MASTER BUILDERS
AUSTRALIA

25 November 2020

Manager
JobKeeper Division
The Treasury
JobMakerHiringCredit@treasury.gov.au

Dear Manager

RE: Submission on the Exposure Draft of the JobMaker Hiring Credit Rules

Master Builders Australia is supportive of the Federal Government's 2020-21 Budget announcement to establish the JobMaker Hiring Credit and welcomes the opportunity to provide this submission.

Young workers are disproportionately impacted by economic downturns. Pre-COVID-19 (February 2020) nearly 3.5 million Australians aged 29 or under were employed. By August 2020, this number had shrunk by nearly 300,000 workers (-8.5%). The unemployment rate for workers aged 24 and under peaked at 16.5% in June 2020, a rate only exceeded once (in January 2015 at 16.53%) since early 1998. For those aged 25-29 the unemployment rate peaked at 8.4% in May 2020, the highest rate since mid-1997.[1]

Hiring credits, and other employment incentives such as the apprentice wage subsidy, can lower barriers to hiring thereby tipping business decision-making in favour of engaging a new employee.

Employer incentives must be complimented by economic stimulus that generates work, with a focus placed on sectors that offer the highest multiplier effect for government investment. In this regard, Master Builders Australia applauds the Government's HomeBuilder initiative (noting we believe the impact of this will be maximised through a 12 month extension to the end of December 2021), fast-tracking infrastructure investment, and additional support for first-home buyers.

[1] Australian Bureau of Statistics (2020), CAT:6291.0.55.001 Labour Force, August 2020

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The delivery of JobKeeper through the existing single touch payroll platform was welcomed by businesses. The use of the existing platform made the application and ongoing administration easier to understand and implement. Master Builders is pleased that the JobMaker Scheme will also utilise this platform.

Based on the currently available information we believe there are potential improvements that can be made to the design of the JobMaker Hiring Credit to assist employers and therefore to maximise the number of additional jobs created. These improvements aim to address uncertainty of eligibility and assist small businesses to manage their cash flow.

Certainty of eligibility – assessment of headcount

At present to be eligible for the Hiring Credit reimbursement a business's headcount on the final day of the JobMaker reporting quarter and their total payroll for that quarter must exceed the headcount on 30 September 2020 and the payroll for the September 2020 quarter (noting this changes in the second year to ensure the Hiring Credit only applies for one year per additional employee).

While we note that the rationale for this single point in time assessment of headcount is simplicity – for both the claiming business and the ATO – from a business perspective it means eligibility for the reimbursement is not known until the end of the quarter regardless of when a worker was engaged. This uncertainty introduces a barrier at the point of hiring and may therefore discourage businesses from engaging additional employees, reducing the number of jobs created and the effectiveness the scheme.

Master Builders is concerned that businesses that engage additional eligible workers in good faith may find themselves ineligible for the JobMaker Hiring Credit reimbursement through no fault of their own.

> For example:
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> *Ross is a builder with six employees on 30 September 2020. On 15 October he hires Rebecca, Rebecca is 26 and an eligible worker under the JobMaker Scheme. Eligibility for the JobMaker Hiring Credit was a consideration in choosing to employ Rebecca. On 20 December 2020, Alex, also an employee in Ross' business, resigns for family reasons. Ross is unable to recruit a new worker prior to the end of the JobMaker quarter on 6 January 2021. This means, through no fault of his own, his employee headcount has not increased and Ross is therefore ineligible for the JobMaker Hiring Credit.*

This situation is likely to be further exacerbated when we consider that the job churn is higher for employees aged 15-29 years than older workers. In the Treasury submission to the Senate Economics Committee Inquiry on the establishment of JobMaker you note that 25 per cent of workers aged 15-29 years will separate from their job within six months of commencing.

To address this situation we suggest two ways forward. Firstly, we encourage the system to be built so that headcount is automatically assessed each time a business lodges a payroll cycle. This will ensure that businesses are able to claim the Hiring Credit reimbursement more accurately and that an unintended reduction in headcount near the end of the reporting period will not adversely impact eligibility.

Secondly, the Commissioner of Taxation should be granted discretion to consider alternative and/or additional information on a case by case basis when assessing the eligibility of a business for the JobMaker Hiring Credit – as exists for the JobKeeper Scheme.

If our first suggestion is not implemented, the second will be particularly pertinent to providing employers, particularly small businesses, with confidence regarding eligibility. Looking at the above example, If Ross were able to provide further information he would be able to demonstrate that for the majority of the reporting quarter he was in fact eligible for the hiring credit. For example, Ross could provide the ATO with summaries of the relevant pay cycles to show when he had seven employees, he could also provide a copy of Alex's letter of resignation to demonstrate that he was employed until 20 December, and Rebecca's timesheets to show that she worked at least 20 hours per week.

Cash flow management

Under the JobKeeper Scheme businesses received a monthly reimbursement. Master Builders has received positive feedback from members regarding the monthly timing of the JobKeeper Payment, particularly in comparison to other wage subsidies which provide reimbursements quarterly.

We note though that the JobMaker Hiring Credit reimbursement is proposed to be quarterly and understand this decision was made to reduce the administrative requirements on participating businesses. However, during uncertain times cash flow management is more challenging, particularly for small businesses, and as such we encourage the Government to revise the draft Rules to enable small businesses to opt in to claim the reimbursements monthly.

Review processes

To make sure the JobMaker Hiring Credit is working as intended Master Builders encourages the Government to embed a six and a 12-month review process into the rules and to enable evidence-based tweaks to be made if necessary.

Summary

Master Builders Australia as the peak industry body representing the building and construction industry – one of the largest employing sectors in Australia – encourages the draft rules to be amended to improve the effectiveness of the JobMaker Hiring Credit and therefore the number of additional jobs likely to be created by:

1. Assessing headcount at each payroll cycle rather than on the final day of the quarter to reduce the barrier to hiring created by eligibility uncertainty
2. Granting the Tax Commissioner the discretion to consider additional and/or alternative information in assessing eligibility, again to reduce the barrier to hiring created by eligibility uncertainty
3. Enabling small businesses to opt in claim to the JobMaker Hiring Credit monthly to assist in cash flow management during these challenging times
4. Embedding a six-month review and 12-month review in the rules to ensure the program is working as intended and enable changes if required.

Thank you for the opportunity to make a submission. Should you have any questions or seek further information please contact Jennifer on 0447 529 170 or at Jennifer.Lawrence@masterbuilders.com.au.

Yours Sincerely

Jennifer Lawrence
Master Builders Australia