income (AUD millions)	Tax payable (AUD millions)	Profit margin	Notes re tax practices and subsidiaries / brands
Hays Specialist Recruitment (Australia) P/L	\$2,647	\$129.1	\$38.7	4.88%	
Persol Australia Holdings P/L	\$2,319	\$14.7	\$4.4	0.63%	Programmed / Skilled; Mosaic
RGF Staffing Melbourne One Limited	\$1,724	\$30.5	\$8.7	1.77%	Chandler Macleod; PeopleBank
Randstad Holdings P/L	\$880	\$0	\$0	0%	Reports tax payments publicly and for each country where it operates
Manpower Services (Australia) P/L	\$771	\$14.6	\$4.4	1.9%	<i>Not analysed</i>
Adecco Holdings P/L	\$632	\$0	\$0	0%	Modis; Ajilion
Datacom	\$545	\$0	\$0	0%	
Paxus	\$553	\$11.8	\$3.5	2%	Adcorp
Kelly Services Australia P/L	\$171	\$1.7	\$0.5	0.98%	Now owned by Persol
Bluefin Resources P/L	\$156	\$7.4	\$2.2	4.74%	Outsourcing Inc
Outsourcing Inc (excluding Bluefin)	Not reported	Not reported	Not reported		
Will Group	Not reported	Not reported	Not reported		DFP Recruitment; Quay Appointments

Source: ATO Corporate Tax Transparency Data. Note the data provided here is a limited sample, which is undermined in reliability by recent mergers and poor accountability practices by some firms.

The estimated profit margin is the taxable income as a percentage of total income. Randstad, Adecco and Datacom all had zero taxable income and paid nothing in corporate income tax in 2018-19. Income or tax payments for Will Group and Outsourcing Inc (excluding Bluefin) are not included in the ATO's publicly available corporate tax data. This is most likely because of the use of trust structures, which are not included in the reporting. Of the multinationals analysed here, the Australian subsidiaries of Hays had a profit margin of nearly 5% on Australian income, while the estimated profit margin of other subsidiaries was considerably lower and lower than profit margins reported globally.





A substantial gap in global profit margins compared to profit reported at a national level can be a key indicator of profit shifting. Reducing the taxable profits reported in Australia - often through artificial offshore related party transactions – reduces the corporate income tax payments in Australia. Most multinational tax avoidance occurs through an artificial reduction in profits reported by subsidiaries at a national level.

### **Summary: Corporate governance & tax analysis of key labour hire firms in Australia**

The dominant labour hire firm in Australia is **Hays**, a publicly listed UK company, with around 5% of the market. According to the most recent ATO corporate tax data, Hays Specialist Recruitment (Australia) Pty Ltd booked a total income in Australia of over AUD2.6 billion. However, unlike the rest of its peers Hays had a profit margin (taxable income over total income) of nearly 4.9% and paid corporate income tax of AUD38.7 million.

Four large Japanese multinational labour hire companies – which few have ever heard of – dominate the Australian market. The largest of these companies is **Persol** Australia Holdings Pty Ltd. With a total Australian income of over AUD2.3 billion, Persol's estimated profit margin was 0.6% and it paid only AUD4.4 million in corporate income tax in 2018-19. An artificially low profit margin on Australian operations, as compared to the global business, can be an indication of tax avoidance. Persol, operates under dozens of names in Australia, but the primary brand, covering more than 20,200 workers is **Programmed Maintenance**. The Australian company has 3 subsidiaries in the European tax haven of Malta and one in the Malaysian territory of Labuan, also widely regarded as a tax haven.

The next largest Japanese multinational is RGF Staffing Melbourne One Pty Limited, the Australian subsidiary of **Recruit Holdings**. The Australian business had total income of over AUD1.7 billion, but a profit margin of under 1.8% and paid corporate income tax of just under AUD8.7 million in 2018-19. Recruit Holdings operates under many brand names in Australia, but the largest is the **Chandler Macleod** Group which has over 23,000 employees. The Australia business is financed by a group treasury company in the UK, exclusively set up to deal with the Australian business. This artificial structure may be another indication of aggressive tax avoidance in Australia. Recruit's global labour hire operations are run from the Netherlands.

The third Japanese labour hire multinational operating in Australia is **Outsourcing, Inc.** Its corporate structure has been primarily set up through unit trusts and therefore not covered in the ATO's corporate tax data. One of Outsourcing, Inc's largest operating entities is **Hoban Recruitment** which has over 10,000 employees.

**Will Group, Inc.** is the fourth multinational based in Japan which operates through subsidiaries including **DGP Recruitment** which is one of the largest labour hire suppliers to the Australian federal



government, with AUD210 million in contracts over the past five years. Another subsidiary, **Quay Appointments**, is a key contractor with the New South Wales government. Will Group's Australian businesses are owned through a Singapore subsidiary, and total income and tax payments are not disclosed in the ATO corporate tax data.

The world's two largest global labour hire firms also made hundreds of millions of dollars in Australia but paid absolutely no corporate income taxes in Australia according to the latest ATO reports.

**Randstad** Holdings Pty Ltd, with its parent company headquartered in the Netherlands, had AUD880.5 million in total income in Australia. **Adecco** Holdings Pty Ltd, the Australian subsidiary of a Swiss-based multinational, had a total income of AUD632 million.

Other key providers of labour hire to the Australian public sector include companies like **Serco** and **Concentrix**, whose poor performance record raises questions about why these firms continue to receive large government contracts. Just months after its failure to deliver for the UK tax authority, costing the UK government AUD69 million, Concentrix received a AUD176 million contract from the Australian government. Serco's poor reputation is so extensive that Appleby, the Bermuda law firm at the centre of the Paradise Papers scandal, was hesitant to provide services to Serco as it considered the company to be a "high-risk" client. Despite this, Serco has received AUD622 million from the Australian government in the last five years. Serco's failure to deliver quality services has seen the company lose contracts to operate hospitals and prisons across Australia and New Zealand.

In digital-specific labour hire, major players include some of the same names, like Hays, Outsourcing Inc, Recruit Holdings and Adecco, as well as ICT firms like **IBM**, **Accenture**, **SAP** and **Amazon**. A tax and corporate governance risk analysis of these major ICT firms has been provided in a previous submission to this inquiry, but we do provide some additional information about other ICT labour hire firms.

**Datacom** is one of New Zealand's largest companies, and a major player in tech labour hire in Australia. Operating in various countries in Asia, the UK and the USA, Datacom Group reported no income tax paid in 2020, with EBIDTA (earnings before interest, tax, depreciation and amortisation) of NZD93 million and net profit of NZD19 million. The company's tax payments have not been reported in the ATO corporate tax data since 2017.

**Paxus**, a subsidiary of the South African company Adcorp, has booked total incomes over AUD500 million between 2017 and 2019, but has paid only AUD1.5 million to AUD3.5 million in taxes, according to ATO corporate tax data, implying a tiny profit margin of just 1-2%.

**The Probe Group**, which recently acquired **Stellar Asia Pacific P/L**, has benefitted from a massive growth in federal government contracts in recent years, leading some to question the company's



close relations with senior Liberal Party figures. Probe specialises in the use of data and digital technology to support offshoring and outsourcing of business processes, collecting debts and surveillance. The company received contracts related to the Robodebt program, which has since been found unlawful, and Probe itself is suspected to have breached privacy laws. Its new subsidiary Stellar has a long history of corporate governance flaws and tax irregularities, including shadowy corporate structures that could facilitate tax avoidance through related party transactions, and the apparent use of bankruptcy proceedings to undermine claims for severance payments by workers and tax obligations.

## **Detailed: Corporate governance & tax analysis of key labour hire firms in Australia**

### **Adecco (Modis, Ajilon)**

Adecco, headquartered in Switzerland, was the world's largest labour hire company but now surpassed by Randstad. Adecco Australia Pty Ltd is one of the 3 entities directly controlled by Adecco Holdings Pty Ltd, the holding company for Adecco's Australian operations.<sup>3</sup> Adecco Australia Pty Ltd directly controls 7 entities, one of which is Modis Consulting Pty Ltd – an IT service management company with nearly 1,500 employees.<sup>4</sup> It in turn controls Modis Staffing Pty Ltd. Modis has also traded as Ajilon.

In 2019, the Adecco group in Australia declared tax losses of around AUD41 million. In the same year, the group paid a fee of AUD7 million for providing management and other services “calculated at arm's length” to its Swiss parent company Adecco Group AG and its controlled entities.<sup>5</sup> While a portion of this money is returned back as “service fee” to Adecco Australia Pty Limited and its controlled entities, the group further “paid royalties of AUD12.3 million and guarantee fees of AUD180,543 to the Adecco Group.”<sup>6</sup> When added to the inter-party loan of AUD18 million owed to the parent entity, the amount totals AUD37 million. Royalties, service and the guarantee fees may have been used to artificially lower Adecco's profits and therefore tax responsibilities in Australia.

After these offshore related party transactions, the reported amount for loss after tax (and loss before tax) is AUD5.2 million in 2019. When added to the transferred amounts made to the Adecco Group AG and its controlled entities, this is equivalent to the declared tax losses of AUD41 million.<sup>7</sup>

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<sup>3</sup> Adecco Holdings Pty Ltd directly controls 3 entities Adecco Australia Pty Ltd, Pontoon Pty Australia Ltd (former Hyphen RPO Pty Ltd) and Advava Pty Ltd.

