Designed to fail us

Australian Unemployed Workers' Union submission
to the Senate Economics Committee inquiry into the Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020

Preamble

The Australian Unemployed Workers' Union represents 1.6 million unwaged, underemployed and insecure workers on income support payments and defends the rights of all people who rely on social security to live. The AUWU has no political affiliations, is run entirely by volunteers and is funded only from donations.

We believe that everyone has the right to a job with fair wages and conditions, and that all social security payments must be above the poverty line.

Contact for this submission
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1 Executive summary

The Australian Unemployed Workers' Union opposes the JobMaker Hiring Credit in its current form. The Bill should not pass unless the scheme is substantially strengthened.

Badly designed

The hiring subsidy will fail to generate jobs additional to those that will be recovered without it. It will not encourage employers to hire the people most in need of waged work, and does not provide enough support for the employers most in need of assistance to create new jobs. People who have insecure work will be at risk of having hours reduced; people out of waged work who are ineligible for the credit will be at a disadvantage in their search for a job.

Our analysis demonstrates a variety of ways in which the scheme will be open to manipulation and abuse by large employers who have no need of a subsidy and will be hiring regardless – wasting public funds that would produce better outcomes if used for more targeted support. Overall, the JobMaker Hiring Credit will have the perverse effect of further undermining the labour market, increasing job insecurity and placing downward pressure on wages at a time when the government is depending on consumer demand to revive the economy.

The wrong tool

There is limited evidence to show the efficacy of wage subsidies in getting people into a job. Studies of wage subsidies are likely to overstate their effect on job creation (Borland, 2016).

Despite this, the AUWU accepts the government intends to push ahead. We have detailed our concerns regarding the design of the hiring subsidy, plus specific recommendations we believe will improve outcomes for unemployed workers and maximise benefits to the wider community.

Inadequate consultation

We are deeply concerned about the short timeframe allowed for consultation on the JobMaker Hiring Credit, which is forecast to cost $4 billion and intended to create 450,000 jobs. The materials made available by the government contain minimal detail or evidence. Robust scrutiny and feedback are needed to ensure the scheme's integrity and to give it the best chance of improving unemployed workers' lives. It's unacceptable that a cornerstone of the plan for economic recovery – that will affect the livelihood of millions – be rushed in this way.

The AUWU urges the committee to extend the consultation period, or at the very least provide an opportunity for stakeholders, including the AUWU in our position as the only organisation by representing unemployed people – who this bill is ostensibly intended to support – to appear before the committee in a hearing.

2 Recommendations

We do not believe the bill should pass unless the following recommendations are adopted, or alternative amendments are made that address our concerns as described in the following section. These recommendations are designed to make hiring more viable and new jobs more sustainable.

1. Give businesses certainty that the goal posts won't be moved unexpectedly and allow parliamentary oversight by putting the rules into law.

2. Demonstrate the basis for decisions about the design of the scheme by releasing modelling for the JobMaker Hiring Credit, including program costs, expected job creation and flow on effects in the economy:

    i. as it is currently designed;
    ii. as per AUWU's design; and
    iii. the design of the scheme in its final form after amendments are made and before the Bill is passed.

3. Reduce the likelihood that companies will manipulate the scheme to maximise their profits by requiring recipients to publish the following figures, or by the government publishing equivalent information:

    iv. headcount at 1 July 2020, headcount at 30 September 2020 and headcount for each quarter they receive the subsidy;
    v. payroll average for the 3 months to 30 June, baseline payroll average and payroll averages for each quarter they receive the subsidy;
    vi. percentage of the workforce that is employed on a casual basis;
    vii. average hours for casual employees; and
    viii. headcount three months after the company has received its final hiring subsidy payment.

Recommendations in the following sections are organised by the four categories described in section 1.1 of the Explanatory Memorandum.

Strengthening eligibility requirements to protect workers

Jobs that are subsidised by the taxpayer should be stable, sustainable and provide enough income for workers to live on.

