



4 August 2020

Hon Scott Morrison MP
Prime Minister
Parliament House
Canberra ACT 2600

Hon Josh Frydenberg MP
Treasurer
Parliament House
Canberra ACT 2600

Dear Prime Minister and Treasurer,

JobKeeper 2.0 – employee eligibility

As previously advised, the AHA would like to thank you for the extension of JobKeeper. JobKeeper is the key to ensuring businesses are able to survive and providing jobs. This submission presents survey data from Victorian hotels requesting change to the current JobKeeper employee eligibility.

1 EXECUTIVE SUMMARY

Hotel workforce characteristics

ABS data and an AHA Vic member survey this week shows hotel workforce characteristics include:

- 62% of workers are casuals compared to the national average of 25%
- 47% of the workforce is aged under 25 years, the highest of any ABS demographic sector
- In a normal year, an average staff turnover rate of 40% per annum
- In this year, 22% have reassigned in the last 4 months (reasons include, e.g. study has moved on so moving back home, found more secure work, prefer JobSeeker and no work)

Based on the data above, AHA predicts that on a straight line basis the number of workers eligible for JobKeeper at 31 March 2021, will be at less than 50% from the start date of 1 March 2020.

Recommendations

The AHA is requesting that the employee eligibility rules be amended so as to provide a “re-set” of the head count as follows:

- Amend the “eligible employee” definition to include new (replacement) employees
- Provide that new (replacement) employees are eligible for a JobKeeper payment
- But, the number of total JobKeeper eligible employees in a business to be capped at the number of employees eligible for JobKeeper as at 1 March 2020
- The rate of JobKeeper payment per individual then to be set on the number of hours worked (+/- 20 hours) in the four weeks of pay period in their new employment

Addressing a systemic issue

The AHA appreciates that the anchor point of 1 March 2020 for determining worker eligibility was introduced to ensure the integrity of the JobKeeper program and limit gaming by employers. However, we believe there is clear evidence that the AHA request is not gaming the system, but is rather seeking to address a systemic issue within the hospitality labour market.

2 BACKGROUND

Victoria

The data in this report reflects the urgent situation in Victoria, but has similar application in other regions. AHA Victoria (AHA Vic) represents approximately 1,000 members comprising of 3, 4 & 5 star hotels as well as group operated and independent pubs located in both Metropolitan Melbourne and Regional Victoria. Collectively Victorian members:

- employ 52,000 with a total payroll exceeding \$1.5 billion
- provide more than 23,000 accommodation rooms
- contribute \$4.5 billion to Victoria's GSP
- 88% of Australian pubs are independently owned, while the remaining 12% are affiliated with larger chains (PwC 2009)

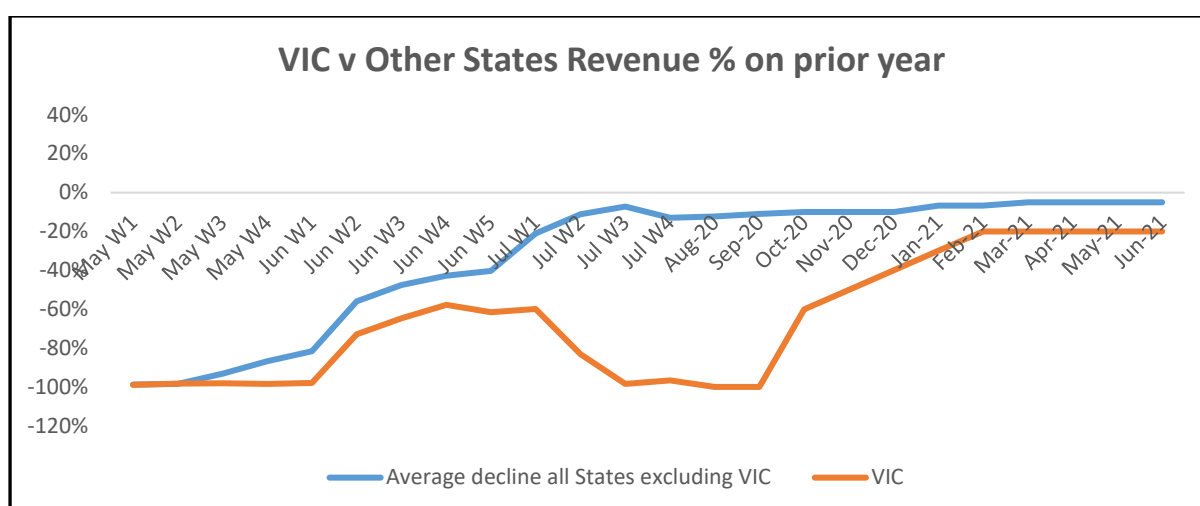
This report has been prepared to highlight the AHA concerns with the effectiveness of the proposed extension of JobKeeper for businesses particularly hotels and pubs that have experienced government mandated shutdowns since 23 March 2020, with particular regard to the situation in Victoria.