<sup>4</sup> Adecco Australia Pty Ltd controls Adecco Industrial Pty Ltd Australia Adecco Projects Aust Pty Ltd Australia Modis Consulting Pty Ltd Lee Hecht Harrison Pty Ltd Judd Farris Australia Pty Ltd Spring Group Australia Pty Ltd Tad Pty Ltd.

<sup>5</sup> Consolidated Financial Statements of Adecco Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, page 19.

<sup>6</sup> Ibid.

<sup>7</sup> Consolidated Financial Statements of Adecco Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, page 3 and 14.



The Adecco group paid no taxes in Australia in 2019, despite reporting AUD620.1 million in revenue and AUD101.8 million in gross profit.<sup>8</sup> More importantly, the “post tax consolidation losses of AUD31 million” have been set aside to offset future taxable income. Additionally, the “transferred losses” of AUD9.5 million “are subject to an available fraction which determines the proportion that can be offset against future taxable income.”<sup>9</sup> Not only did Adecco succeed in creating losses which avoided any Australian corporate income tax payments in 2019, it created a tax shelter for future years as well.

In 2020, despite an apparent pattern of tax avoidance in Australia, Adecco Australia Pty Ltd was awarded over 30 contracts worth AUD2.2 million from the Australian Taxation Office and over 25 contracts worth AUD7 million from the Attorney-General's Department among other government departments. In total, **Adecco and Modis Staffing P/L were awarded at least 313 federal contracts worth over AUD105 million in 2020.**<sup>10</sup>

Adecco Australia Pty Ltd, according to the 2020 Workplace Gender Equality Agency, has 916 employees.<sup>11</sup> However, Adecco “at any given time, have over 2,500 temporary employees working” in Australia.<sup>12</sup>

Not only is Adecco a significant provider of labour hire, staffing and recruitment services in Australia in both public and private sectors, it is also involved in the privatisation of core state and territory government functions. In 2019, Adecco reported revenues of AUD22.3 million from “IT services for land-registry”.<sup>13</sup> Landgate, Western Australian’s land registry, owned 78% of Advava, an entity formed with an Adecco subsidiary in 2015.<sup>14</sup> In 2016, Landgate provided Advava with a AUD140 million IT contract “under an exemption from public service tendering rules.”<sup>15</sup> This and other transactions

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<sup>8</sup> Ibid, p.5 Income statement.

<sup>9</sup> Consolidated Financial Statements of Adecco Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, page 14.

<sup>10</sup> See here:

<https://contracts.disclosurelo.gs/displaySupplier.php?supplier=91006253336-ADECCO+AUSTRALIA+PTY+LTD&year=2020> ;  
And also <https://contracts.disclosurelo.gs/displaySupplier.php?supplier=14007145637-Modis%20Staffing%20Pty%20Ltd>

<sup>11</sup> Workplace Gender Equality Agency data, available here: <https://data.wgea.gov.au/organisations/4216>

<sup>12</sup> See Adecco website, available here: <https://www.adecco.com.au/about/>

<sup>13</sup> Consolidated Financial Statements of Adecco Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, p.5 Income statement.

<sup>14</sup> Thompson, B. 19 Oct 2017, “Former minister warns of security risk in land registry sales”. *Australian Financial Review*.  
Access here:

<https://www.afr.com/companies/former-minister-warns-of-security-risk-in-land-registry-sales-20171019-gz3yy3>

<sup>15</sup> Ibid.



have raised major concerns about corruption in the Western Australian state government, which have been the subject of subsequent parliamentary investigations.<sup>16</sup>

Adecco's ownership of Advara continued to increase and in May 2019 Adecco acquired the remainder of shares, making Advara a 100% owned subsidiary.<sup>17</sup> Advara's main function is to "provide land registry service and related IT services to jurisdictional governments within Australia."<sup>18</sup> The business strategy is to further privatise government services in other jurisdictions.

### **Randstad (Aurec, HR partners, Chalfont Consulting)**

Randstad Holding N.V. is the Dutch based ultimate parent company of Randstad Holdings Pty Ltd, the main entity of the Randstad group in Australia. In Australia it also trades under the names Aurec, HR Partners and Chalfont Consulting. Its immediate parent company is Randstad Asia Pacific B.V., a Dutch based holding company.<sup>19</sup> Two separate Luxembourg companies are sandwiched in-between the Dutch holding company, and the ultimate parent company headquartered in the Netherlands. Randstad also has companies registered in Luxembourg, Singapore and other jurisdictions widely considered to function as tax havens.<sup>20</sup>

Randstad Holding Luxembourg S.A.R.L. is the direct owner of Randstad Asia Pacific B.V. in the Netherlands and is included in the consolidated accounts of Randstad N.V. (previously Randstad Holding N.V.).<sup>21</sup> It also owns Randstad FTC Pte Ltd, a Singapore Treasury company discussed below, along with at least 16 other Randstad global entities in various jurisdictions including Luxembourg, Netherlands, Switzerland, Ireland and others.<sup>22</sup> Randstad Asia Pacific B.V. and Randstad FTC Pte Ltd are among the most significant of the subsidiaries by book value, shareholder equity and results. Randstad Asia Pacific B.V. had results of nearly €40.3 million and Randstad FTC Pte Ltd had results of €57.4 million.<sup>23</sup>

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<sup>16</sup> AAP, 14 May 2020, "Major corruption fears in WA public sector" *WA Today* access here: <https://www.watoday.com.au/national/western-australia/major-corruption-fears-in-wa-public-sector-20200514-p54t57.html>

<sup>17</sup> Directly controlled by Adecco Holdings Pty Ltd.

<sup>18</sup> Consolidated Financial Statements of Adecco Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, page 17.

<sup>19</sup> Ownership of the Australian business through this Dutch holding company is not disclosed in the filing with ASIC, but in current company extract for Randstad Holdings Pty Ltd purchased from ASIC on 18 March 2021.

<sup>20</sup> As per the results of Corporate Tax Haven Index (2021), see here: <https://cthi.taxjustice.net/en/>

<sup>21</sup> Randstad Holding Luxembourg S.a.r.l., Annual Accounts as at December 31, 2019 and for the year then ended, pages 6 and 9.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid, these values for results are reported as figures from the 2018 audited annual accounts.



Randstad Holding Luxembourg S.A.R.L. is in turn owned by Randstad Group Luxembourg S.A.R.L., which owned 3 other Luxembourg entities and one in Belgium.<sup>24</sup> Since 2017, the Randstad group in Luxembourg is treated as a single taxpayer with the parent company of the tax unity being Randstad Group Luxembourg S.A.R.L. “Under this regime, the respective taxable profits of each company of the consolidated group are pooled or offset to be taxed on the aggregate amount.”<sup>25</sup>

In 2020, Randstad in its annual report disclosed having an average of 34,680 corporate employees, with a global turnover of EUR20.7 billion.<sup>26</sup> As with other labour hire multinationals, Randstad is dominating all aspects of the global labour market. As one example, Monster Worldwide Inc, a major global job search website, is a subsidiary of Randstad Holding N.V. Monster Worldwide Inc reimbursed a loan amounting to USD74.5 million to Randstad Holding Luxembourg S.A.R.L., which may be another example of global intra-company transfers to shift profits and reduce corporate income tax payments.<sup>27</sup> In a sign that labour hire multinationals continue to benefit while many traditional employers have been hard hit, in February 2021 the Randstad group reported market share gains in the US and France and was on its way recovering to pre-pandemic levels.<sup>28</sup>

In 2019, Randstad Holdings Pty Ltd in Australia reported after tax profits of over AUD6.3 million, but paid income taxes of only AUD300,000.<sup>29</sup> The filing reports that Randstad Holdings Pty Ltd loaned AUD33.4 million to Randstad Pty Ltd.<sup>30</sup> Receivables on the related party loan carry an 8% interest, far higher than current market rates, are an indicator that profits may be shifted from one entity to another.

The Randstad group in Australia also received a AUD62.6 million loan from the Singaporean entity Randstad FTC Pte Ltd, a wholly owned subsidiary of Randstad Holding Luxembourg S.A.R.L.<sup>31</sup> Randstad FTC Pte Ltd in 2019 reported 6 loans from related parties. One of them was a loan of AUD37.6 million denominated in Australian dollars at a fixed interest of 5.2% per annum.<sup>32</sup> The name(s) of the Australian entity or entities that transferred this loan to Randstad FTC Pte Ltd are not

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<sup>24</sup> Randstad Group Luxembourg S.a.r.l., Annual Accounts as at December 31, 2018, p.8.

<sup>25</sup> Annual accounts of Randstad Holding Luxembourg S.A.R.L as of December 31<sup>st</sup> 2019, page 14.

<sup>26</sup> Randstad website, access here: <https://www.randstad.com/investor-relations/results-and-reports/key-financials/>

<sup>27</sup> Annual accounts of Randstad Holding Luxembourg S.A.R.L as of December 31<sup>st</sup> 2019, page 10.