Obligations for recipients of the payments

4. Ensure public funds are not subsidising employers who mistreat workers by excluding companies who are found to have breached workers' rights, including businesses that have engaged in wage theft. If at any point in time a company is found to have engaged in illegal activity in the two years preceding their entry into the scheme or at any time during the period they accessed it, they should be required to pay back to the total sum they received under the JobMaker Hiring Credit.

5. Ensure that employers aren't rewarded for cutting hours for existing workers or replacing them entirely by setting a floor for hours reduction in the existing workforce. Companies should demonstrate that hours worked for existing employees at the date of entry into the JobMaker Hiring Credit scheme have not reduced by more than 10 per cent (excluding employees who resign from their job).

Employees to which payments relate

6. Address the proliferation of insecure work by only offering the hiring subsidy to employers who hire new permanent employees.

   Alternatively, permit the inclusion of casual employees, but require that each worker be employed at the same level for at least 6 months beyond the conclusion of the scheme – unless the worker resigns, in which case the employer would not be required to repay the subsidy for that employee.

7. Remove the incentives to discriminate based on age by:

   ix. eliminating the age-tiered subsidy structure and opening it up to people in all age groups and
   x. ameliorating the disproportionate benefits of receiving the subsidy for workers under 21 – most of whom are paid between 50 and 90 per cent of the minimum wage under the relevant award – by tying the value of the subsidy to the amount paid in wages.

8. Eliminate incentives to further diminish the quality of public services and avoid double dipping by excluding workers who are hired to perform outsourced public sector work.

Better targeted support for employers

Minimise windfall gains for major corporations by tightening eligibility for the scheme and increase the level of support for smaller employers so that they can afford to bring forward hiring decisions.

Amount payable and timing of payments

9. Encourage better paying jobs and provide more meaningful assistance to smaller buinesses by allowing employers to claim a percentage of wages paid, capped at the full-time equivalent of the most recent median weekly earnings figures of $1,100.[1] Employers would be able to claim a maximum of $550 per week per additional worker if they are employed full-time and earning at or above the median wage.

10. Remove the incentive to create low-hours jobs by tying the subsidy to an increase in full-time equivalent jobs rather than the blunt headcount measure that is currently proposed.

Employers who will qualify for the payment

11. Enable job creation to respond to community priorities by extending the subsidy to local governments.

12. Reduce access for companies who are already hiring without need of the subsidy, or who have recently laid off staff, by using a consistent baseline when calculating for both payroll and headcount. The baseline should be calculated using the average weekly payroll and average headcount for the preceding 30 days.

13. Remove the incentive for employers to exploit the gap in the current design, in which they would be able to lay off employees when the company exits the JobKeeper scheme to lower their baseline headcount and hire new workers once enough time has passed for them to become eligible for the JobMaker Hiring Credit. The baseline headcount should have a floor of the average number of people employed for the 30 days preceding their exit from the JobKeeper scheme.

14. Prevent large companies who have remained viable throughout the recession from accessing public funds they do not need by excluding corporations that are in a position to pay executive bonuses or shareholder dividends in FY19 or the years in which they access the hiring subsidy.

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[1] Data download from ABS Characteristics of Employment figures. See: https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/characteristics-employment-australia/aug-2019

Our proposals in practice

By adopting our recommendations into the JobMaker Hiring Credit, employers will be incentivised to create better paying jobs – receiving a higher subsidy for employing new workers for more than 20 hours per week, and for paying them above the minimum wage.

The subsidy will form a higher proportion of wages, but be targeted to employers who are in greater need of support, and less likely to be able to manipulate the system. The increased subsidy will be complemented by a commitment to employ new workers beyond the life of the subsidy to encourage the creation of sustainable jobs.

Table 1

Figures below are weekly amounts. These scenarios are based on a casual worker on the **minimum wage** under the fast food award working at 20 hours per week.

