

23 October 2020

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Via Email: economics.sen@aph.gov.au

To the Secretary,

Submission to the JobMaker Hiring Credit Inquiry

The Australian Manufacturing Workers' Union represents over 70,000 workers who create, make and maintain. Our industry has a proud history of creating good quality jobs that have underpinned the prosperity of our cities, suburbs and regions for generations. Our members and the manufacturing businesses that they work for have helped our nation get through the crisis, and can play an important role in the recovery – if the government provides them with the support that they need to grow.

The AMWU would like to endorse and recommend the submission from the ACTU to this inquiry.

Australian workers are doing it tough

The AMWU has been proud to play a constructive role, working with government through the National Covid Coordination Commission (NCCC) Manufacturing taskforce. We have seen what previous recessions have done to the manufacturing industry and we are willing to work with anyone to prevent the same disastrous job losses and business closures from happening again. The job losses and big reductions in hours work indicate that there is still much more work to be done.

The Australian economy was performing very poorly prior to the onset of Covid – slow growth in GDP and wages, with stubbornly high unemployment and underemployment. Many Australian workers had not had a meaningful improvement in their real wages, or their standard of living, in over a decade. The predictions contained in the budget suggest that real wages will not improve over the next three years.

In September of last year, the labor share of GDP dipped below 50% for the first time since 1959 – this is likely to get worse as unemployment rises and wages remain below inflation. The Australian economy has not been rewarding Australian workers for their hard work, and a one-off tax rebate won't be enough to paper over those hard economic realities.

The recovery from Covid-19 must be built on good quality jobs

The consistently low growth in Australian worker's wages cannot be understood by looking at the unacceptably high unemployment rate. It was the underemployment rate – driven by insecure work – that was putting downward pressure on worker's ability to bargain for improved wages and conditions. The current design of the JobMaker Hiring Credit (the Program) will drive more insecure work and make it harder for workers to get enough hours to make ends meet, let alone bargain for meaningful improvements to wages and conditions.

Australia's recovery from Covid needs to be built on good jobs. It was Australian workers that got us through this crisis, and it is Australian workers who will get us out of this crisis, but we must ensure that they are rewarded with the good quality jobs they demand.

The current structure of the Program encourages employers to hire part-time workers. This is not the preferred type of employment of the majority of the Australian workforce – prior to the crisis only 13% of workers work less than 19 hours a week and 12.2% work between 20 and 29 hours a week¹. This leaves at least 75% of the workforce (and likely much more) for which 20 hours a week would be a significant reduction to their hours of work.

For the vast majority of workers, a job that only provides 20 hours a week is not a good job. For a 30 year old worker on the C10 rate in the Manufacturing Award, 20 hours a week means take home pay of \$454 before tax. The C10 rate of the manufacturing award has a historical significance as the benchmark of a living wage in Australia. A worker suitably qualified and experienced to earn that rate should be able to live comfortably and raise a family. It is not possible to do that on \$454 a week.

The perverse incentives created by the program would see the Program pay for 44% of the worker's salary in the example above. If that worker was employed full time (as 75% of workers in the manufacturing industry are²) they would earn \$862.50 and the Program would only cover 23% of their wage – if the full-time worker was 31 years old, it would cover only 12%.

The AMWU believes that the key to a proper, inclusive and sustainable recovery is to focus on creating good quality jobs. The overt focus on creating part-time, insecure jobs in the Program is a transparent attempt to reduce the unemployment rate, at the expense of the underemployment rate. However, both these metrics measure a waste of human effort as skilled workers seek to make use of their labour but are

¹ Australian Bureau of Statistics, 6202.0 Labour Force, January 2019

² Australian Bureau of Statistics, Labour Force Detailed Quarterly, February 2020

unable to do so. They both lead to suffering for individuals, families and communities, as many workers who want to work more hours are seeking to do so because they cannot live comfortably on a part-time wage.

If properly designed, the Program can be used to get wages moving again. By providing higher subsidies to employers who pay at above the industry average for the relevant worker's classification, we can encourage employers to start wages moving in the right direction. Without this support, there is every chance that wages are likely to go backwards, as casual, part-time, underemployed workers have less power to negotiate for above-Award pay.

Recommendation 1: That the Program be amended to ensure that employers are not punished for offering eligible workers full-time hours.

Recommendation 2: That the Program be amended to reward employers that offer full-time or part-time employment, over casual or contract employment.

Recommendation 3: That the Program be amended to reward employers that engage a new employee for the full year.

Recommendation 4: That the Program be amended to provide higher subsidies for employees that are paid at about the industry average for their classification.

JobMaker open to exploitation

As will no doubt be noted in several submissions, the Bill before the Senate is woefully inadequate. While there was a need for fast action during the height of the Covid crisis, and there remains a need to respond quickly in response to issues as they arise, there is no justification for the approach being taken at this time, with this Bill.