<sup>28</sup> Staffing Industry Analysts, 2021, ‘Randstad recovering to pre-pandemic levels in January’, access here: <https://www2.staffingindustry.com/eng/Editorial/Daily-News/World-Randstad-recovering-to-pre-pandemic-levels-in-January-56627>

<sup>29</sup> Consolidated Financial Statements of Randstad Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, pages 1 and 9.

<sup>30</sup> Consolidated Financial Statements of Randstad Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, page 22.

<sup>31</sup> Consolidated Financial Statements of Randstad Holdings Pty Ltd and its Controlled Entities for the year end 31<sup>st</sup> December 2019, page 27.

<sup>32</sup> Financial Statement of Randstad FTC Pte Ltd as of December 31<sup>st</sup> 2019, page 36.



disclosed. As is common with subsidiaries of multinationals set up in Singapore, in May 2016, the Ministry of Finance granted Randstad FTC Pte Ltd a five-year incentive scheme where its income is taxed at a concessionary rate of 10%, compared to Singapore's statutory rate of 17%.<sup>33</sup> This may have indirect consequences on how Randstad structured its tax arrangements to lower its responsibilities and avoid corporate income tax payments in Australia.

In Australia, Randstad Holdings Pty Ltd is the parent company of 5 wholly owned subsidiaries namely: Randstad Pty Limited, HREXL Group Pty Ltd, Aurec Group Pty Ltd, Aurec Pty Ltd and Digby Morgan Pty Ltd. The company has a 50% non-controlling ownership interest in Skout Solutions Pty Ltd. The other half of this joint venture is owned by Ventia Pty Ltd a subsidiary of the CIMIC Group Limited, an ASX listed company majority owned by the ACS Group, a global construction giant. "Skout's core services are centred around the Contract Management and Trades & Services industries, where it delivers tailored people solutions to fluctuating business demands, whether short or long term."<sup>34</sup>

In contrast to the losses and low profit margins reported by Randstad in Australia, the global company reported underlying gross margins of 20.0% and 19.2% in 2019 and 2020.<sup>35</sup> Underlying EBITA (earnings before interest tax and amortisation) were 4.6% and 3.3%, respectively.<sup>36</sup> To its credit, Randstad's 2020 annual report does provide country-by-country reporting on tax payments.<sup>37</sup> However, this reporting confirms minimal corporate tax payments were made in Australia in both 2019 and 2020.<sup>38</sup> The country-by-country reporting does reveal a pattern of significant revenue from intra-group transactions being reported in Switzerland, the Netherlands, Singapore and Luxembourg.

Randstad's offshore related party transactions between Australian subsidiaries and entities in these jurisdictions may have contributed to significant reductions in taxable profits and corporate income tax payments in Australia. Unless multinational profit shifting and global tax avoidance schemes are addressed, they will continue to drain resources from the funding and delivery of essential public services and continue to undermine public trust in both government and industry.

In 2020, Randstad was the 93<sup>rd</sup> largest federal contractor and received nearly AUD68 million in federal contracts.<sup>39</sup> This included 15 contracts between the Attorney General's Department and Randstad Pty Ltd worth AUD1.7 million. These numbers do not include federal contracts granted to

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<sup>33</sup> Financial Statement of Randstad FTC Pte Ltd as of December 31<sup>st</sup> 2019, page 38.

<sup>34</sup> Ventia website, access here: <https://www.ventia.com/who-we-are/subsidiaries>

<sup>35</sup> Randstad, Annual Report 2020, p.5.

<https://www.randstad.com/s3fs-media/rscom/public/2021-02/randstad-annual-report-2020.pdf>

<sup>36</sup> Ibid.

<sup>37</sup> Ibid, pp.228-29.

<sup>38</sup> As the global country by country reporting is in millions of euros, the \$300,000 in corporate income tax payments in Australia in 2019 were rounded to zero.

<sup>39</sup> <https://contracts.disclosurelo.gs/displaySupplier.php?year=2020>





Aurec Pty Ltd, which Randstad acquired in 2019, or other Randstad subsidiaries. In 2020, Aurec had 131 federal contracts valued at AUD38.9 million.<sup>40</sup> Companies with a track record of aggressive tax avoidance should not be continually rewarded with hundreds of millions in federal contracts.

### **Persol (Programmed, Skilled, Kelly Services)**

Programmed Maintenance is the primary Australian operating brand for Japanese multinational labour hire giant Persol. One of the largest global labour hire multinationals and in the top tier of all corporations operating in Australia, Persol operates under a number of brands, the largest of which is Programmed (acquired in 2017) and has continued to expand its Australian business, acquiring Kelly Services in 2020. The top Australian entity, Persol Australia Holdings Pty Ltd, ranked as the 152 largest company in Australia based on over AUD2.3 billion in total income in 2018-19.

Persol's roots in Japan date back to the early 1970's and now Persol aims "to become Asia's leading staffing services company."<sup>41</sup> With the acquisition of Programmed, which was previously ASX-listed and had merged with Skilled Maintenance, Australia become the largest market for Persol outside of Japan. At the end of 2019, 22% of net sales were reported in the Programmed Division and over 40% of the reported 50,774 global consolidated employees were employed through Programmed companies, primarily in Australia.<sup>42</sup>

Programmed employees work in virtually every sector of the Australian economy and increasing in publicly funded health, disability and home care services. Programmed subsidiary Skilled Workforce Solutions is facing a AUD45 million Federal Court class action lawsuit for underpaying up to 3,000 casual mine workers between AUD15,000 and AUD25,000 each at two major Hunter Valley coal mines in New South Wales operated by Yancoal.<sup>43</sup> The principal of the law firm representing the workers stated that the case served "to put an end to the rampant abuse of the 'casual' labour hire business model and ensure these workers are classified for what they truly are, permanent. It is time labour hire companies paid their debts to the Australian families who have suffered years of financial insecurity while the labour hire business model has become so profitable."<sup>44</sup>

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<sup>40</sup> <https://contracts.disclosurelo.gs/displaySupplier.php?supplier=60103121464-Aurec+Pty+Ltd&year=2020>

<sup>41</sup> Persol website, access here: <https://www.persol-group.co.jp/en/ir/faq/>

<sup>42</sup> Net sales figures as reported in Persol Holdings Co., Ltd, Factbook 3<sup>rd</sup> Quarter of Fiscal Year ending March 2021, p.6.; Consolidated employees are reported here: <https://www.persol-group.co.jp/en/corporate/business/> The total includes 45,179 Full-time employees "(includes employees working at group companies. Employees assigned to work at non-group companies not included.)" and an annual average of 5,995 contingent employees "(including temporary and part-time employees)".

<sup>43</sup> Marin-Guzman, D. 4 November 2019, "Labour hire firm faces \$45m class action over underpayments", *Australian Financial Review*, access here: <https://www.afr.com/work-and-careers/workplace/labour-hire-firm-faces-45m-class-action-over-underpayments-20191104-p5375p>

<sup>44</sup> Ibid.





Other Programmed subsidiaries, including the Tesa Group Pty Ltd, are also subject of similar class action lawsuits involving other major coal mine operators, including BHP and Glencore.<sup>45</sup> The use of labour hire firms in the mining sector has become standard practice and serves to undermine wages and working conditions. Programmed Maintenance and related companies had over 20,500 employees in Australia at the end of 2019. However, this may not fully account for employees employed on a temporary basis.

A divergence between global profit margins and national profit margins can be an indication of profit shifting. While Persol's Australian entity had a profit margin of 0.6% and paid corporate income tax of only AUD4.4 million in 2018-19, the group's global profit margin for the comparable period was 4.8%.<sup>46</sup> At the end of 2019, total revenues of the Australian parent company were almost AUD2.5 billion, but the company reported a loss of under AUD212 million compared to a profit of AUD32 million in 2018. The Australian company reported staffing segment profits of AUD25.2 million and maintenance segment profits of AUD53.5 million, but the loss was largely driven by impairment expenses of AUD221 million.<sup>47</sup> The majority of the impairment, AUD203 million, was related to goodwill.<sup>48</sup> Artificial manipulation of goodwill and other intangible assets can be used to reduce profits or taxable income.

Persol had a joint venture in the Asia Pacific region with US labour hire giant Kelly Services, but in 2020 Persol bought out the interests of Kelly Services. For a sale price of US\$17 million, the business of Kelly Services in Australia and New Zealand are now entirely owned through Persol's top Australian company.

In 2019, Persol Australia Holdings Pty Ltd had 3 subsidiaries in the tax haven of Malta.<sup>49</sup> In 2019 one of these Malta entities, Skilled International Services Ltd, reported that the "company was principally engaged in providing consultancy services to a related company in Malaysia."<sup>50</sup> It appears that this Malaysian company is Skilled International Limited, also a subsidiary of Persol Australia Holdings Pty Ltd.<sup>51</sup> This Malaysian company is incorporated in Labuan, a widely regarded as a conduit tax haven jurisdiction within Malaysia since the setting up of an international financial offshore centre in

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<sup>45</sup> Staffing Industry Analysts, 27 June 2018, "Coal miners hired through labour hire firms launch massive class action lawsuit against BHP for underpayment".

<https://www2.staffingindustry.com/row/Editorial/Daily-News/Australia-Coal-miners-hired-through-labour-hire-firms-launch-massive-class-action-lawsuit-against-BHP-for-underpayment-46537>

<sup>46</sup> Persol Holdings Co., Ltd (TSE 2181), 15 May 2020, Consolidated Financial Results for the Year Ended March 31, 2020, p.8.