Age bracket	Government proposal	Estimated labour cost to employer	AUWU proposed subsidy	Estimated labour cost to employer
Under 21	$200	$68–282	50% of the relevant award	$134–241
21–25	$200	$335	As above	$268
26–29	$200	$335	As above	$268
30–35	$100	$435	As above	$268
36–67	$0	$535	As above	$268

Table 2

Figures below are weekly amounts. These scenarios are based on full-time equivalent wages for a permanent employee earning the **median wage** of $1,100 per week.

Weekly hours	Government proposal	Estimated labour cost to employer	AUWU proposed subsidy	Estimated labour cost to employer
20 hours (0.5 FTE)	$200	$350	$275	$275
30 hours (0.75 FTE)	$200	$625	$413	$413
40 hours (1 FTE)	$200	$900	$550	$550

3 AUWU's position on the proposed hiring subsidy

To succeed, any job creation program must deliver quality, sustainable jobs.

A hiring subsidy is not the right tool to resolve underlying systemic labour market failures that are exacerbating this crisis, and the design of the government's JobMaker Hiring Credit is particularly ill-suited to the dual task of addressing unemployment and rebuilding the economy.

The scheme is so badly conceived that major employers like Wesfarmers, Woolworths and Domino's believe accessing it will be toxic to their brand. It is so inadequate that people working in government-subsidised jobs will still be reliant on unemployment payments.

Unemployed people want to be in waged work, but the JobMaker Hiring Credit is trying to solve the wrong problem and thus it will fail us.

Opportunities

Disruption created by the pandemic present the government with an opportunity to ameliorate the effects of the economic crisis while addressing underlying injustices and dysfunctions in the welfare system and creating sustainable jobs.

Only by designing and implementing an integrated response can we avoid the dire effect of failing to address the challenges ahead. The government should treat unemployed workers with respect and respond with compassion to our needs by providing meaningful support to keep people safe and invest in a more caring and inclusive society.

The solution to the economic and employment challenges we face is to raise social security payments to above the poverty line, abolish the privatised employment services system, and invest to create meaningful jobs in care and regenerative work.

It is time for more creativity in policy making by including those affected by government decisions – the people they are supposed to serve. There is the potential for real jobs to be created. The government is in a position to make this happen and ensure that its investment produces good quality, local, sustainable jobs that will set workers up for a stable career.

Repairing what is broken

What unwaged workers and the whole community desperately need is the certainty, security and safety that can only be achieved through direct financial support.

The AUWU pushes for income support payments to be above the poverty line, not just because no one should live in poverty, but because our members want to work and being poor only makes it harder to get a job.

A government with a vision would take responsibility for ensuring everyone in the community has the means to live with a roof over their head, healthy food, and the ability to pay bills and access healthcare.

The jobactive system has been failing people since its inception and has made things worse over time.[2] The government should abolish mutual obligations and private job agencies, and replace these with meaningful services to support people into sustainable employment.

Creating sustainable jobs

The government should fund local government authorities, local communities and enterprises to develop a range of sustainable jobs that meet people's needs. The health and social assistance sector requires significant investment to provide for the care and regenerative work necessary to mitigate and adapt to climate change.

Create meaningful jobs in the chronically underfunded care sector and ensure they are fairly paid, recognising its value to our communities by investing in this and other currently unwaged work.

Electricity generation must be decarbonised and decentralised. Investment is needed to construct social housing and community facilities.

Expand public training and education and reverse cuts that have been imposed on universities and vocational training institutions.

These proposals will not only support the economic recovery but will help to avert the looming housing and mental health catastrophe faced by millions of people, both in and out of work.

Improving the hiring subsidy

It is clear that we want there to be good, sustainable jobs created. We want the government's investment to produce benefits for all, and have developed proposals to improve its efficacy.

Strengthening eligibility requirements to protect workers

There are a number of changes that could facilitate better long-term employment outcomes from a hiring subsidy.

The government agrees with us that the priority of getting people into a job and keeping them in a job is so that they have the benefits of being connected to an employer. And that is a

[2] Senate inquiry into the appropriateness and effectiveness of the jobactive program: See: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/JobActive2018/Report

positive outcome for people who are out of work, but it's only useful if there are jobs at the end of it.

