

Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020

Submission to the Economics Legislation Committee

October 2020

Introduction

The Australian Chamber of Commerce and Industry (ACCI) welcomes the opportunity to provide this submission in support of the Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020, which will facilitate the JobMaker Hiring Scheme.

As a key policy of the Federal Budget, the JobMaker Hiring Credit is a welcome, practical measure to help address rising youth unemployment which has been exacerbated by the COVID pandemic.

ACCI encourages Parliament to pass this Bill as soon as possible to ensure businesses can be assured of the scheme promised in the Budget and to encourage an increase in the hiring of young Australians.

Need to act on youth unemployment

In its Pre-Budget submission and previous policy statements, ACCI has advocated strongly for a holistic approach to tackle youth unemployment which has been exacerbated by the COVID-19 pandemic and has encouraged investment in initiatives designed to reduce youth unemployment. The JobMaker Hiring Credit is a recognition by Government of the number of jobs lost by younger Australians as a result of this crisis, with young people more likely to have been employed in businesses impacted heavily by social distancing and shutdown requirements, like gyms, hospitality venues, events and retail. For many of those businesses as they reopen after shutdown, the hiring credit could provide the tipping point in the decisions as to how many workers can be rehired.

The youth unemployment rate of 14.3% is more than double the general rate, and by June 2020 there were already an additional 126,192 people aged 15-24 on the jobactive caseload compared to three months earlier. This is despite the rapid action of the Australian Government in introducing the JobKeeper payment, to enable businesses to standdown staff, without losing the employment connection.

We recognise that without significant investment by Government, and with the crisis still dampening job demand and education leavers about to hit the job market, Australia is set to see a significant growth in unemployed young people, many of whom will find it difficult in the face of competition from older, more experienced workers. There are substantial social and economic ramifications of increased youth unemployment with the likely consequences being felt for years to come. Evidence shows the detrimental impact of longer-term disengagement from the labour market, including an increased likelihood of low morale, mental health issues, homelessness and poverty.

The Australian Chamber of Commerce and Industry (ACCI) is supportive of any effective measures that seek to counter the high rate of youth unemployment.

Program Design

Although it is important for Parliament to pass the legislation, it is recommended that the Committee encourage the Government to promote and monitor the program, as well as review the program as necessary to ensure that the program achieves its desired outcomes. This recommendation reflects past and current evidence of relative success of programs that seek to tackle youth unemployment.

Government stimulus measures introduced during the Global Financial Crisis in the form of the Jobs and Training Compact failed to make a substantial dent in youth unemployment figures, with the youth unemployment rate remaining at GFC levels for almost 10 years, in contrast to the mainstream unemployment rate which improved considerably. Specifically, these initiatives were targeted at keeping youth engaged with education during the duration of the decline in an effort to boost their employability, however, when the economy improved, too many young people still wound up languishing on the unemployment queue, despite their increased qualifications. Despite the best intentions, billions of dollars were spent in this instance, and whilst they may have achieved success in reducing the number of Not in Education, Employment or Training in the short term, there was no significant decrease in the youth unemployment rate of note.

There is currently a pre-existing Youth Bonus Wage Subsidy, which pays \$10,000 for eligible job seekers under 25 and up to \$6500 for those aged 24-29. The take up of the Youth Bonus Wage Subsidy between July 2015 and October 2019 saw 42,814 Youth Bonus Wage Subsidies paid. Employers' awareness of these subsidies is primarily through employment services providers alerting them to the availability, which means many employers may have no knowledge of them.

At the same time as the Youth Wage subsidy was introduced, the government also introduced Youth Jobs PaTH. ACCI strongly supported the concept of PaTH as a complementary approach to the wage subsidies. However, since the program was announced, it has repeatedly raised issues around its program design and implementation which were preventing significant take up of the program. We are pleased to see the Government is now accepting of these comments in its approach to pilot alternative industry-based approaches to the PaTH program.

The JobMaker Hiring Credit seeks to assist 450,000 young people into work from now until 2022/23, with an investment of \$4 billion. This commitment offers subsidies of up to \$10,400 for those aged 16-29 and \$5200 for those aged 30-35 years of age paid quarterly by the ATO in

arrears. Employers will be able to access this assistance for each new job they create for an eligible job seeker subject to eligibility and additionality criteria.