<sup>47</sup> p.12

<sup>48</sup> p.25

<sup>49</sup> p.49

<sup>50</sup> Skilled International Services Limited, Report and financial statements, 31 December 2019, p.7 Note 1.

<sup>51</sup> p..49



1989.<sup>52</sup> As of October 2020, the jurisdiction is base to 6,500 offshore companies.<sup>53</sup> There are no public filings and the tax rate for non-Malaysian income is zero.

The function that these companies perform and whether or not they impact tax payments in Australia, or elsewhere, is not known. The Malta companies or the Labuan company do not appear to be disclosed as subsidiaries of Persol in any of Persol's English language filings.

The 2019 filing for Persol Australia Holdings Pty Ltd state that the company "is a wholly owned subsidiary of Persol Holdings Co. Ltd, a company listed on the Tokyo Stock Exchange."<sup>54</sup> However, the filing does not state the name of the immediate parent entity. A current company extract shows that the Australian company is now owned by Persol Asia Pacific Pte Ltd in Singapore.<sup>55</sup>

A search of company filings in Singapore shows that this company was registered and incorporated in Singapore on 19 December 2019. Financial statements for this company are yet to be filed in Singapore. The profile of the Singapore company indicates that the Japanese listed parent company is the sole shareholder and lists three Australian directors, but does not show the Australian company as a subsidiary.<sup>56</sup> How the ownership of the Australian company via Singapore may impact future tax payments in Australia and elsewhere in the Asia Pacific region is not known.

### **Recruit Holdings (Chandler Macleod, PeopleBank, Aurion)**

Recruit Holdings was ranked as the 4<sup>th</sup> largest staffing agency in the world and had 2019 global revenues of US\$13.42 billion.<sup>57</sup> Recruit, primarily through the Chandler Macleod Group, appears to be one of the largest labour hire companies in Australia, not far beyond Hays or Programmed (Persol) and in the top 250 of all Australian corporations by total revenue.

RGF Staffing Melbourne One Pty Limited, which has since changed its name to RGF Staffing Pty Ltd, was the top Australian subsidiary of Recruit Holdings. According to 2018-19 ATO data, this Australian entity had total income of over AUD1.7 billion, but a profit margin of under 1.8% and paid corporate

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<sup>52</sup> Labuan is a base for more than 6,500 offshore companies. October 3rd 2020. See here:

<https://taxfitness.com.au/Tax-Havens/labuan-offshore-companies>

<sup>53</sup> Ibid.

<sup>54</sup> Persol Australia Holdings Pty Ltd, Directors Report, p.1.

<sup>55</sup> The current company extract was purchased from ASIC on 18 March 2021. It reports that the most recent changes to shareholdings occurred on 8 January 2021.

<sup>56</sup> The Biz Check Plus profile was purchased from the Singapore Commercial Credit Bureau on 18 March 2021. It states that Registered Activities as: "Activities of Head and Regional Head Offices; Centralised Administrative Offices and Subsidiary Management Offices". It does report a 51% share interest in Persol Kelly Pte Ltd.

<sup>57</sup> Staffing Industry Analysts, 3 December 2019, "World's largest staffing firms post \$224 billion in revenue".

<https://www2.staffingindustry.com/eng/Editorial/Daily-News/World-World-s-largest-staffing-firms-post-224-billion-in-revenue-56012>



income tax of just under AUD8.7 million. In contrast, in FY2019 Recruit Holdings reported global revenue of AUD28.8 billion and pre-tax profit of AUD2.7 million, indicating a global profit margin of 9.4%.<sup>58</sup>

Recruit is a global staffing company, but heavily invested in Australia. According to its most recent annual report, in FY2019 Recruit's staffing segment reported 12% of global revenue in Australia, compared to 15% in North America, 28% in Europe and 45% in Japan.<sup>59</sup> Given the relative size of Australia's economy to North America or Europe, this demonstrates a major and growing presence in Australia.

Globally, Recruit Holdings reported a total number of employees of 49,370, which "includes employees that have been assigned to the Company and excludes employees that have been assigned to companies outside the Company."<sup>60</sup> Remarkably, for a global company with close to 50,000 direct employees, the company also reported that employees "are not members of labor unions. Management and employees have built a strong relationship and no special labor matters are noted."<sup>61</sup>

While there are many operating entities using the Chandler Macleod name, the group includes other specialised companies. The Chandler Macleod Group, including the Peoplebank family of companies, reported over 23,000 Australian employees in 2020.<sup>62</sup> Separately, AHS Hospitality, which specialises in subcontracted hotel services to major hotel chains reported over 3,570 Australian employees in 2020.<sup>63</sup> AHS also offers services to the aged care sector along with another company VIVIR Healthcare Pty Ltd, which reported nearly 650 employees in 2020.<sup>64</sup> Aurion, a major provider of payroll and HR services, is also part of the Chandler Macleod Group.

The Chandler Macleod Group was awarded at least 303 federal government contracts worth over AUD43 million in 2020.<sup>65</sup> In terms of the value of contracts, the three largest federal agencies were the Departments of Veterans Affairs (AUD10.1m) and Defence (AUD6.6m) and the Australian

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<sup>58</sup> Recruit Holdings Co., Ltd. Annual Report translated from Yukashouken Houkokusho April 1, 2019 - March 31, 2020, p.1 Key Performance Indicators. Profit margin calculated using values in millions of Yen. Converted to Australian dollars at 1 JPY = 0.012 AUD, exchange rate on 26 March 2019.

<sup>59</sup> Recruit Holdings Co., Ltd. Annual Report translated from Yukashouken Houkokusho April 1, 2019 - March 31, 2020, p.50. Total revenue from the staffing segment was 1,248.2 billion yen and Australian revenue was 144.7 billion yen.

<sup>60</sup> Ibid, p.15.

<sup>61</sup> Ibid, p.16.

<sup>62</sup> WGEA data, available here: <https://data.wgea.gov.au/organisations/1136>

<sup>63</sup> WGEA data, available here: <https://data.wgea.gov.au/organisations/6287>

<sup>64</sup> WGEA data, available here: <https://data.wgea.gov.au/organisations/4192>

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<https://contracts.disclosurelo.gs/displaySupplier.php?supplier=33090555052-CHANDLER+MACLEOD+GROUP+LTD&year=2020>



Taxation Office (AUD5.5m).<sup>66</sup> However, this amount does not include all the subsidiaries of the Chandler Macleod Group. Peoplebank was awarded an additional 189 contracts valued at nearly AUD57 million in 2020, including AUD12.3 million with the Australian Taxation Office.<sup>67</sup> These two subsidiaries account for at least AUD100 million in federal contracts in 2020 alone, the actual contracts awarded to the broader group may be significantly higher.

According to the most recent filings of Recruit Holdings top Australian company, the Australian group reported revenues of AUD1.936 billion in FY2020, but had a net loss after tax of nearly AUD79 million.<sup>68</sup> The loss was largely driven by a AUD95.6 million impairment of intangibles and the loss was reduced by a tax benefit of AUD6.8 million.<sup>69</sup> The EBITDA, which is often used as a more accurate measure of business performance, was AUD51.7 million.<sup>70</sup>

Similarly, the cash flow statement reported "Net cash flow from operating activities from third parties" of AUD96.7 million which was reduced by "Cashflows swept to group treasury function" of AUD86.8 million, leaving net cash from operations of only AUD9.9 million.<sup>71</sup>

In FY2020, RGF Staffing Pty Ltd generated 88% of its revenue in Australia, 9% in Hong Kong, 2% in New Zealand and 1% in Singapore.<sup>72</sup> The company reported AUD21.8 million in "Covid-19 government grants" and "Covid-19 expenses paid" of AUD14.3 million resulting in other net income of over AUD7.5 million.<sup>73</sup> Most, if not all, of the Covid-19 government grants were likely received from the Australian government, but further details are not disclosed.

RGF Staffing Pty Ltd reports AUD100 million in related party loans in the year ended 30 June 2020. It is explained that these loans are "Internal Cash Management Agreements" with "Recruit Global Treasury Services Ltd ('RGTS')." <sup>74</sup> The Australian Group can draw up to AUD273 million in loans which are unsecured "and interest rates being subject to periodical review by RGTS." <sup>75</sup> In FY2020, nearly AUD2.9 million in interest payments were made to RGTS and a similar amount in the previous year.<sup>76</sup>

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<sup>66</sup> Ibid.

<sup>67</sup> <https://contracts.disclosurelo.gs/displaySupplier.php?supplier=42003995748-Peoplebank+Australia+Ltd&year=2020>

<sup>68</sup> RGF Staffing Pty Limited and its controlled entities (formerly named RGF Staffing Melbourne One Pty Limited), Financial Report for the year ended 30 June 2020, p.2 Directors' Report.

<sup>69</sup> Ibid & p.5 Income Statement.

<sup>70</sup> Ibid, p.5 Income Statement.

<sup>71</sup> Ibid, p.8 Cash Flow Statement.

<sup>72</sup> Ibid, p.22 Note 4.

<sup>73</sup> Ibid, p.22 Note 4.