Incentives to create insecure jobs should be removed by forcing companies to rethink whether they need the increase in workforce enough to justify paying full wages beyond the 12 months that the workers are subsidised.

There's no point having hundreds of thousands of people thrown back into unemployment in a year. It doesn't mean anything if workers find themselves back in the same situation at the end of a year of low paid, insecure work. To deliver the desired benefits any new jobs created must be sustainable and this will be more likely if there is something in place to keep people in work beyond the conclusion of the subsidy itself.

Better targeted support for employers

We know that large companies will hire in response to changing market conditions regardless of whether they can access the JobMaker Hiring Credit, but they will nonetheless profit from the hiring subsidy in its current form.

And we know that there are many small business owners who want to create the jobs that will teach people skills to put them in a good position to have a career and plan for their future.

To get the greatest value from the scheme it should be carefully designed to create jobs with close community connections, by increasing the support available to small businesses and extending to program eligibility to local governments. Local governments should be funded to work with their communities to identify priorities and to implement plans that will create jobs.

Concerns

The government's decision to use a blunt instrument will leave vulnerable cohorts behind. We fear the negative effects of this scheme for people surviving below the poverty line – unwaged workers, waged workers and their families[3] – and particularly for people who have been longer-term unemployed.[4] People who already have insecure work will be at risk of having hours reduced; people out of waged work who are ineligible for the credit will be at a disadvantage in their search for a job.

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[3] 1.1 million children live in families that rely on income support payments to survive. See: https://www.acoss.org.au/media_release/community-service-workers-warn-of-dire-consequences-of-planned-cuts-to-jobseeker/

[4] On average people who receive an unemployment payment are not able to exit the income support system for more than 3 years. See: https://www.theguardian.com/australia-news/2019/oct/21/newstart-analysis-reveals-huge-leap-in-amount-of-time-people-spend-on-dole

The stated intention of the bill is to “improve the prospects of individuals getting employment or increase workforce participation”. It’s not going to create any new jobs. There isn’t enough support to allow small and struggling businesses to take on new workers, and those best positioned to exploit it will not be increasing their workforce any more than they would have in the absence of the subsidy.

The hiring subsidy is being described as an incentive to motivate unemployed people to find work, but it’s no more incentive than exists already – the threat of starvation on a criminally low income support payment. No worker will see a single extra dollar from of this scheme, and many are at risk of losing income. It’s employers who are incentivised, and they’re being incentivised to do the wrong things.

Further undermining weak employment conditions

In recent decades workers’ conditions have been in terminal decay, with job security rapidly diminishing and wages chronically stagnating. At the same time – and in complete contrast – we have seen dramatic productivity increases, producing ballooning inequality.[5,6] Following the pandemic, the problem is getting worse: of 429,300 people who have gained employment since May only 10 per cent (or 44,500 people) were in full-time work.[7] Wage theft is rampant at an estimated cost of up to $1.35 billion per year, and penalties for illegal employer behaviour are less consequential than a slap on the wrist, when applied at all.[8,9]

The increasingly punitive welfare system and abysmally low unemployment payments have been used to weaponise unwaged, underemployed and insecure workers, using us as a brake on wages growth. The JobMaker hiring credit will continue the process of dividing and weakening all workers, forcing us into unequal competition with each other and further eroding wages and conditions.

Failing to deliver for young people

Insecure work has lasting ramifications for young workers. Young people looking to enter the workforce, whether out of waged work before or because of COVID, are staring down the

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[5] Average annual growth in hourly compensation was 4.8 per cent from 2000 to 2013. This fell by 3 per cent between 2013 and 2018 to 1.8 per cent (Stanford, 2018).
[6] Average wealth of the top 20 per cent of households was 90 times that of the lowest 20 per cent in FY18. See: https://newsroom.unsw.edu.au/news/social-affairs/income-and-wealth-inequality-australia-was-rising-covid-19
[7] August labour force figures. See: https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release
[8] According to a 2019 study by PwC. See: https://www.pwc.com.au/press-room/2019/australia-matters-analysis.html
[9] Woolworths announced in February 2020 that it owed workers $315 million in underpayments. See: https://thenewdaily.com.au/finance/work/2020/02/26/woolworths-wage-theft/

barrel of lifelong exclusion from stable employment, the chance to build a career and the opportunity to have a family, the choice to have a home, the ability to plan for the future.

