Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Coronavirus Economic Response Package Amendment (Ending Jobkeeper Profiteering) Bill 2021

Division: Labour Market Policy Division
Topic: JobKeeper review - turnover
Reference: Written
Senator: Anthony Chisholm

Question:

The underlying data also show that 15 per cent of JobKeeper recipients experienced an increase in turnover in April 2020 compared with one year previous. A variety of factors may be at play here. The availability of JobKeeper may have given some businesses a sufficient lifeline to remain open rather than have to close and turnover surprised on the upside. Some businesses may have brought forward revenue in April to maintain good cash flow. - https://treasury.gov.au/sites/default/files/2020-07/jobkeeper-review-2020.pdf

The July 2020 Treasury report into JobKeeper noted that 15 per cent of recipients experienced an increase in turnover in April 2020 relative to the year before.

1. How did you become aware this might be the case?
a. What systems threw up this information?
b. When was that?

2. When did you first flag that this might be happening to the Treasurer's office?
a. Was this written or verbal advice?
b. Did you make any recommendations?
c. What actions followed?
d. When did you next brief the Treasurer's office? Was that at their request

3. What prompted this review?
a. Was it requested by the Treasurer's office, or did you recommend it?
b. When was that request/recommendation first made?
c. What was the purpose?

4. In explaining why 15% of businesses who had claimed JobKeeper had actually seen an increase in revenue, the report speculates that "Some businesses may have brought forward revenue in April to maintain good cash flow."
a. Do you stand by that as the most plausible explanation for that 15 percent that showed an increased turnover?
b. What other possibilities did you consider – the report noted 'a variety of factors' could have been at play, what were those other factors?
c. What steps did you take at that time to understand the business activities, respectively among firms that had qualified by demonstrating a decline in March and firms that had qualified on anticipated decline, that were leading to that 15% of payments going to firms with rising earnings?

d. What steps have you taken since then to understand the experience and decision making, for entities that were receiving payments and also doing better business than the year before?

5. During the initial design or the recalibration phases of the JobKeeper mechanisms, did Treasury make a case for including a mechanism to recoup payments that businesses did not end up needing?

6. During the hearing, Ms Wilkinson noted that Treasury considered the impact a claw back mechanism might have on uptake of the program. At any point that claw back mechanisms were discussed, was there consideration that any impact on uptake would differ across the range of business categories who had access to the scheme – for instance revenue and number of employees?

7. Did Treasury's discussions of a claw back mechanism, either internally or with the Treasurer, consider thresholds at which a clawback mechanism might balance the arguments of uptake against considerations of probity relating to the expenditure of public money?

8. By the time the three-month review was published it was clear to Treasury that 15% of JobKeeper was being paid to companies with rising earnings. At what point did Treasury first raise the option of restricting the scheme to demonstrated revenue decline to the Treasurer or his office?
a. What form did that take?
b. What was the outcome?

Answer:

1-3. Government announced the JobKeeper Payment on 30 March 2020. At the time of announcement, the program was to run for six months, with a review after three months to be conducted by Treasury. After the first three months, the review was published on 21 July 2020.

The *JobKeeper Payment: Three Month Review* considered data from a range of sources to analyse the impact of the JobKeeper Payment. All analysis in the review draws on de-identified data on JobKeeper recipient organisations and individuals, drawn from completed applications and provided to Treasury by the ATO on 12 June 2020. Some analysis also draws on Single Touch Payroll (STP) data collected by the ATO.

The Treasurer and his office were briefed on the Review, including its recommendations prior to publication.

The outcomes of the Review informed the Government's decision to extend and adjust eligibility tests and payment rates to ensure JobKeeper continued to be well targeted.

Treasury has been conducting ongoing analysis of the JobKeeper Payment as part of ongoing monitoring of the program since its establishment. This analysis is regularly shared with the Treasurer's office.

4a. The JobKeeper Payment three-month review was based on available data at the time. Of the around 860,000 entities that received JobKeeper in April 2020, turnover analysis could only be undertaken on those business who were monthly BAS lodgers (as quarterly BAS lodgements for the June quarter 2020 were not yet available). Analysis was therefore able to be performed on around 26,000 entities, of which around 3,900 (or 15 per cent) experienced an increase in turnover in the month of April 2020 compared with one year previous. The review explains that this could be because of a variety of factors at play including; businesses remaining open because they received JobKeeper, or that the bringing forward of revenue in April to maintain cashflow may be one of those factors.

4b . Note that businesses were allowed to elect to use an alternative comparison period to determine their eligibility for JobKeeper in situations where a comparison with their turnover a year earlier would not have accurately captured the COVID-19 impact. These alternative tests were designed to be used in a range of situations such as for growing or restructured businesses or businesses impacted by natural disasters.

4c-d. Since the start of the pandemic, the Treasury has engaged regularly with business to understand the impact of the pandemic and to inform the Government's policy making. This includes fortnightly meetings with the business peaks, and regular meetings with other key business representatives. This includes engaging with businesses to understand th e impact of JobKeeper.

The JobKeeper three-month review was informed by engagement with industry stakeholders, and case studies of different businesses and their own experience of participating in JobKeeper.

5-7. Treasury provided advice on all aspects of the initial design of the JobKeeper Payment to Government.

With respect to the extension phase of JobKeeper, Treasury's advice is available in the JobKeeper Review, where Treasury did not recommend a clawback mechanism. The Review notes that at the end of the June quarter, the labour market remained very weak and there was considerable uncertainty surrounding the outlook. It also notes that a key purpose of the scheme was to provide macroeconomic support to the economy.

The design of the JobKeeper Payment incorporated a number of features to support a high level of integrity and the ATO is able to recover payments that were received contrary to the rules of the program.

8. Treasury's advice on any changes to JobKeeper before its scheduled end on 27 September 2020 and the nature of any extension is contained in the JobKeeper Review. The Review was conducted over May and June 2020.

Subsequent to the JobKeeper Review, the Government announced on 21 July 2020 that the JobKeeper Payment would be extended until 28 March 2021 and would require a retesting of eligibility based on the actual decline in turnover experienced in the previous quarter for the two quarters in the six-month extension. Other changes to the program included the introduction of two tiers of payment for employees and a tapering of the payment rate.