<sup>74</sup> Ibid, p.30 Note 13.

<sup>75</sup> Ibid.

<sup>76</sup> Ibid, p.34 Note 17.



Separately, in FY2020 over AUD103 million was advanced to RGTS, presumably largely from the sweeping or 'cash pooling' treasury function mentioned above and discussed below.<sup>77</sup>

RGTS is incorporated in the UK and its principal activity is "to carry out treasury management services for main foreign subsidiaries in Europe and America of Recruit Holdings Co., Ltd."<sup>78</sup> Contrary to the financial reporting in Australia, RGTS does not have any direct relationships with Recruit's Australian business. However, RGTS does own Recruit Global Treasury Services AUD Limited, also registered and incorporated in the UK.<sup>79</sup> As of 31 March 2020, RGTS had nearly US\$1.8 billion in cash at the bank after generating a pre-tax profit of US\$21.3 million for the year.<sup>80</sup>

The principal activity of Recruit Global Treasury Services AUD Limited "is to carry out treasury management services for main Australian subsidiaries of Recruit Holdings Co., Ltd."<sup>81</sup> The UK filing contains limited information, but does report (in Australian dollars) over AUD2.4 million in finance income and, after deducting nearly AUD1.1 million in administrative expenses, profit before tax of nearly AUD1.1 million.<sup>82</sup>

While the Australian company is directly owned by Recruit Holdings Co. Limited in Japan, there are also related party transactions with RGF Staffing B.V. in the Netherlands.<sup>83</sup> These include service fees paid and payable of nearly AUD1.9 million in FY2020 and over AUD2.6 million in FY2019.<sup>84</sup> In addition to offshore related party lending, service fees to companies located in certain jurisdictions are also frequently used to shift profits and avoid tax where revenues are actually earned.

The Australian company also reports that it "intends to seek further improvement of profitability and productivity by combining RGF Staffing B.V.'s (formerly named Recruit Global Staffing B.V.) combined know-how in the HR recruitment and staffing business that they have obtained in Japan, Europe, the USA, and the Group's experience in the provision of HR outsourcing, recruitment, staffing, consulting and managed services."<sup>85</sup> Recruit Holdings has chosen to run its global staffing business through the

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<sup>77</sup> Ibid.

<sup>78</sup> Recruit Global Treasury Services Ltd, Annual Report and Financial Statements for the year ended 31 March 2020, p.2 Strategic Report.

<sup>79</sup> Ibid, p.24 Note 11.

<sup>80</sup> Ibid, p.25 Note 14 and p.11 Income Statement.

<sup>81</sup> Recruit Global Treasury Services AUD Ltd, Annual Report and Financial Statements for the year ended 31 March 2020, p.2 Strategic Report.

<sup>82</sup> Ibid, p.10 Income Statement.

<sup>83</sup> RGF Staffing Pty Limited and its controlled entities (formerly named RGF Staffing Melbourne One Pty Limited), Financial Report for the year ended 30 June 2020, p.34 Note 17.

<sup>84</sup> Ibid.

<sup>85</sup> Ibid, p.3 Directors' Report.



Netherlands, a jurisdiction frequently used by multinationals to avoid tax, rather than through Japan where the parent company is incorporated.<sup>86</sup>

Australian subsidiaries of Recruit Holdings are also subject to class action lawsuits from the alleged misclassification of workers as casuals in the mining sector.<sup>87</sup> RGF Staffing Pty Ltd reports that the “Group is currently subject to a class action legal claim made under the Fair Work Act.”<sup>88</sup> This case has been adjourned and awaits a High Court appeal on a related case but no provisions have been made.<sup>89</sup>

### **Outsourcing Inc (Bluefin, Clicks IT Recruitment, Horizon One, Hoban Recruitment, Index, PM-Partners, Marble Group)**

Outsourcing Inc is the third major Japanese multinational labour hire company with significant operations in Australia. The company made its first acquisition in Australia in 2016 and has continued to expand. Outsourcing Inc operates in Australia under the brands Hoban Recruitment, Clicks IT Recruitment, Index Consultants and a range of other brands across various sectors. Due to its corporate structure, Outsourcing Inc - except for the Bluefin Resources subsidiary - is not covered in the ATO corporate tax data of 2018-19. Given the lack of disclosure, it is difficult to determine the scale of the group’s operations in Australia.

In 2020, Hoban Recruitment reported over 10,050 employees, but the total employment of the group is likely to be significantly larger and expanding through both growth and acquisitions. Outsourcing Inc was the subject of a previous CICTAR report in late 2018 that examined the tax practices of outsourced service providers with large Australian Taxation Office contracts.<sup>90</sup> Since then, the company’s structure in Australia has changed. The previous owner has completely sold its remaining minority interests. The primary operating entities are now 100% ultimately owned by Outsourcing Inc.<sup>91</sup>

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<sup>86</sup> Netherlands ranks 4th on the Corporate Tax Haven Index (2020). See here: <https://www.corporatetaxhavenindex.org/>

<sup>87</sup> Staffing Industry Analysts, 27 June 2018, “Coal miners hired through labour hire firms launch massive class action lawsuit against BHP for underpayment”.

<https://www2.staffingindustry.com/row/Editorial/Daily-News/Australia-Coal-miners-hired-through-labour-hire-firms-launch-massive-class-action-lawsuit-against-BHP-for-underpayment-46537>

<sup>88</sup> p.33, Note 16.

<sup>89</sup> Ibid.

<sup>90</sup> CICTAR, December 10, 2018. Outsourced Labour in the Australian Taxation Office. Access here: <https://cictar.org/outsourced-labour-in-the-australian-taxation-office-2/>

<sup>91</sup> a current company extract of Hoban Recruitment Pty Ltd purchased from ASIC on 31 March 2021 shows 100% of shares now owned by Outsourcing Oceania Holdings Pty Ltd, which is 100% owned by Outsourcing Inc. Another previous subsidiary Luxxe Outsourced Hotel Services Pty Ltd was subject to a management buyout in 2017 after the Outsourcing acquisition of the Beddison Group in 2016.



Several of the key operating entities are still structured as Unit Trusts, investment vehicles with limited transparency and possible vehicles for tax avoidance.<sup>92</sup> The company that provides back office shared services, and which does file reports with ASIC, has changed its name from The Beddison Group Pty Ltd to Outsourcing Oceania Pty Ltd.<sup>93</sup> This company is now owned by Outsourcing Oceania Holdings Pty Ltd, a wholly owned subsidiary of Outsourcing Inc, in Japan.<sup>94</sup>

Outsourcing Oceania Pty Ltd's entire revenue of AUD3.9 million in 2019 was comprised of service fees from the Unit Trusts.<sup>95</sup> There is no way to know what the revenues and profits of the Unit Trusts were, but Outsourcing Oceania Pty Ltd reported a net loss after tax of AUD77,595 in 2019 and a net loss after tax of AUD8 in 2018.<sup>96</sup> The profit before tax was zero (AUD2 in 2018) and the reported loss was entirely due to an income tax expense.<sup>97</sup> The cash flow statement shows an income tax payment of only AUD19,834 in 2019 in contrast to a tax refund of AUD67,602 in 2018.<sup>98</sup> The tax expense was entirely driven by "expenses that are not deductible in determining taxable profit".<sup>99</sup>

In both 2018 and 2019, despite declaring losses, Outsourcing Oceania Pty Ltd paid over AUD1.3 million in dividends.<sup>100</sup> What dividends may have been paid by the Unit Trusts, the primary Outsourcing Inc operating entities in Australia, is not known. There is no indication that dividends were paid to the immediate Australian parent company. The 2019 filing for Outsourcing Oceania Holdings Pty Ltd reports that its principal activity "was to operate as a holding company for entities newly-acquired by the parent company – Outsourcing Inc. (registered in Japan) - in the Oceania region. In 2019 there was one such acquisition, that of the Marble Group in May 2019."<sup>101</sup>

The Australian holding company reported losses in both 2018 and 2019. However, as of January 2020, after the reporting period, ownership of Australian and New Zealand subsidiaries including the Unit Trusts and Bluefin Resources Group Pty Ltd and Staff Solutions Australia Pty Ltd were transferred from the parent company in Japan.<sup>102</sup> The cash flow statement indicates AUD25.4 million in new related party borrowings in 2019.<sup>103</sup> This appears to have resulted in interest payments of over AUD1

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<sup>92</sup> CICTAR, 2018. Op cit at note 90

<sup>93</sup> Outsourcing Oceania Pty Ltd (formerly The Beddison Group Pty Ltd) General Purpose Annual Report (RDR) Year Ended 31 December 2019, p.3 Directors' Report.

<sup>94</sup> Ibid.

<sup>95</sup> Ibid, p.22 Note 2 and p.29 Note 16.

<sup>96</sup> Ibid, p.3 Directors' Report.

<sup>97</sup> Ibid, p.10 Income statement.

<sup>98</sup> Ibid, p.13 Cash flow statement.

<sup>99</sup> Ibid, p.23 Note 5.

<sup>100</sup> Ibid, p.28 Note 12.

<sup>101</sup> Outsourcing Oceania Holdings Pty Ltd, General Purpose Annual Report (RDR) Year Ended 31 December 2019, p.3 Directors' Report.