Structural problems in the economy are entrenching young people in poverty and a hiring subsidy isn't going to address those problems. In its current form the hiring credit will encourage low-paid, insecure jobs that will erode young workers' expectations of the type of security and conditions they should be able expect from waged work.

The more people who are pushed into low quality jobs, the fewer who will have the foundation to secure permanent full-time work and build a long-term career.

Any meaningful job creation program must help young people to establish themselves in the workforce in sustainable employment.

Discriminating against those with barriers to work

The JobMaker Hiring Credit unfairly and unwisely discriminates against people based on their age and fails to provide the support needed for a number of disadvantaged and vulnerable cohorts.

A recession is the worst time to discriminate against people based on their age – more than half of the people on unemployment payments are ineligible for the scheme in its current form. In previous crises, many older people were made redundant and never worked again. Many workers with well-established careers who lost their job during the global financial crisis have never returned to their field of expertise.

The people most in need of the social and financial benefits of stable employment are those who face barriers because of their race, disability, age, caring duties or complex health and other needs – the most structurally disadvantaged, the most discriminated against in society and the workforce, those with the least chance of securing waged work.[10]

The government's highest priority must be to support people to overcome these barriers to work and the hiring credit does nothing to achieve this.

Harming those already in waged work

The structure of the scheme gives employers the power and incentives to churn staff, reducing hours or replacing people in their existing workforce to replace them with younger and cheaper

[10] People in the jobactive program by cohort: Indigenous, 111,637; culturally and linguistically diverse, 336,078; people with disability, 256,734; mental ill health, 124,907; drug and alcohol dependency, 68,894; homeless, 103,381; refugees, 54,969; ex-offenders, 121,869; parents, 210,722. From the employment department in response to senate committee question on notice. See: https://www.aph.gov.au/DocumentStore.ashx?id=3d4243c7-a573-46df-a118-48539a2de427

labour. Exchanging one sustainably employed person for two insecure workers will hurt people and will not aid the economic recovery. The scheme as it is designed will entrench poverty.

Encouraging low quality, temporary jobs

It is the government's responsibility to incentivise job creation that allows people to meet their needs.

It won't be possible to move forward until we grapple with the fact that the bottom end of the employment ladder is completely broken. Whether it's hyper-precarious call centre work, fruit picking, contracted security or gig work, below poverty wage jobs are rampant and at a level that is unsustainable. And we know these jobs leave workers open to abuse.

The JobMaker Hiring Credit is geared to deliver the highest reward to employers who employ the lowest paid workers, meaning many employees will remain on the JobSeeker payment while their employer cashes in. Job creation programs should not leave people depending upon unemployment benefits.

If the government's intention is to create jobs then the jobs should be sustainable and provide a living income. The government should not be enabling or facilitating the creation of low-quality jobs.

Reliance on unemployment payments

The hollowing out of wages and conditions means more people in waged work than ever before still depend on meagre income support to try and survive.

Low waged workers who are eligible for the hiring subsidy and are employed at or close to the minimum hours required for their employer to receive it will continue to receive an unemployment payment.

The government's plan will see employers receiving public funds to provide inadequate income for workers, who will be further subsidised by being forced to access a poverty payment.

Unfairly advantages those least in need

The JobMaker Hiring Credit will be most advantageous to the worst employers.[11] It is set to maximise exploitation by the largest, most powerful businesses and has the potential to produce a cash bonanza for some of the most reviled companies in the country.

[11] Large companies with a labour force geared towards young, insecure workers are best placed to take advantage of the hiring subsidy. See: https://www.afr.com/work-and-careers/workplace/wage-subsidy-could-reward-major-retailers-fast-food-giants-20201007-p562s5

Very large companies to have enormous resources they can draw upon to optimise their workforce in response to tweaks in government policy. It is the responsibility of management to squeeze every last dollar out of these sorts of schemes, because otherwise they are failing in their duty to shareholders to maximise profits.