Unlike the JobKeeper program, which encouraged the economy to keep its existing shape and keep workers in their existing roles, this legislation seeks to move the economy in a new direction – one dominated by part-time, insecure work. That is why a different approach should be taken with this legislation and a return to the usual practice of including significant safeguards in the legislation, rather than relying on regulations.

The Senate should not be asked to approve \$4bn of taxpayers money being spent on a Bill that is only a page long, supported by only 7 paragraphs of “detailed explanation” in the Explanatory Memorandum.

There are some promising aspects included in the government's budget fact sheet on the program. We support the requirement that employers must be up to date with their tax lodgments and keep wage and time records in order to be eligible.

However, as we can see with the many recent examples of wage theft, record keeping requirements are only useful if they are actively monitored.

This program is an opportunity to improve compliance with industrial laws and set new standards of corporate behavior. Given the size of the incentive, and the scandal-prone industries that are likely to be the biggest recipients of credits under the Program, access to the program should be limited to those firms who can demonstrate complete compliance with industrial laws.

The proposed headcount requirement is also a good start when it comes to preventing abuse of the Program. However, the headcount and turnover tests are not sufficient to prevent existing workers from being fired and replaced by workers eligible for the Program. This can be partly solved by the changes suggested above. If the incentive to hire workers on 20 hours a week is removed, then the replacement of one full-time workers with two casual, part-time workers is reduced.

There is also a significant risk that labour hire firms may exploit these policies and become the norm for employment, if they are allowed access to the Program.

Labour Hire Example

Company A is a food manufacturing business that employed 80 full-time workers, who complete around 140,000 hours of work a year with a total payroll of \$6m.

The strong demand during the crisis means that, Company A has not had to lay off any workers and now has enough work to continue its operations as it was prior to Covid.

Jim's Labour Hire had to let all their workers go during Covid, as insecure workers were the first ones let go during the crisis, so he currently only has a skeleton staff of admin workers.

That means that every eligible worker employed by Jim's Labour Hire is eligible for the Program, as their turnover and headcount were drastically reduced during the crisis.

Jim contacts Company A and tells them that he can meet their labour needs with 160 workers over the next 12 months and the payroll will be \$4.8m, rather than the \$6m he is currently paying.

The new workers won't have sick leave or annual leave and the savings may be greater still if Company A has an Agreement that pays their workers above the Award rate.

So, while Company A would not be eligible for the Program, as their headcount and turnover have not changed, they can still access the Program using a Labour Hire firm.

This loophole will allow any company to enjoy the benefits of the Program, even those which would not otherwise be eligible (including those covered by the Major Bank Levy). Unless it is closed, backfilling vacancies that would not attract credits if they were filled directly (because the employer does not meet the turnover or headcount tests) will be much cheaper to fill with labour hire workers.

The AMWU is very concerned that the Program will help to make insecure labour hire employment much more attractive to employers and more widespread, which would be a disaster for Australian workers.

Recommendation 5: The Senate should refuse to pass the Bill unless the safeguards for workers are added to the legislation and not placed in Regulations.

Recommendation 6: Employers should be required to have their historic wage and timesheet records audited prior to being able to access the Program to ensure existing workers were paid correctly. Access to the scheme should not be granted until any outstanding underpayments and associated fines are paid by the employers.

Recommendation 7: Employers seeking to access the program should be required to undertake training programs aimed at ensuring their understanding of and adherence to industrial laws.

Recommendation 8: The Program should include a significant budget for monitoring of employers that access the Program (thought spot checks and government-initiated audits) to ensure compliance with industrial relations laws.

Recommendation 9: Unfair dismissal laws should be strengthened to shift the onus of proof onto the employer to show that an employee was not unfairly dismissed where an employee is sacked or made redundant and that employer subsequently accesses the Program.

Recommendation 10: Labour Hire businesses should be specifically excluded from accessing the scheme, except for workers that are working directly for them (administration, payroll, etc.).

Older workers left behind

There is no doubt that all Australians will be living with the economic aftershocks of the Covid-19 pandemic for the foreseeable future. The AMWU recognises that younger Australians have been hit hard, as the group most likely to have lost their source of income through the pandemic, and therefore require a targeted support program. However, older workers have also experienced economic hardship and should not be excluded from proper support.

In addition to the immediate shocks of losing a job or having hours reduced, older workers face further challenges, including being closer to retirement age with less capacity to make up for the hit to their income and savings. Many also have caring responsibilities, particularly older women workers, which limits their capacity to look for alternative work. Prior to the onset of the pandemic, women over 55 were the fastest-growing homeless population in Australia³, and this has likely only worsened.

