

## Senate Standing Committee on Education and Employment

### QUESTIONS ON NOTICE Additional Estimates 2016 - 2017

#### Outcome 2 - Workplace Relations and Economic Strategy

Department of Employment Question No. EMSQ17-001599

Senator Ketter submitted in writing

#### Question

#### 2016-17 MYEFO measure – Fair Entitlements Guarantee – recovery program – continuation and expansion

1. Provide the breakdown of the measure into the constituent elements – that is:
  - a) the recovery program additional funding;
  - b) the additional FEG recoveries and
  - c) not proceeding with the 2014-15 Budget measure to align redundancy payments to the national employment standards
2. What is the assumption for the number of companies going into liquidation without paying employment entitlements?
3. What is the assumption for the number of companies that the Government will be able to recover its costs from? Has this assumption changed as a result of the additional funding provided in this measure? If so, what was the assumption previously? Is there a rule of thumb for additional funding provided for the FEG and funding expected to be recovered from companies?

#### Answer

1. *Provide the breakdown of the measure into the constituent elements – that is:*
  - a) the recovery program additional funding;*  
The additional funding provided by the Government is \$47.2 million over four years from 2016–17. Please see page 106 of the Mid-Year Economic and Fiscal Outlook 2016–17.
  - b) the additional FEG recoveries; and*  
The estimated additional FEG recoveries are \$165.7 million over four years from 2016–17. Please see page 106 of the Mid-Year Economic and Fiscal Outlook 2016–17.
  - c) not proceeding with the 2014-15 Budget measure to align redundancy payments to the national employment standards*  
The total for the measure is \$101.7 million over four years. Please see pages 12 and 15 in the Employment Portfolio, Portfolio Additional Estimates Statements 2016–17.
2. *What is the assumption for the number of companies going into liquidation without paying employment entitlements?*  
According to statistics released by the Australian Securities & Investments Commission (ASIC), on average, over the past five years approximately 10,000 companies entered liquidation each year. Of the liquidated entities having outstanding employee entitlements, approximately 1500 to 2000 companies per year had former employees to whom FEG advances were paid. ASIC insolvency statistics are available from:

<http://www.asic.gov.au/regulatory-resources/find-a-document/statistics/insolvency-statistics/>

3. *What is the assumption for the number of companies that the Government will be able to recover its costs from? Has this assumption changed as a result of the additional funding provided in this measure? If so, what was the assumption previously? Is there a rule of thumb for additional funding provided for the FEG and funding expected to be recovered from companies?*

Historically, financial recoveries of FEG advances through the insolvency process have averaged around 10 per cent of FEG amounts advanced each year.

Recoveries improved significantly in 2015–16 after the beginning of the pilot FEG Recovery Program to around 19 per cent of FEG advances paid.

Building on the success of the first year of the trial FEG Recovery Program, the Government announced on the 1 January 2017 that the trial FEG Recovery Program would be made an ongoing program.

Additional information on the Program can be found at the following website:  
<https://www.employment.gov.au/feg-recovery-program>