Big businesses are going to be opportunist – this money is not needed to keep them profitable. They will be in a position to bank the subsidy as higher profits, dividends or executive bonuses. But there are many smaller firms who will not be kept afloat because they will not have enough support, and those are the ones who should be getting more and better targeted assistance.

Undermining the public service

The trend of privatisation has reduced the quality of services provided and made it harder for people to get the support they need from the welfare system and other parts of the public service.

In its current form the JobMaker Hiring Credit rewards private providers who are not delivering appropriate outcomes, create low quality jobs and profit from public funds in spite of these failures. In relation to the welfare system this includes employment services providers and call centre operators among others.

The government should not provide additional incentives to increase privatisation by further subsidising private entities in relation to workers they hire to perform outsourced public sector work.

Lack of oversight and confidence for business

It is unacceptable for the parliament not to have proper oversight of a program that the government says is crucial to Australia’s economic recovery and reducing unemployment.

To date, the most detailed information provided about how the scheme will operate is a brief fact sheet released with the budget papers.

The government continually adjusted JobKeeper eligibility rules for political purposes and targeted particular sectors. If the Treasurer is provided full discretion to determine eligibility and payment rates institutions are not in a position to plan their workforce with confidence.

The details of how the JobMaker Hiring Scheme will operate must be inserted into the Bill and enshrined in law.

4 Examples of perverse outcomes

The below scenarios demonstrate the operation of the JobMaker Hiring Credit as described in the fact sheet provided with the budget papers. These were developed to inform AUWU's concerns and recommendations described above.

Interaction with JobKeeper

The government has said that companies who access JobKeeper won't be able to take advantage of the hiring subsidy at the same time. However, the calculation of baselines means large companies are in a position to manipulate their workforce to maximise benefits from both schemes without increasing headcount.

The government has not provided any information about how JobKeeper payments are counted in the calculation of the payroll baseline. If workers subsidised by JobKeeper were on reduced pay throughout the pandemic and return to full pay after JobKeeper ends their wages should not be able to be used to meet the payroll additionality criteria.

For employers who did not top up the JobKeeper payment, as existing staff return to work payroll will increase, meaning the company will easily meet the hiring subsidy payroll additionality criteria without increasing headcount. The timing of the headcount calculation means the company is able to meet the headcount 'additionality'

Example

Figures are calculated based on a period of 12 weeks.

- Headcount at 1 July, including stood down employees = 100
- Total payroll before COVID = $1,615,384 (based on an average salary of $70,000 per employee); average payroll = $134,615 per week
- Workers stood down = 80
- Average payroll while the company is receiving JobKeeper if the company does not top up the payment: $323,077 for retained workers + $720,000 for stood down workers = $1,043,077; average payroll = $86,923 per week
- 70 stood down staff steadily return to work and the average weekly payroll for the 3 months to 30 September =
- 10 staff are made redundant when the company exits JobKeeper on 28 September
- The total payroll for the week ending 28 September = $118,461
- For the purpose of hiring credit eligibility, headcount at 30 September = 90
- The company hires 20 part-time staff at 20 hours per week to replace the 10 workers who were laid off, taking it's total 'headcount' to 110
- Average payroll returns to $134,615 per week after the 20 employees are hired

The company is eligible to claim the hiring credit for the 20 'additional' workers, pocketing $4,000 per week despite having created no new jobs. The company will increase profits by $208,000 over the year that it receives the hiring subsidy.

Large employers will be in a strong position to manipulate workforce planning as they exit JobKeeper in the coming months, and have flexibility to hire and fire with this in mind due to the operation of the 'additionality' requirements based on the limited information provided in the fact sheet.

Additional layer of age discrimination

Workers under the age of 21 are already discriminated against and do not receive the same pay for the same work as those on full award rates. The AUWU opposes this existing arrangement.