Older workers are more likely to experience age-based discrimination in hiring practices, with the likelihood that this will intensify as a result of the age limit contained in this program. Under this program as it currently stands, an employer would be more incentivised to hire workers under the age of 35 in order to qualify for the JobMaker subsidy, at the expense of older applicants. As highlighted above, the safeguards for existing workers are inadequate. This leaves older and existing workers vulnerable to discrimination and exploitation.

While support for younger workers is critical, COTA Australia, the peak body for older Australians, notes there is currently “no parallel support to keep older Australians in work”⁴. Although the Restart wage subsidy was intended to help older Australians in the workforce, there is little evidence that it has achieved its aims since launched in 2014. Less than half of the amount promised for the program has been spent⁵. Figures provided by the employment department show that over 40% of those receiving the subsidy were out of work again within three months, and less than half lasted more than six months in a job. This is further evidence of the vulnerability of this demographic to unemployment.

With workers of all ages facing hardships as a result of the pandemic, there is no rationale as to why this program should contain an arbitrary age limit. The AMWU believes it is likely that, without raising the age limit or introducing safeguards for older and existing workers, the JobMaker program will only exacerbate the challenges older workers face and risk leaving them behind in the Covid-19 recovery.

Recommendation 11: That the Program be amended to either remove the age limit entirely or increase it to 50 in line with the Restart subsidy.

Recommendation 12: That the Program be amended to include safeguards for existing workers, including that hours of employment for existing workers must not be reduced by any employer seeking to access the subsidy.

³ <https://humanrights.gov.au/our-work/age-discrimination/publications/older-womens-risk-homelessness-background-paper-2019>

⁴ <https://www.cota.org.au/news-items/media-release-budget-delivers-some-good-news-for-older-australians-but-other-things-are-missing/>

⁵ <https://www.theguardian.com/business/2020/oct/14/an-utter-failure-coalition-blasted-over-program-for-older-unemployed-as-underspending-revealed>

More support for workers who want to improve their skills

We welcomed the government's JobTrainer package as a good plan to help keep existing apprentices and trainees in their jobs, and to help those seeking to upgrade their skills. These initiatives are a very important part of our response to Covid and help to ensure that a generation of workers don't miss out on their chance to learn the skills that will set them up for a great career.

However, we do not believe that these programs go far enough to encourage employers to take on new apprentices and trainees and reward those workers who choose to improve their skills. The wage subsidy only applies to those workers who were already engaged as apprentices or trainees on 1 July 2020, excluding any new applicants from benefitting from the scheme. The package does not include any additional income or wage support for anyone applying for one of the 300,000 training places that it will create.

With the future rate of the Austudy payments still not confirmed, choosing to undertake full-time study is also unlikely to be appealing to those with financial commitments. This means that for anyone considering further study at the moment, there is no government support available to encourage an employer to take you on, or any long-term commitment to supplement your income while you study. This will lock many workers out and make it hard for the government to find workers willing and able to fill the 300,000 places that have been created given the lack of income support.

An important part of dealing with a high rate of unemployment isn't simply to get workers back into a job as quickly as possible. As we can see above, that will have significant, long-lasting, negative consequences if it simply replaced by underemployment. What we need to do is ensure that no worker is left behind – languishing in unemployment where their skills and talents are wasted. During these spikes in unemployment it is entirely appropriate for governments to encourage some workers to stop looking for work and reward them for developing their skills so that when they do re-enter the workforce, they are more productive and better suited to the labour market.

Encouraging some workers to stop looking for work and start studying will reduce the unemployment rate. It will have the added benefit of not spreading the available hours of work so thinly that we create a large number of workers who are unable to make ends meet despite having a job. It will let the economy create the good jobs that workers demand now, while also improving the long-term productivity through a greater investment in skills and training.

Given the unique nature of the Covid crisis, now is an ideal time to heavily invest in training. The closure of international borders and the negative net migration in Australia gives us an opportunity to fill those roles that have relied on skilled migrant

workers in recent decades. The increase in unemployed workers seeking to redeploy into other industries, combined with the increased funding for training places are two of the three ingredients required to solve this persistent problem. What we're missing the incentives for employers to take on new apprentices and trainees, and the support for workers to deal with the loss of income that would be required to retrain in a new field.

Recommendation 13: The rate of JobSeeker and Austudy should be permanently increased.

Recommendation 14: Wage subsidies should be available for new apprentices and trainees.

Recommendation 15: Additional income support should be available for workers who are undertaking apprenticeships, traineeships or full-time study in areas of need to allow workers to retrain with minimal loss of income.

Better targeted support to help reshape our economy

The Program should be designed so that those industries that have traditionally relied on temporary visa workers are able to attract local workers. Many of the hard-to-fill jobs are located in remote areas, involve hard manual labour and have very poor pay and conditions. These industries have enjoyed decades of support from the government through visa conditions that provide these industries with many temporary workers to meet their demand without addressing the issues that cause the shortages in the first place.

