

## Response to Questions on Notice

from Senate Standing Committees on Economics

at Inquiry into Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020  
[Provisions]

to SDA National: Gerard Dwyer, National Secretary Treasurer and Helen Cooney Principal Policy Officer (Superannuation and Industry Training)

on 2 Nov 2020

### Question:

From: Senator Gallacher

Question: What improvements would you make to the additionality criteria?

### Answer:

The additionality test as planned is a threshold or gateway test as to whether a business is eligible to receive a payment. It is planned to be based on the employment of an “eligible additional employee” which is used as the test for the amount to be paid. The additionality test is based on an increase in:

1. the business’ “headcount increase” from a “baseline headcount” (minimum of one additional employee) from the reference date of 30 September 2020; and
2. the payroll of the business for the reporting period, as compared to the three months to 30 September 2020.

These criteria (headcount and total payroll) incentivise insecure work. For example, employing of two 16-year olds is significantly incentivised over a 22-year-old, a 30-year-old returning after parenting a young child or a 35-year-old as outlined in this table. It also shows that the intention to prevent long-term-unemployment is not met by the distortionary effect of junior rates.

	Typically, a worker	Base wage on GRIA	Hiring Credit	Gain
2 x 16 y/o at 20 hrs	at school	428.40	400	93%
2 x 22 y/o at 20 hrs	at university	856.40	400	47%
1 x 22 y/o at 40 hrs	seeking full-time work	856.40	200	23%
2 x 30 y/o at 20 hrs	returning after a child	856.40	200	23%
1 x 30 y/o at 40 hrs	seeking full-time work	856.40	100	12%
1 x 35 y/o at 40 hrs	returning after a child or long-term unemployment	856.40	0	0%

To reduce the impact of this, the SDA recommends the criteria be amended to not be based on the same test as that which is used to calculate the amount paid for each “eligible additional employee”.

The threshold or gateway test for eligibility should instead be based on an increase in:

1. the business’ Full Time Equivalent “additional eligible employee” count
  - with a minimum of .5 FTE additional employees; and
  - consistent with the number of “eligible additional employees” for which a credit is being claimedfrom the reference date of 27 September 2020; and
2. the underlying payroll for employees at each employment classification of the business for the reporting period, as compared to the three months to 30 September 2020.

[Amendments noted in red, with underlining and with strikethrough]

There are two ways to count the number of employees. Firstly, "headcount" where each individual person counts as one employee whether their appointment is full time or part time. Secondly, "Full Time Equivalent" also known as "FTE". FTE totals the number of all positions using the percentage of the appointment rather than the number of individuals.

The first change would reduce the incentive to employ casual and part-time workers in place of a full-time worker.

The second change relates to large employers where the headline total payroll is impacted by wage rates throughout the company and small businesses where the proportional impact of a wage increase for the owner is high. For example, an employer might engage more middle management and meet this test without having reference to the employment of those that are eligible for the hiring credit, and likewise increase the owners wages.

This second change would reduce the intensity of the incentive to employ those that the hiring credit it not intended to help.

To reduce the impact of the distortionary effect of the additionality test, the program should be altered to:

- have one rate for all eligible workers (from 16 to 35 rather than 16 to 29 and 30 to 35). This would also reduce the likelihood of an impact on women returning to work after pregnancy.
- require an employer to take reasonable steps to satisfy themselves of an employee's eligibility (rather than the worker). This would link compliance for the payments to recipients of them, the employer.
- include dispute resolution procedures, through arbitration at the fair work commission (rather than no recourse).