While the JobMaker Hiring Credit offers to employers a similar level of support to the Youth Bonus Wage Subsidy, the differences in approach will be impactful. The eligibility criteria are less onerous for JobMaker Hiring Credit, requiring the job seeker to be under 35 and to have been in receipt of an approved income support payment for at least 1 out of the last 3 months, in contrast to being under 29 and having been on the caseload for at least 6 months under the Youth Bonus Wage Subsidy.

The employer can also claim the subsidy in a more direct way despite the need for registration and requirement to prove additionality. These easier eligibility criteria, plus the strong promotion of the JobMaker Hiring Credits by Government, should see stronger take up of these subsidies compared to existing and previous programs.

Regarding eligibility, we note the amendments proposed by the Greens in the Senate, seeking to remove access to the scheme to any business that has declared a dividend, or inadvertently underpaid staff. We encourage the rejection of these amendments as we believe these measures will deny some young job seekers the opportunity to re-engage with the labour market.

We would recommend one change to employer eligibility. The Government's fact sheet indicates that those employers in receipt of JobKeeper are not eligible. This flies in the face of businesses that are in the restart and recovery phase where they will be starting to ramp up their businesses from a low base. If that recovery is sustained then those businesses will be unlikely to be eligible for the March quarter of JobKeeper, but the hiring credit will provide important cash flow assistance to businesses in the recovery phase and help to tip the balance in favour of taking someone additional on. This change in eligibility will need a rethink of the reference date for payroll of 30 September. That date is just after the end of JobKeeper reductions, so the business' payroll would have gone down at that time and would be subsequently rising when they enter recovery.

This relates to an additional program design issue being the suitability of keeping the same reference date of 30 September 2020. One option would be for the employer to use that reference date or an average of the last 3 to 6 payrolls prior to the hire. This may resolve the eligibility for employers on JobKeeper as well as the ongoing suitability of a single reference date when testing if a hire is additional.

Program Promotion

To maximise the success of the program, we strongly encourage the Government to continually promote these Hiring Credits, to ensure they remain front and centre of employers' minds. This is an important element in the success of the program and a key difference between the hiring credit and the existing youth wage subsidy. Employers can access the support directly so they need to be made aware directly that the credit is available. The profile of the program arising from the Budget publicity is relatively high, and it needs to remain high in order to drive employers to more strongly consider workforce growth and special consideration to employ younger workers.

Program monitoring and review

In light of the sizeable investment in this program and the variability of take up of previous programs, we would be supportive of an interim review of the JobMaker Hiring Credits, to be undertaken after 6 months to determine demand and to ensure its effectiveness in reducing the unemployment rate, and a more formal review after year 1. This data could then inform any additional eligibility changes needed.

Program integrity

We acknowledge there have been some concerns raised regarding the potential for the scheme and young people employed under it to be taken advantage of in some way. We do not substantially share these concerns- recognising that the Hiring Credit scheme offers safeguards against employer misuse, by requiring businesses to have increased their overall employee numbers and their payroll, and eligibility is restricted to those who have been in receipt of an eligible income support payment for at least one month of the last three months. Certainly, we believe this should be monitored as part of the review, however, in combination the higher payroll and employee count should provide adequate safeguards.

These safeguards address the fundamental concerns about displacement, while acknowledging that by program design, the scheme aims to incentivise the hiring of young people against other applicants. This is appropriate to the objective of ensuring that young people are engaged in the workforce as soon as possible as a long term investment in their productivity and well being and for the benefit of the economy and society, and there are other schemes such as Restart that target more mature workers.

The experience with PaTH is relevant to some of the other integrity concerns. When it was announced, there were concerns raised that PaTH will lead to a large number of employers reducing their current staff in favour of "free" labour. These concerns proved unfounded and the experience of that program demonstrated that the decision to take on a young unemployed and often inexperienced worker requires substantial encouragement and incentives particularly in a weak labour market, something we hope the Hiring Credits program will achieve.

Importance of Supporting Employers and Young Job Seekers

The intention of the JobMaker Hiring Credits is to support employers and help get young Australians back to work. This is a critical objective to avoid the lasting ramifications of high youth unemployment.

This measure helps restore business confidence and encourages businesses to look to the future. Given the high youth unemployment and its high profile arising from it being a major Budget announcement, it is imperative it is enacted as soon as practicable.

ACCI welcomes the intent of this initiative, and will continue to encourage our members to use the program to assist them to increase their workforces and grow their businesses.

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