Victorian trading restrictions

Victorian hotels and pubs have experienced trading restrictions to assist the government and chief medical directions in containing the spread of the virus. The high level sequence of restricted trading conditions experienced by Victoria employers within hotels and pubs include:

Date	Trading Restrictions for hotels and pubs
23 rd March	Forced to close and allowed to offer take-away and pick up only
1 st June	Able to re-open but restricted to 20 patrons per enclosed space
2 nd July	Hot-spot suburbs forced to close except take-away and pick up only
8 th July	Metropolitan Melbourne & Mitchell Shire forced to close except take-away and pick up only
6 th August	Regional Victoria forced to close except take-away and pick up only

The effect and forecast of the trading restrictions on a national group of hotels is set out below.¹



¹ Further information available on request

3 CHARACTERISTICS OF THE HOSPITALITY INDUSTRY

Workforce characteristics

The hospitality industry can be characterized as below:

- The industry engages a significantly high proportion of casual employees which is evidenced by the Australian Bureau of Statistics confirming that the industry employees 62% of casuals compared to the national average of 25%.
- 47% of the workforce is aged under 25 years which is high compared to other industries
- the hospitality industry employs international visa workers due to the skills shortages and are identified on the ANZCO skill shortages list
- In general, upon surveying Victorian members, operators experienced a staff turnover rate of 40% during 18 / 19 financial year

EY findings

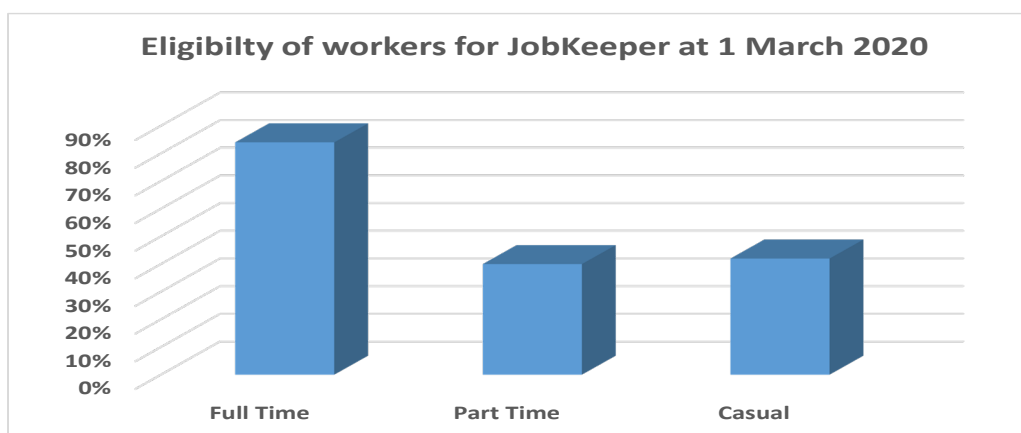
In a survey commissioned by Australian Hotels Association 3rd July 2020 and provided to Government, EY found that:²

- 84% of businesses reported a decrease in revenue with 53% reporting decreases of 50% or more in revenue during the pandemic
- 73% of operators have altered trading hours which is more than double of the economy wide average of 31%
- 54% of businesses have changed the products and services offering which again is the highest compared to the economy wide average of 22%
- 15% of businesses reported that their businesses could be supported by less than a month of available funds which is the highest compared to other industries.

Economic returns from JobKeeper

Importantly in its report, EY projects economic returns on dollar spent by government on JobKeeper of 1.69 to 3.38³ times the direct cost to Government. Fundamentally, this is because JobKeeper is aimed to keep employees in work, reduce business costs, and minimise business exits.

Percentage of staff that were eligible for JobKeeper⁴



From the table above, it can be concluded based on the eligibility criteria for JobKeeper only 54% of staff employed by hotels and pubs qualified for JobKeeper. This can be attributed to:

