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

14 July 2020

RE: Submission to *Coronavirus Economic Response Package Amendment (Ending Jobkeeper Profiteering) Bill 2021* Inquiry

To the Committee,

Thank you for the opportunity to provide comment on the inquiry into the *Coronavirus Economic Response Package Amendment (Ending Jobkeeper Profiteering) Bill 2021*.

The **Australasian Centre for Corporate Responsibility (ACCR)** is a registered charity with the Australian Charities and Not-for-profits Commission (ABN 95 102 677 417; ARBN 648 883 194). ACCR invests in and engages with Australian listed companies in regard to their performance on various issues, including workforce and governance. ACCR also works closely with institutional investors and has direct visibility of their current and emerging priorities, including management of workforce and governance risks.

In 2020, ACCR's Workers' Rights program, led by Dr Katie Hepworth, focused on corporations' management of their human capital through the pandemic. In April 2020, ACCR released a set of principles to guide investor engagement on decent work and workers' rights during the COVID-19 crisis. This included two principles that are of direct relevance to this inquiry:

1. Bailout and stimulus funds must be used for the long-term development of the company, not for short-term shareholder returns, share buybacks or dividends.
2. Management must share in the burden of COVID-19 restructuring. Any stimulus must go to supporting workers and maintaining the overall human capital of the organisation, not for the payment of executive bonuses.

A company's workforce is its greatest asset. Careful stewardship of a company's workforce is critical to long-term performance. For this reason, ACCR argues that *all* stimulus packages must, in the first instance, be used to maintain the employment of the existing workforce, thereby preventing the erosion of human capital and leaving companies more likely to emerge more successfully on the other side of the pandemic.

These principles coincide with guidance produced by Principles for Responsible Investment (PRI), Business and Human Rights Resource Centre (BHRR), California State Teachers' Retirement System (CalSTERS) and Algemene Pensioen Groep (APG), which built on earlier guidance produced by the Human Capital

Management Coalition, State Street Global Advisors, UN Global Compact, Domini Impact Investments, Interfaith Center on Corporate Responsibility and International Corporate Governance Network.¹

ACCR was concerned by reports that companies had received JobKeeper subsidies despite recording substantial profits, and even while making substantial cuts to their wages bill.² We welcomed the detailed research that was conducted by Ownership Matters into ASX300 companies' receipt of Job Keeper subsidies, payments of dividends and executive bonuses and the subsequent returns of JobKeeper unused subsidies.³

ACCR concurs with Ownership Matter's assessment that public scrutiny was a key factor in many public company's choosing to voluntarily repay a component of the Job Keeper that they received. We believe that further transparency, as proposed in this bill, will assist in the repayment of unneeded subsidies. The public scrutiny that would accompany this reporting would mean that companies may risk losing their social license if they had transferred money from taxpayers to executives and shareholders via bonuses and dividends, rather than having used it to protect their workforce through the crisis.

In conclusion, ACCR supports the intention of the Coronavirus Economic Response Package Amendment (Ending JobKeeper Profiteering) Bill 2021 (the Bill) to improve transparency of the JobKeeper program by requiring the Australian Tax office to publish information about the amount of money received, and where relevant, returned. This aligns with measures put in place in other jurisdictions, including New Zealand and the United Kingdom.⁴

This bill will provide investors with additional information to guide their engagement with companies on their use of government subsidies. It will assist investors in assessing whether companies have engaged in responsible stewardship of their human capital to secure the long term performance of the company, or whether they were focused on the short term benefit of shareholders and executives.

Finally, while ACCR supports in principle measures that will encourage companies to repay surplus JobKeeper subsidies, we cannot comment on the specifics of the proposal to delay an entities entitlement to claim input tax credits for a ten-year period if the entity doesn't voluntarily pay the sum defined as profiteering from JobKeeper payments.

Yours sincerely,

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¹ UNPRI, 'AGM Season 2020: Investor Questions on COVID-19', UNPRI, 2020, <https://bit.ly/3rnFZ97>, (accessed 14 July 2021).

² S. Mitchell 'Mosaic Brands survives while City Chic survives', *Australian Financial Review*, 24 Feb 2021, <https://bit.ly/2VEDpPX>, (accessed 14 July 2021).

³ Ownership Matters, *Submission to Coronavirus Economic Response Package Amendment (Ending Jobkeeper Profiteering) Bill 2021 Inquiry*, 2021.

⁴ Ministry of Social Development, 'COVID-19 Wage Subsidies - Employer Search', 2021, <https://bit.ly/3ejPRvd>, (accessed 14 July 2021). HM Revenue & Customs, *Employers Who Have Claimed through the Coronavirus Job Retention Scheme*, 2021, <https://bit.ly/3kkwbuJ>, (accessed 14 July 2021).