<sup>102</sup> Ibid.

<sup>103</sup> Ibid, p.14 Cash flow statement.





million on related party loans in 2019.<sup>104</sup> Total loans from Outsourcing Inc amounted to nearly AUD54 million at the end of 2019 and were at a floating rate (BBSW) plus a margin of 0.5% and due at the end of 2023.<sup>105</sup> The impact of this lending may be to reduce taxable profits in Australia and create interest income offshore with more favourable tax treatment.

There were significant impairment expenses (AUD4.7 million) and interest income (AUD5.8 million) in relation to the 2018 acquisition of Project Management Partners Pty Ltd.<sup>106</sup> The loans from the parent company in Japan financed these two Australian acquisitions in 2018 and 2019. The impact of the 2020 transfer of ownership of the other Australian entities to the new Australian holding companies is unknown.

Globally, Outsourcing Inc reported profit before tax of AUD108.8 million in 2020 on global revenues of AUD4,363.1 million.<sup>107</sup> Oceania represented AUD535.7 million in revenue, over 12.3% of global revenue, in 2020.<sup>108</sup> The Oceania revenue was similar in 2018 and marginally higher in 2019. By revenue, Outsourcing Inc is one of the largest global labour hire multinationals and has an overweighted presence in Australia. While more than half of the global revenue was from Japan, only 2.7% was from the rest of Asia and 30.1% from all of Europe.<sup>109</sup>

As with other multinational labour hire companies, subsidiaries of Outsourcing Inc – despite concerns about the lack of transparency and possible tax avoidance raised in a 2018 CICTAR report – continue to be awarded with significant federal contracts. As with the other labour hire multinationals, significant contracts are likely to be awarded at state and local governments as well as by other public institutions, including prisons, airports, schools, universities, and more.

In 2020, the Trustee for the Hoban Recruitment Unit Trust was awarded 63 federal government contracts worth AUD4.8 million, the bulk of which (AUD3.6 million) were with the Australian Taxation Office.<sup>110</sup> In 2020, another Outsourcing Inc subsidiary, the Trustee for Clicks Recruit (Australia) Unit Trust, was awarded 82 federal contracts worth AUD20.8 million, of which over AUD6 million was with

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<sup>104</sup> Ibid, p.20 Note 3a.

<sup>105</sup> Ibid, p.23 Note 7b.

<sup>106</sup> Ibid, p.20 Notes 2 and 3b.

<sup>107</sup> Outsourcing Inc Factsheet, 15 February 2021.

[https://www.outsourcing.co.jp/-/media/outsourcing/en/top/ir/irlibrary/factsheet/q4fy1220\\_e.ashx](https://www.outsourcing.co.jp/-/media/outsourcing/en/top/ir/irlibrary/factsheet/q4fy1220_e.ashx)

Converted to Australian dollars at 1 JPY = 0.012 AUD.

<sup>108</sup> Ibid.

<sup>109</sup> Ibid.

<sup>110</sup>

<https://contracts.disclosurelo.gs/displaySupplier.php?supplier=14571943048-HOBAN+RECRUITMENT+PTY+LTD&year=2020>





the Australian Taxation Office.<sup>111</sup> The full scale of federal and other public sector contracts for the group is not known.

## Hays

In terms of total revenue, Hays appears to be the largest labour hire multinational in Australia and the 15<sup>th</sup> largest federal government contractor in 2020. The principal activities for the Hays group in Australia are to provide “specialist temporary and permanent recruitment services to workplaces operating across a broad range of industry sectors, including: finance, property and business services; transportation and communication; public administration; construction; mining and resources.”<sup>112</sup> These include Hays Accountancy & Finance, Hays Construction and Property, Hays Office Support, Hays Information Technology, Hays Resources & Mining, Hays Human Resources and Hays Banking.

Hays Specialist Recruitment (Australia) Pty Ltd, which directly controls 6 subsidiaries, is at the top of the Hay group’s corporate structure in Australia and New Zealand.<sup>113</sup> The group’s operations in Australia and New Zealand in 2020 had an annual turnover of AUD2.82 billion.<sup>114</sup> Hays International Holding Limited in the UK is the immediate parent entity of Hays Specialist Recruitment (Australia) Pty Ltd in Australia. The ultimate parent entity of the whole group is Hays Plc, a UK listed corporation.

Hays Specialist Recruitment (Australia) Pty Ltd owes its ultimate parent entity AUD13.7 million in payable loans. By the end of the year, Hays Specialist Recruitment (Australia) Pty Ltd transferred AUD138.6 million as loans in a related party transaction to Hays International Holding Ltd.<sup>115</sup> These offshore related party transactions could potentially impact future tax payments in Australia.

Hays received over 2,500 contracts from various government departments and public offices, including the Department of Prime Minister and Cabinet and the Department of Parliamentary Services, in 2020 and 2021 alone. In 2020, Hays was the 15th largest of all federal government contractors with nearly AUD295 million in federal contracts in one year.<sup>116</sup> Hays has received over AUD2 billion in federal contracts since 2003.

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<sup>111</sup> See here:

<https://contracts.disclosurelo.gs/displaySupplier.php?supplier=25348636087-CLICKS+RECRUIT+%28AUSTRALIA%29+PTY+LTD&year=2020>

<sup>112</sup> Financial Statement of Hays Specialist Recruitment (Australia) Pty Ltd as of June 28<sup>th</sup> 2020, page 1.

<sup>113</sup> Subsidiaries are: 1) Accountancy Personnel Pty Ltd 2) Accountancy Placements (Australia) Pty Ltd 3) Ampoza Holdings Pty Ltd 4) Hays Construction Pty Ltd 5) Hays Property Pty Ltd and 6) Hays Superannuation Pty Ltd.

<sup>114</sup> 2020 Financial statement for the Hays Group.

<sup>115</sup> Financial Statement of Hays Specialist Recruitment (Australia) Pty Ltd as of June 28<sup>th</sup> 2020, page 30.

<sup>116</sup> See here: <https://contracts.disclosurelo.gs/displaySupplier.php?year=2020>



Hays and another staffing recruitment firm faced AUD50 million in class action lawsuits “over their allegedly unlawful use of casual workers in the mining industry” in January 2019.<sup>117</sup> The resource sector has been a major focus of the Australian Taxation Office over several years in cracking down on multinational tax avoidance. As mineworkers are shifted to casual or temporary employment, workers' rights are increasingly abused. Casual mineworkers are generally paid less while not being entitled to annual leave, superannuation and other benefits. Additionally, and most importantly, casual workers have little, if any, job security. Hays could be expected to pay between AUD30-35 million in claims by nearly 1,500 casual workers for underpayments and denied entitlements.

Large mining companies have been known to avoid responsibilities for paying corporate income tax and various forms of royalty payments for the right to exploit Australia's finite natural resources.<sup>118</sup> However, increasingly these companies are also seeking to avoid direct obligations to employ and fairly compensate Australian workers as well. The rapid expansion of labour hire in mining and other sectors undermines working conditions, increases inequality and hurts broad-based economic growth in Australia. If labour hire multinationals are also using aggressive tax avoidance schemes, economic growth and funding for public services is even further undermined.

### **Serco**

Serco, the UK based publicly listed outsourced government services provider, is no stranger to controversy or tax havens. Serco has been awarded at least AUD16.1 billion in federal contracts since 2007, including AUD365 million in 2020. In addition, Serco was subcontracted for AUD1 billion under Bupa's Australian Defence Forces (ADF) healthcare contract. Serco is in the very top tier of all federal contractors by any measure. A previous analysis of Serco, and other companies with significant ATO contracts,<sup>119</sup> raised concerns about Serco's low tax payments in Australia and the lack of transparency in Serco's Australian filings. Recent ATO corporate tax transparency data shows that Serco has paid between AUD9 million and AUD25 million in taxes on revenues of around AUD1 billion per year. Serco's global reputation has been so tarnished that Appleby, the Bermuda law firm at the centre of the Paradise Papers scandal, was hesitant to provide services to Serco as it considered the company to be a “high-risk” client.

At least 20% of Serco's global business is generated in Australia, mostly from federal government contracts, including immigration detention centres and various services to the ADF. Serco has had –

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<sup>117</sup> Murin-Guzman, D. January 9th 2019, Hays, Stellar Recruitment hit with \$50 million class actions over casuals. *Australian Financial Review*

<https://www.afr.com/policy/economy/hays-stellar-recruitment-hit-with-60-million-class-actions-over-casuals-20190108-h19u2p>

<sup>118</sup> See for example: CICTAR 2018, 'Chevron's Tax Schemes: Piping profits out of Australia?' Access here:

<https://cictar.org/chevrons-tax-schemes-piping-profits-out-of-australia/>

<sup>119</sup> CICTAR 2018, op cit at note 90



and continues to have – significant contracts with state governments as well. Bupa subcontracted AUD1 billion of healthcare services to the ADF despite Serco's poor record of operations at the Fiona Stanley Hospital in Western Australia, where its contract for services have been stripped down for failing to meet basic hygiene standards. Serco, because of failure to maintain basic standards, has also lost contracts for prisons with the New Zealand government, and state governments in Western Australian and Queensland. However, Serco is part of a public private partnership in New South Wales, along with a Chinese state-owned construction company, to operate what will be Australia's largest prison.