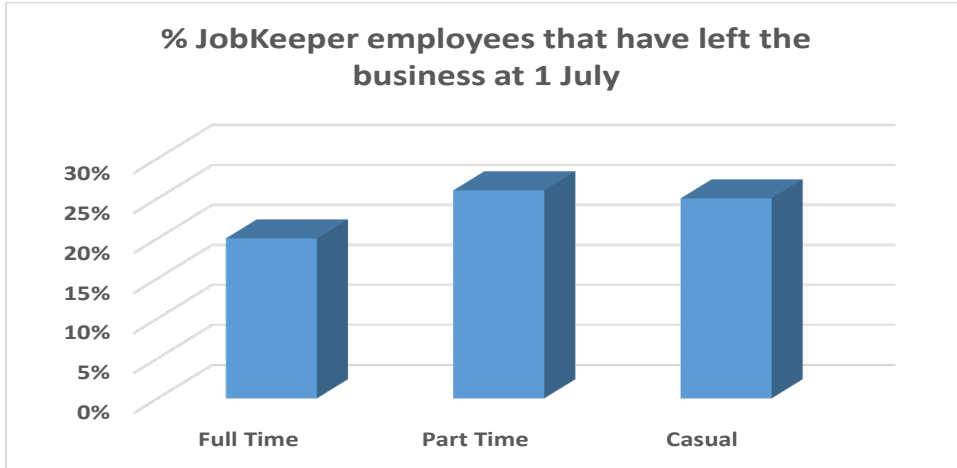
² EY "Economic impacts of stimulus for the Accommodation and Food Services Sector, 3 July 2020, page 4-6"

³ EY "Economic impacts of stimulus for the Accommodation and Food Services Sector, 3 July 2020, Table 5"

⁴ AHA Vic survey of members held 31 July to 3 August 2020

- Casual employees who did not demonstrate a regular and systematic pattern
- High employment of visa workers who do not qualify for JobKeeper provisions
- General staff turnover of approximately 40% which therefore compromises a casuals ability to meet the eligibility criteria

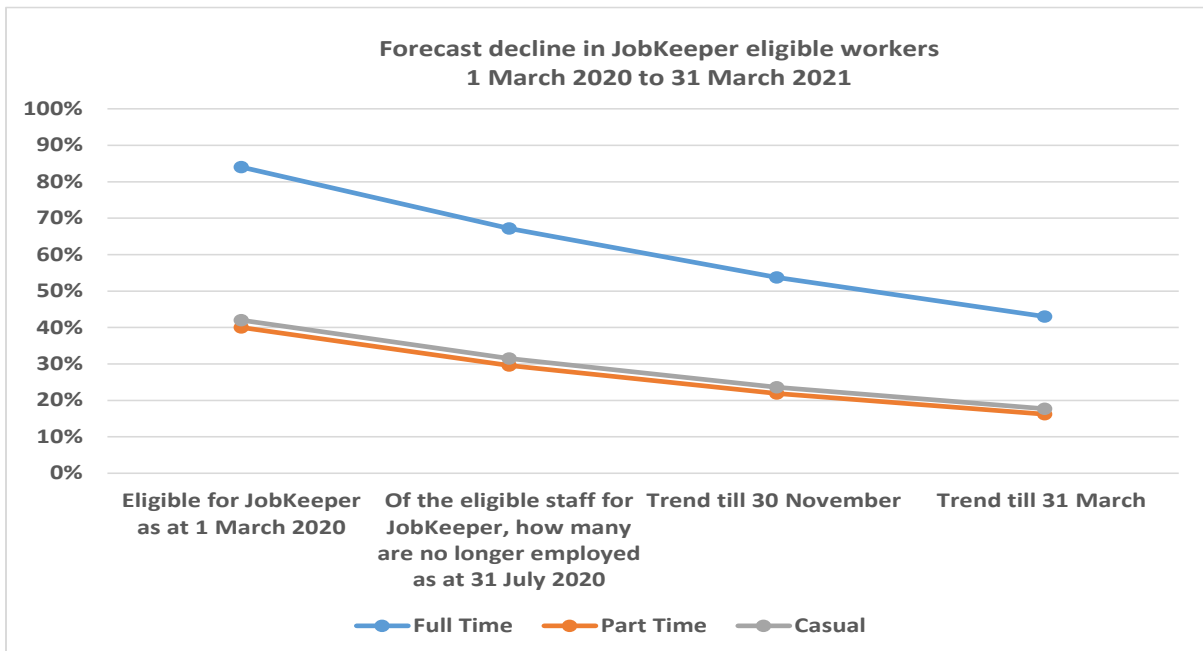
Percentage of staff that have departed employment ⁵



From the table above, it can be concluded of those staff who were eligible for JobKeeper, 22% are no longer employed by the business. It should be noted that even though employees may have satisfied the eligibility criteria, it is the decision of the employee to participate in the JobKeeper program.

Forecast decline in JobKeeper eligible workers

The table below maps out a straight line trend showing that on historic and current trends, the number of workers eligible for JobKeeper will decline by at least 40% over the 12 month period of JobKeeper. This will have the effect of diminishing the wage subsidy element for employers by at least 40% as well. Such a reduction in the subsidy rate works counter to the aim of trying to help businesses to re-open.