The government should use this opportunity to work with these industries to improve their structure and help them to create good quality jobs that will not be hard to fill. If the Program was set out as we suggest above - to assist these industries to offer high wages, more security and better training – we believe that it can deliver important structural changes which will deliver long-term returns for these industries. Instead of relying on a low-cost “churn and burn” model of employment, they can build a reliable, skilled, productive workforce that delivers the quality jobs Australian workers demand. Given the nature of this crisis, there has never been a better time to try.

Similarly, the Program could offer higher wage subsidies in areas where the government wants to encourage private sector investment. By making a higher wage subsidy available for renewable energy projects, or upgrades to existing infrastructure or capital equipment, the government could help those projects secure the funding they need to get off the ground. This approach would give the government the opportunity to use the Program to shift the economy in new directions and improve our productive capacity.

Recommendation 16: Higher rates of wage subsidy should be made available to industries with a traditional reliance on temporary visa workers in return for reforms to those industries that delivery good quality jobs, increases in training and improvements in workplace safety.

Recommendation 17: Higher rates of wage subsidy should be made available to encourage specific types of economic activity. This should be tailored to attract private sector investment in key areas that will drive future productivity.

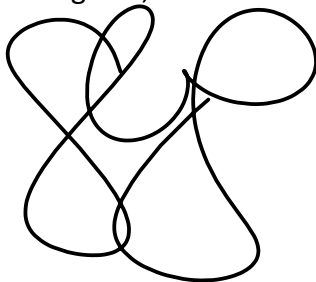
Conclusion and recommendations

The AMWU believes that providing a wage subsidy though the JobMaker Hiring Credit is an appropriate solution to the challenges facing the Australian economy. However, the safeguards, structure and targeting of the Program mean that it will have many poor outcomes for Australian workers and represent a missed opportunity for the Australian economy.

We have made a number of recommendations above (which we have consolidated in the attachment below) which would improve the JobMaker Hiring Credit. Given the serious concerns about the Program in its current form, we recommend that the Senate reject the Bill in its current form and require the government to ensure the strengthened safeguards recommended in this submission are included in legislation prior to the Bill being passed.

If you require any further information, please contact Warren Tegg (warren.tegg@amwu.org.au) in the first instance.

Regards,



Steve Murphy
National Secretary

AMWU Recommendations

Recommendation 1: That the Program be amended to ensure that employers are not punished for offering eligible workers full-time hours.

Recommendation 2: That the Program be amended to reward employers that offer full-time or part-time employment, over casual or contract employment.

Recommendation 3: That the Program be amended to reward employers that engage a new employee for the full year.

Recommendation 4: That the Program be amended to provide higher subsidies for employees that are paid at about the industry average for their classification.

Recommendation 5: The Senate should refuse to pass the Bill unless the safeguards for workers are added to the legislation and not placed in Regulations.

Recommendation 6: Employers should be required to have their historic wage and timesheet records audited prior to being able to access the Program to ensure existing workers were paid correctly. Access to the scheme should not be granted until any outstanding underpayments and associated fines are paid by the employers.

Recommendation 7: Employers seeking to access the program should be required to undertake training programs aimed at ensuring their understanding of and adherence to industrial laws.

Recommendation 8: The Program should include a significant budget for monitoring of employers that access the Program (thought spot checks and government-initiated audits) to ensure compliance with industrial relations laws.

Recommendation 9: Unfair dismissal laws should be strengthened to shift the onus of proof onto the employer to show that an employee was not unfairly dismissed where an employee is sacked or made redundant and that employer subsequently accesses the Program.

Recommendation 10: Labour Hire businesses should be specifically excluded from accessing the scheme, except for workers that are working directly for them (administration, payroll, etc.).

Recommendation 11: That the Program be amended to either remove the age limit entirely or increase it to 50 in line with the Restart subsidy.

Recommendation 12: That the Program be amended to include safeguards for existing workers, including that hours of employment for existing workers must not be reduced by any employer seeking to access the subsidy.

Recommendation 13: The rate of JobSeeker and Austudy should be permanently increased.

Recommendation 14: Wage subsidies should be available for new apprentices and trainees.

Recommendation 15: Additional income support should be available for workers who are undertaking apprenticeships, traineeships or full-time study in areas of need to allow workers to retrain with minimal loss of income.

Recommendation 16: Higher rates of wage subsidy should be made available to industries with a traditional reliance on temporary visa workers in return for reforms to those industries that delivery good quality jobs, increases in training and improvements in workplace safety.

Recommendation 17: Higher rates of wage subsidy should be made available to encourage specific types of economic activity. This should be tailored to attract private sector investment in key areas that will drive future productivity.