Serco's substantial business operations in Hong Kong are owned through the primary Australian entity, Serco Group Pty Limited. Serco's 2017 Australian filings provide no information about the profits, operations or tax payments of the Hong Kong company. The 2018 filings are likely to be as equally opaque and all transactions between the Hong Kong company, Serco Group (HK) Limited, are eliminated on consolidation. There is significant potential for Serco to shift profits out of Australia through its Hong Kong business in order to reduce tax liabilities in Australia. Serco also has a 40/60 joint venture, Hong Kong Parking Limited, with the Wilson Parking/Security Group, another major federal government contractor owned through tax havens.

Serco has several other tax haven subsidiaries, some of which may interact with the Australian business, these include: Serco Ferries (Guernsey) Crewing Limited and Serco Insurance Company Limited Guernsey, which changed its name to Cardinal Insurance Company Limited in September 2019, in Guernsey; Serco (Jersey) Ltd in Jersey, and Serco International S.a r.l. in Luxembourg. The Jersey and Luxembourg filings contain limited information, but the most recent Luxembourg filing states that the purposes of the company are to:

- "provide loans and financing in any kind or form" to any Serco Group companies,
- "acquire, hold and dispose of interests in Luxembourg and/or foreign companies and undertakings, as well as taking care of the administration, development and management of such interests",
- "invest in real estate, in intellectual property rights or any other movable or immovable assets in any kind of form", and
- "carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its purposes."

The report also states that the company is expected to be liquidated by the end of 2020 and "is party to the [2015] Share Purchase Agreement of the Indian Business..., which contains Tax Indemnity provisions which have not yet lapsed."



### Probe (Stellar)

Probe Group Pty Ltd, including subsidiaries such as Probe BPO Holdings P/L and Stellar Asia Pacific P/L, is a private corporate group based in Australia, with operations in New Zealand, the Philippines, the USA and South Africa. The company employs over 15,000 staff (approximately one third of those in Australia) and specialises in the use of data and digital technology for offshoring and outsourcing of business processes, collecting debts and surveillance. It has roughly 16% of the market in call centre operations in Australia, following its acquisition of Salmat call centres in 2018 and Stellar in 2020.<sup>120</sup>

Probe Group has benefitted from a massive growth in federal government contracts since the election of the Liberal National Government in 2013, where senior executives from Probe have several close relationships.<sup>121</sup> Much of the work Probe has contracted from the federal government is related to the Robodebt scandal. The Commonwealth has since accepted that many of the debts collected under that scheme were unlawful.<sup>122</sup> In addition, there are suspicions that some of Probe's debt collecting tactics may have breached privacy laws.<sup>123</sup> There are also questions to be answered regarding Australian Government privacy requirements and the risks associated with Probe's delivery of sensitive public services through its overseas operations.

No financial information is publicly available for Probe Group, but IBIS World estimates its revenue at AUD218 million for 2020-21.<sup>124</sup>

Stellar Asia Pacific, which was acquired by Probe in late 2020, also has a shadowy record on tax and corporate governance. Stellar was founded by the Jensen family in Nevada,<sup>125</sup> a renowned tax haven within the USA.<sup>126</sup> Stellar's European operations exited the UK call centre market in 2018 by declaring bankruptcy. The company shifted funds to the British Virgin Islands without paying money owed to the UK tax authority or making redundancy payments to laid off workers.<sup>127</sup> According to the Nevada bankruptcy filings, at least 30 individuals in the UK, as unsecured creditors, were owed amounts ranging from US\$1,864 to US\$27,028 for "statutory redundancy pay and contractual notice pay" and

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<sup>120</sup> IBIS World Report, 2020, Call Centre Operation in Australia

<sup>121</sup> Tee, J. 2020. 'Probing Probe: inside the Government's Robodebt collector' Access here:

<https://www.michaelwest.com.au/probing-probe-inside-the-governments-robodebt-collector/>

<sup>122</sup> Gordon Legal, Robodebt Frequently Asked Questions, access here:

<https://gordonlegal.com.au/robodebt-class-action/robodebt-faqs/#generalone> [accessed by us 29 June 2021]

<sup>123</sup> Tee, J op cit at note 121

<sup>124</sup> IBIS World, op cit at note 120

<sup>125</sup> CICTAR 2018, op cit at note 90

<sup>126</sup> J. Weston Phippen, 6 April 2016, The Atlantic, "Nevada, a Tax Haven for Only \$174: The Panama Papers show how the U.S. state has become a favoured destination rivalling the Cayman Islands and Switzerland".

[www.theatlantic.com/national/archive/2016/04/panama-papers-nevada/476994/](http://www.theatlantic.com/national/archive/2016/04/panama-papers-nevada/476994/)

<sup>127</sup> CICTAR 2018, op cit at note 90



the UK tax authority (HMRC) was owed AUD82,666 in Payroll Taxes and AUD139,944 in Sales Tax.<sup>128</sup> Dozens of businesses were also left unpaid for goods and services provided to Stellar.

A previous CICTAR report has highlighted several questions about Stellar's tax record in Australia. Related party transactions (including loans and 'outsourcing fees') between its Australian subsidiaries and subsidiaries in the Philippines, Canada and the USA, as well as opaque relations with a Singapore subsidiary of Stellar, and executive pay rates up to 50% of net cash flows, all raising questions about potential profit shifting.<sup>129</sup>

Related party transactions are core to the Jensen family's 'incestuous' business model,<sup>130</sup> which led to a range of controversies and lawsuits in the USA. In 2008, the company – renamed HealthMarkets – “agreed to pay US\$20 million to 28 states over numerous violations that state insurance regulators uncovered” in a three-year investigation. In 2009, the Massachusetts attorney general fined the company US\$17 million for unfair and deceptive marketing practices” and barred the company for five years. The company also reached settlements on several class action lawsuits.<sup>131</sup>

Probe and Stellar Asia Pacific have each paid only AUD1 – 2 million in taxes on revenues of AUD170 million, as shown in the most recent ATO tax transparency data. Salmat records hundreds of millions in revenue according to the ATO, but no tax payments (2018-19: AUD250 million; 2017-18: AUD364 million; 2016-17: AUD326 million).

### **Datacom**

Datacom Australia Holdings Pty Limited is a part of the Datacom Group Limited, a New Zealand private company, which is owned by Evander Management Limited (54%), the Guardians of the New Zealand Superannuation Fund (39%) and Antony John Carter (6%). The Guardians of the New Zealand Superannuation Fund is an autonomous crown entity, owned by the NZ Government.

Datacom Group is NZ's largest tech company, with annual revenue over NZD1.3 billion in 2020 and over 6,500 staff. Datacom operates in more than 50 countries, with offices in North America, Europe, and South-East Asia, but the vast majority of its employees are located in Australia (3,300) and New Zealand (over 3,000).

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<sup>128</sup> United States Bankruptcy Court, District of Nevada, Stellar Europe LLC, Case 18-12950-leb, Doc 1, Official Form 201: Voluntary Petition for Non-Individuals Filing for Bankruptcy, filed 22 May 2018

<sup>129</sup> CICTAR 2018, op cit at note 90

<sup>130</sup> Macdonald, E. 21 June 2004, “Crony Capitalism”, *Forbes*, access here: [www.forbes.com/forbes/2004/0621/140.html#70f72ce26b73](http://www.forbes.com/forbes/2004/0621/140.html#70f72ce26b73)

<sup>131</sup> Pugh, T. 19 December 2013, “‘Junk insurance’ comes back to haunt its policyholders”, *McClatchy Washington Bureau*, access here: [www.mcclatchydc.com/news/nation-world/national/article24760639.html](http://www.mcclatchydc.com/news/nation-world/national/article24760639.html) ; Gabriel Madway, 20 March 2006, “UICI reaches agreement in principle to settle lawsuits” *MarketWatch*, access here: [www.marketwatch.com/story/uici-reaches-agreement-in-principle-to-settle-lawsuits](http://www.marketwatch.com/story/uici-reaches-agreement-in-principle-to-settle-lawsuits)



In 2020, Datacom Group reported no income tax paid, with EBITDA of NZD93 million and net profit of NZD19 million.<sup>132</sup> The company carried over tax losses from previous years in its Australian operations and benefitted from covid-19 related tax breaks offered by the NZ government.<sup>133</sup> In 2020, the company also booked depreciation and amortisation expenses of NZD67 million, up from NZD31 million in 2019. Datacom Group paid NZD20 million income tax in 2019 on EBITDA NZD93 million and net profit of NZD60 million.<sup>134</sup>

Datacom has subsidiaries registered in Singapore, Malaysia, Philippines, the UK and the USA, and has established a charitable foundation, the Datacom Foundation.<sup>135</sup>

Datacom's tax payments have not been reported in the ATO tax transparency database since 2016-17. At that time, Datacom's Australian entity paid only AUD2.8 million in taxes on a total income of AUD462 million, implying a profit margin of just 2%.