The employers in the best position to benefit are those with very large and heavily casualised workforces. One example is McDonald's, which according to the Retail and Fast Food Workers Union employs more than 100,000 workers, more than 80 per cent of whom are under 21 years old.

The scheme overtly discriminates against people over 35 years old, and to a lesser extent those 30 and up. In addition to this, the stratification of award wages for workers under 21 will significantly disadvantage workers below the age of 30, who are eligible for their employer to receive the full $200 per week subsidy.

The hiring subsidy should be proportional to wages paid to reduce disparity between workers on junior rates and those over 21 and over, reducing the incentive for employers to heavily skew their workforce to the youngest possible cohort.

Example

Figures below are weekly amounts. These scenarios are based on a casual worker on the **minimum wage** under the fast food award working at 20 hours per week.

Age	Government proposal	Estimated labour cost to employer	AUWU proposed subsidy	Estimated labour cost to employer
16	$200	$68	50% of the relevant award	$134
17	$200	$121	As above	$161
18	$200	$175	As above	$188

19	$200	$228	As above	$214
20	$200	$282	As above	$241
21–25	$200	$335	As above	$268
26–29	$200	$335	As above	$268
30–35	$100	$435	As above	$268
36–67	$0	$535	As above	$268

Weak additionality criteria

The fact sheet says the hiring credit will be capped proportional to the payroll increase. Employers will not be able to claim more in total than they increased their total payroll. If a company increases its payroll by $400 per week but hires three new employees, they will receive a total of $400 from the hiring credit – only $133 per person, not the full $200.[12]

There is no information to suggest that headcount will operate in the same way, implying that the payments won't be proportional to the headcount 'increase'. This means it is possible for a company to increase its payroll in a way that enables them to reduce hours for existing workers and inflate their headcount increase.

This is exacerbated by the method of using a single date to determine the headcount baseline, rather than an average as is used for payroll and the decision provide a flat rate subsidy for each new person hired, rather than a rate that is proportional to the full-time equivalent of the employees work hours.

Example: effect of interaction between lifting of COVID restrictions and payroll averaging period

As businesses reopen and return to pre COVID staffing levels, bringing in past employees or hiring new ones to replace those who lost work their payroll average is likely to increase in a way that produces an artificially low payroll baseline. An average wage of $1,000 per week per employee is used to illustrate the effect as simply as possible below.

- In July there are 10 staff and the average weekly payroll is $10,000
- In August there are 15 staff and the average weekly payroll is $15,000

[12] From fact sheet: "The amount of the hiring credit claim cannot exceed the amount of the increase in payroll for the reporting period."

- In September there are 20 staff and the average weekly payroll is $20,000

If the payroll additionality requirement used only the September average payroll figure as a baseline the employer would only be able to claim a proportion of the hiring credit relative to any increase above $20,000.

A payroll average calculated from 1 July produces a baseline of $15,000, meaning it is much easier to demonstrate a payroll increase, even if the payroll increase is very low or zero on top of the September payroll average that reflects workers the company intended to hire regardless of the hiring subsidy.

Scenario

- On 1 July there are 2 casual staff and they work an average of 30 hours per week (60 hours or 1.5 FTE). They are on the minimum wage.[13] Payroll average is $1,545 per week.
- On 1 August there are 10 casual staff and they work an average of 30 hours per week at the minimum wage (300 hours or ~8 FTE). Payroll average is $7,725 per week.
- On 1 September there are 25 casual staff and they work an average of 30 hours per week at the minimum wage (750 hours or ~20 FTE). Payroll average is $19,312.50.

Your payroll average is $9,527.50 per week for the three-month period.

By 1 November the business is at maximum capacity permissible under COVID restrictions. To operate at this level it needs 1,500 hours of labour per week or ~40 FTE. Only new hires are eligible for hiring subsidy. The employer could seek to maximise its workforce by:

- Reducing hours for existing 25 staff from 30 hours to 10 hours per week (250 hours or ~6 FTE). This maintains headcount of 25 but reduces FTE from about 20 to 6.
- Employing 60 staff at the minimum wage for an average of ~21 hours per week, taking headcount to 85 and FTE to about 40.