⁵ AHA Vic survey of members held 31 July to 3 August 2020

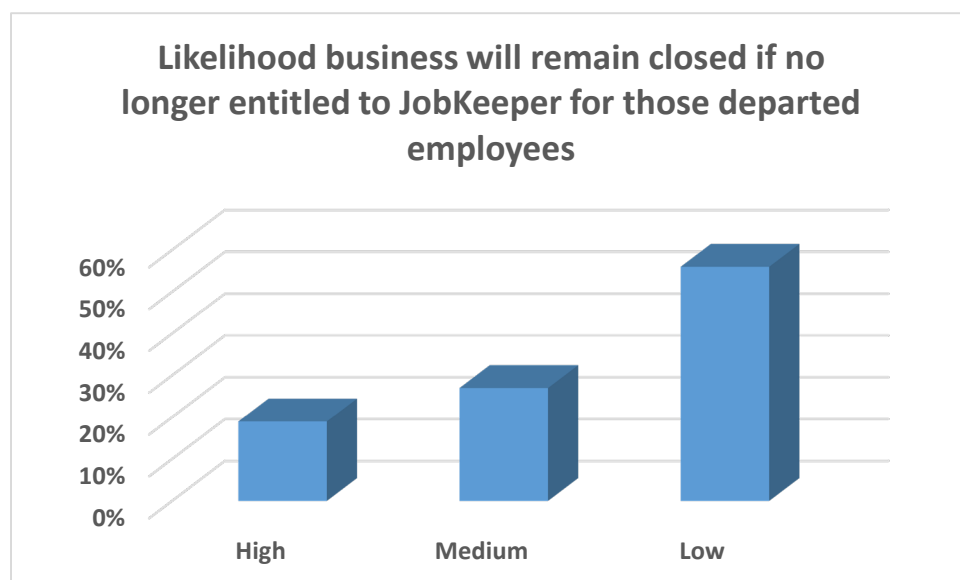
Reasons staff have left JobKeeper

It is counter intuitive as to why an employee would leave the security of JobKeeper and its guarantee of a wage above the rate of unemployment benefits. However, once you hear of the reasons why people are leaving the security of JobKeeper, it becomes easier to comprehend. We are advised that the reasons for leaving employment include, e.g.

- Found more suitable and stable employment
- University Student with all classes now online so moved back home
- Study and nursing work placement
- Restructures which may have resulted in redundancies as a result of limited work available
- Elective surgery
- Shifting to JobSeeker so they do not have to work

Likelihood of closure in Victoria

AHA Vic members were asked, “What is the likelihood that your business will remain closed once government restrictions are eased (graduated re-opening) given your business is no longer entitled to JobKeeper for those departed employees?”⁶ The survey found that 19% of businesses there was a high likelihood their business would remain closed if it was no longer entitled to JobKeeper for those departed employees.



4 AHA RATIONALE

Key areas of concern

Given that 84% of businesses reported a decrease in revenue, couple with the fact that less 55% of staff qualified for JobKeeper and a further 22% are no longer eligible, it is pertinent for the eligibility criteria of the JobKeeper program to be reviewed in order to support business and keep staff actively employed.

Given the industry naturally experiences 40% staff turnover, is a highly casualised industry (who may not have satisfied the regular and systematic pattern of work) & employs visa workers due to skill shortages, the eligibility criteria needs to be reviewed to keep businesses afloat. This factor diminishes the value of JobKeeper support for businesses over time.

⁶ AHA Vic survey of members held 31 July to 3 August 2020

With 19% of Victorian hotels and pubs participating in the survey expressing concern that they may consider not re-opening their businesses due to the non-eligibility for JobKeeper wage subsidy per departed employees demonstrates the need to review the eligibility criteria to keep these businesses afloat.

Full benefit of JobKeeper not realised

As the industry has been shut down or in a limited trading capacity since 23 March 2020, the industry has not recognised the full potential of the JobKeeper program under normal trading conditions. The fact a business with a 30% loss of revenue that has kept trading is entitled to exactly the same JobKeeper wage subsidy as a hospitality business with 100% loss of revenue that was locked down is inequitable.

Request JobKeeper employee eligibility be changed

Therefore, the AHA is requesting that the eligibility criteria be amended to **'eligible positions'** as at 1 March 2020. Therefore if an employer had 30 eligible positions as at 1 March 2020, the employer would be able to claim for 30 wage subsidies subject to the wage condition being satisfied.

5 CONCLUSION

The AHA recommends the following:

- Amend the "eligible employee" definition to include new (replacement) employees
- Provide that new (replacement) employees are eligible for a JobKeeper payment
- But, the number of total JobKeeper eligible employees in a business to be capped at the number of employees eligible for JobKeeper as at 1 March 2020
- The rate of JobKeeper payment per individual then to be set on the number of hours worked (+/- 20 hours) in the four weeks of pay period in their new employment

Thank you for the further consideration of these matters regarding JobKeeper. Please contact me with any questions.

Yours faithfully



STEPHEN FERGUSON
NATIONAL CEO