#### **Will Group Inc (DFP Recruitment, Quay Appointments, u&u)**

Will Group is a Japan-based multinational and is the parent entity for DFP Recruitments, Quay Appointments, and u&u Holdings P/L, which are all labour hire providers to the Australian public sector. It recently merged Quay Appointments with another of its subsidiaries, Ethos Unit Trust, under the umbrella of Ethos BeathChapman Australia P/L. Will Group also lists Ethos Corporation P/L and Chapman CG P/L as subsidiaries in Australia.<sup>136</sup> Will Group also has subsidiaries in Malaysia, Singapore, Hong Kong, Myanmar, Japan, Dubai, China, the USA and the UK.

The majority (90%) of Will Group's income is derived from labour hire, with a small amount attributable to recruitment / placement services. In 2020, Will Group booked a total income of AUD454 million and a gross profit of AUD97 million, after paying 'direct costs'. Profit before tax was only AUD19 million, after undefined 'general and administrative expenses' of AUD67 million and other sundry expenses.<sup>137</sup>

The company's total income and tax payments are not reported in the ATO corporate tax data, either under the Will Group name or its subsidiaries.

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<sup>132</sup> Datacom Group Ltd, Annual Financial Statements, pp7 and 16

<sup>133</sup> Ibid p16

<sup>134</sup> Ibid, pp7 and 16

<sup>135</sup> Ibid, p32

<sup>136</sup> WILL Group Asia Pacific Pte. Ltd. and its Subsidiaries (Registration Number: 201404621G) Annual Report, Year ended 31 March 2020, pp48-49, 54

<sup>137</sup> Ibid, pp11



### **Concentrix Services Pty Ltd**

Concentrix is “the outsourced business services division of SYNnex Corporation”, a publicly listed US company. Concentrix has been awarded substantial government contracts in Australia despite evidence of poor performance elsewhere. Along with Serco, Stellar (now Probe) and three other companies, Concentrix Services Pty Ltd was also on a panel to provide outsourced labour hire to the ATO and other federal agencies. In 2018, Concentrix received a contract for **AUD176 million** to provide outsourced labour to the Department of Human Services, for the operation of Centrelink call centres.

But just prior to this award, the UK government found that Concentrix’s failures had cost its tax authority over AUD69 million, not including redress. The contract was awarded by the UK tax authority in 2014 to conduct checks to reduce fraud and error in tax credit payments. Concentrix failed to deliver and tax authority staff had “to review more than 70,000 cases in which tax credit payments were stopped or altered”. After Concentrix stopped payments to recipients, the company’s call centre “went into meltdown in summer 2016”. Concentrix “was unable to cope with the volume of calls from tens of thousands of benefit recipients whose payments had been stopped.” In September 2017, the outsourced work was brought back in-house.<sup>138</sup>

### **Paxus (Adcorp)**

Paxus Australia Pty Limited is owned by Adcorp Holdings Australia Pty Limited, which is a subsidiary of Adcorp Holdings Limited, a South Africa-based recruitment and consultancy company. The Australian subsidiary derives revenue from recruitment and labour hire services and employs approximately 200 people, in Australia, New Zealand and Singapore. Adcorp’s primary operations are in South Africa and Australia.

Adcorp’s total global ‘managed workforce’ comprises over 45,000 people, including temporary employees and independent contractors.<sup>139</sup>

Adcorp’s subsidiaries in Australia include Paxus, as well as Dare (in the process of being sold), Labour Solutions Australia and AllAboutXpert.

In 2020, Adcorp’s global revenue was AUD1.2 billion, with EBITDA of AUD31 million, and an overall loss of AUD48 million.<sup>140</sup> The group incurred high interest expenses (AUD12 million) and large

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<sup>138</sup> Dunton, J. 12 Nov 2017, ‘Calamitous Concentrix cost HMRC £38m, Treasury documents reveal’, Public Technology, access here:

<https://www.publictechnology.net/articles/news/calamitous-concentrix-cost-hmrc-%C2%A338m-treasury-documents-reveal>

<sup>139</sup> Adcorp Holdings Limited 2020 Integrated Annual Report p6

<sup>140</sup> Ibid p22





impairment expenses (AUD57 million) in 2020.<sup>141</sup> Much of the impairment was related to Covid-19 impacts on the business.<sup>142</sup> Despite significant losses for the Group in 2020, an Australian subsidiary paid dividends of over AUD9.7million.<sup>143</sup>

According to ATO transparency data, Paxus has booked total incomes over AUD500 million between 2017 and 2019, but has paid only AUD1.5 million to AUD3.5 million in taxes, implying a tiny profit margin of just 1-2%.

In its most recent financial statements, Adcorp reports that its Australian businesses have earned the following revenue and EBITDA, and incurred tax expenses as follows:<sup>144</sup>

Segment	Revenue AUD '000	EBITDA AUD '000	Tax expense AUD '000
Professional	348,252	8,491	2,473
Industrial	72,414	-385	-193
Central			-1,736

### Fujitsu

The Fujitsu Limited group, based in Japan, reports to the ATO with two different entities: Fujitsu Australia Limited and Fujitsu General (Aust) Pty Limited. The Fujitsu General company distributes consumer goods, while Fujitsu Australia delivers ICT services.

In 2018-19, the Fujitsu entities taken together ranked as the 301<sup>st</sup> largest company in Australia by revenue, with a total income of AUD1.175 billion. They paid tax of AUD16.9 million on taxable income of AUD62.7 million, representing a profit margin of 5.3%. Similarly in 2017-18, the Fujitsu companies booked a total income of AUD1.283 billion, paid AUD21 million in tax and had an implied profit margin of 6.1%.

Fujitsu and other major ICT multinationals with a large footprint in digital outsourcing in Australia, and around the world, are part of an on-going research project by CICTAR.

CICTAR's previous submission to this inquiry provided a detailed analysis of other significant ICT labour hire contractors including:

- IBM

<sup>141</sup> Ibid p82 and p86

<sup>142</sup> Ibid pp105-115

<sup>143</sup> Ibid pp86 and 140

<sup>144</sup> Ibid pp90-91





- Accenture
- SAP
- Amazon

## Conclusions and recommendations

The scale of labour hire across the Australian economy is staggering, and the public sector has led the way in driving its growth. After years under an arbitrary public sector staffing cap, the APS has been forced to rely on temporary workers to deliver essential public services. Reliance on labour hire is inefficient and costly, undermines the skills and the capacity that reside within the APS, and has boosted the profits of a handful of multinational labour hire contractors who have channelled Australian taxpayer funds into overseas tax havens.

There is a pressing need for government to review the massive growth in the use of and reliance on consultants, contractor labour, and outsourced workers; and whether this is an efficient and effective use of taxpayer funds. A 2017 NSW Audit Office report,<sup>145</sup> provides a useful model for a comprehensive review of outsourced service providers carrying out ongoing public service functions.

Where labour hire is deemed to be a prudent use of public money, CICTAR recommends the following policy measures to ensure accountability of labour hire contractors, including transparency and compliance with the letter and spirit of tax laws in Australia.

If companies receive government contracts – funded by taxpayers – they must be held publicly accountable.

- 1. Public country-by-country reporting of revenues and tax payments** - contractors should be required as a condition of any contract to implement reporting to publicly declare revenues and tax payments in every country globally. [The Global Reporting Initiative \(GRI\) Tax Standard](#) provides an existing and globally recognised reporting standard. This is the most effective means to use government spending to increase transparency and help reduce tax avoidance.
- 2. Labour hire contractors should be vetted according to past contract performance** – this submission has revealed many examples of weak performance by contractors who continue to be awarded massive sums of public money. Stronger performance accountability is required. The federal government must develop monitoring and performance measures to ensure services are provided as intended over the life of any contracts.
- 3. Better accountability for contracts over AUD1 million per year** - all government contracts over AUD1 million per year must be made publicly available; agencies should publish their

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<sup>145</sup> New South Wales Auditor-General's Report: Performance Audit, "Contingent workforce: procurement and management: Department of Education, Transport for NSW, Department of Industry", Available at: <https://www.audit.nsw.gov.au/our-work/reports/contingent-workforce---management-and-procurement>



cost-benefit analysis to support any decision to use labour hire for contracts over AUD1 million a year.

**4. Full financial accountability–**

- a. Any company, including through separate subsidiaries, which receives over AUD10 million per year from any government body – for any contracts, services, provision of labour or goods, subsidies, or any other forms of payment– must be required to **file full financial statements with ASIC** in full compliance with Australian accounting standards, with no recourse to use special purpose filings or reduced disclosure requirements.
- b. Where the federal government procures goods and/or services from any firm, including labour hire suppliers, **the government must track and disclose the ultimate parent company and /or beneficial owner(s), and all subsidiaries.** Procurement contracts should be aggregated under a common group name for transparency. A model for this is provided by the USA federal government.<sup>146</sup>

**5. Accountability for labour brokers** – the federal government should adopt best practice for managing firms it procures from. Several initiatives emerged recently from the Black Economy Task Force. One is the Victorian state government licensing scheme for contractors. Another is the expansion of the Taxable Payment Reporting System (TPRS), which was recently expanded from the construction industry, where it has been in place for some time, to cover contracting with cleaners and couriers. The TPRS is designed to ensure payments to contractors are reported to the ATO to ensure appropriate tax payments are made by those contractors, and should be extended to cover the use of all labour hire or outsourced labour firms, including by all government agencies and public bodies.

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<sup>146</sup> See: <https://www.usaspending.gov>