If the government has not put additional constraints in place on top of what is described in the budget papers and the fact sheet, then theoretically:

- 25 workers could see their income reduced from $772.50 to $257.50 per week (weekly payroll would go from $19,312.50 to $6,437.50 for these workers), and these workers become eligible for unemployment payments.

[13] Base hourly rate of $20.06 plus 25% loading = $25.75 (see http://awardviewer.fwo.gov.au/award/show/MA000058)

- 60 workers could earn about $540.75 per week – weekly payroll for these workers would be $32,445.

The average payroll is $38,882.50 per week, an increase of $29,355 on the average for the three months leading up to the introduction of the scheme, but an increase of only $19,570 on the weekly payroll average for September. The maximum subsidy under the payroll proportionality requirements is about $10,000 more per week because of the three month average.

If 60 workers qualify for the hiring credit the company will receive about $12,000 per week in wage subsidies. The employer will have further destabilised its workforce, creating a much larger pool of low paid, insecure workers.

The net weekly cost of 1500 hours labour is $26,900 instead of $38,900 – a saving of more than 30 per cent, with no real additional jobs created.

The effect is amplified if the business hires workers below the age of 21 under an award that scales minimum wage rates down for junior staff.

Employer benefits prioritised over workers'

If an employer exchanges one worker for another they retain the subsidy for the remainder of the 12 months. That is, they can stop giving someone hours and bring in a new person, with no change to headcount or payroll increase at the time, and continue receiving a hiring credit for that person until the original worker's 12 months is up.

If an eligible worker leaves a job they cannot transfer their eligibility to a new employer – making it impossible for a person whose previous employer claimed it to compete with a person who hasn't had it.

This advantages employers at the expense of workers. Companies will have the power to punish casual employees by reducing their hours and replacing them without the loss of the subsidy. Workers will be uncompetitive, and therefore more reluctant to leave an unsafe work environment if they experience bad behaviour at the hands of their employer.

Transfer of public funds to private operators for subsidised jobs

Employment services

For an employer to receive the subsidy they must hire workers on income support payment. Employment services providers receive outcome payments when people get a job.

If the estimated 450,000 subsidised jobs are created, a significant proportion of these will trigger outcome payments for employment services providers – despite that it is government action and funds that have created the job, not result of work by the provider. The government will effectively waste funds by paying twice for each job created where the person employed because of the hiring subsidy is signed up with an employment services provider.

Employment services providers will be hiring, especially with penalties back in force for mutual obligations. There is nothing to suggest job agencies will not be eligible for the hiring credit.

The providers are private entities that are publicly funded and the more unemployed people there are the more money they make. Providers are precluded from directly hiring people on their caseload, however it is permitted to place income support recipients with related companies, in which case a provider would achieve an outcome payment *and* its related company would receive the hiring subsidy for that person.

Outsourced call centres

The hiring subsidy will take away good jobs that should be in the public service and provide worse service to people who deal with Centrelink.

In the budget there was no increase that would allow Centrelink to expand its call centre capacity at a time when there are more people than ever before on payments. The public sector will not be eligible for the hiring subsidy.

Before COVID the government had started the process of outsourcing call centre contracts. The AUWU receives a high volume of reports about these call centres providing wrong information, which puts people at risk. They have a reputation for being toxic workplaces.[14]

Private call centre operators will be able to bring in new staff to increase capacity in response to increased demand from Services Australia, and be subsidised for that, whilst the public service, which provides more reliable support to income support recipients, is left to atrophy.

As mutual obligations change, as payments and eligibility requirements change, as job agencies start cutting people off their payments, there are going to be more and more calls to Centrelink. The pressure will increase drastically compared to what it was two months ago.

[14] Reported in InDaily. See: https://indaily.com.au/news/2020/10/09/speaking-up-life-at-the-other-end-of-centrelink-phone-calls/

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