

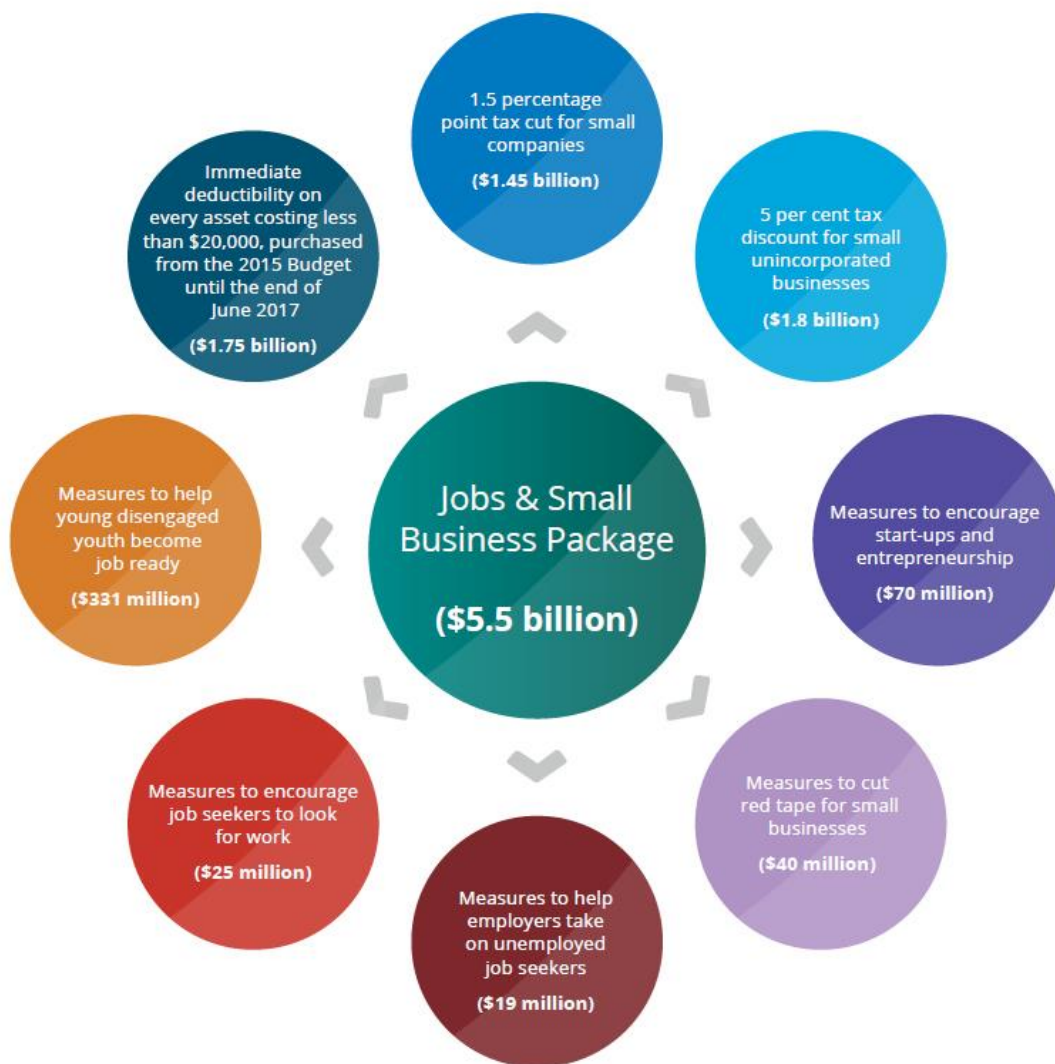
Federal government initiatives to promote small business and job opportunities

- 2.1 The capacity of small businesses to employ additional staff can be constrained by complex and time-consuming compliance processes, inefficient taxes, insufficient monetary incentives to employ and job candidates with little experience and poor skills. In terms of a decision to hire or retain an employee, a small business owner's perception of these constraints can be just as significant as their felt impact. Chapter 3 of this report discusses this issue in some detail.
- 2.2 This chapter provides an overview of the federal government's recent programmes and policies to support the Australian small businesses to employ. The current federal government has implemented a number of measures to assist small businesses including:
- cutting 'red tape';
 - streamlining compliance processes for small businesses in the areas of superannuation, taxation and employment standards;
 - reducing the tax burden on small businesses;
 - offering financial support in the form of wage subsidies to help people aged over 50 to find employment;
 - developing the quality of job seekers through work experience programmes and apprenticeships;
 - assisting disadvantaged groups into employment; and

- developing an advocacy framework for small businesses.¹

2.3 Most of these initiatives were announced in the 2015 budget. The \$5.5 billion package of measures is presented in Figure 2.1.

Figure 2.1 The 2015 federal government small business package



Source Australian Government, Budget 2015, 'The Jobs & Small Business Package', <http://www.budget.gov.au/2015-16/content/glossy/sml_bus/html/sml_bus-04.htm>, viewed 19 January 2016.

2.4 The intent of these initiatives is to simplify small businesses' administrative processes, create both monetary and efficiency incentives for businesses to employ staff, and enable job seekers to develop their skills and experience to be ready for the workforce. These initiatives

1 Australian Government, Budget 2015, 'Growing Jobs in Small Business', <http://www.budget.gov.au/2015-16/content/glossy/sml_bus/html/index.htm>, viewed 19 January 2016.

provide useful context for the discussion in Chapters 3 and 4 of this report on the employment barriers that small business and job seekers face.

Cutting ‘red tape’

- 2.5 ‘Red tape’ is an idiom that often refers to the regulations placed on business by government. These regulations can relate to a wide range of obligations including the payment and reporting of taxation and superannuation, and compliance with employment laws and occupational health and safety standards. Given their limited resources and smaller size, ‘red tape’ can have a disproportionate impact on small business.² Chapter 3 of this report discusses this impact in more detail.
- 2.6 In 2013, the Australian Government announced a plan to cut \$1 billion in red tape every year. As part of that plan, two parliamentary repeal days every year cut unnecessary and costly legislation and regulation. There have been four repeal days to date – 26 March 2014, 22 October 2014, 18 March 2015 and 12 November 2015. The Government estimates that the measures over these four days have reduced compliance costs by \$4.5 billion.³
- 2.7 In terms of the benefits for small business, the Government noted that these repeal days had:
- made it easier for small businesses to finance export activity potentially saving businesses an average of \$5 000 per export contract;
 - simplified how some small businesses work out their monthly pay-as-you-go (PAYG) tax instalments;
 - set higher entry thresholds to the PAYG system; and
 - assisted over 102 000 customer contacts through the business.gov.au website since 30 June 2014.⁴

2 Australian Government, ‘Annual Deregulation Report, 2014’, p. 15, <https://cuttingredtape.gov.au/sites/default/files/files/ausgov_annual_dereg_report_2014.pdf>, viewed 12 January 2015.

3 Australian Government, Cutting Red Tape, ‘2014 Autumn Repeal Day’, <<https://cuttingredtape.gov.au/repeal-day/2014-autumn-repeal-day>> viewed 4 September 2015.

4 Australian Government, Cutting Red Tape, ‘Track Our Progress’ <<https://cuttingredtape.gov.au/resources/track-our-progress>>, viewed 20 January 2016.

Streamlining compliance

2.8 One of the principal complaints of Australia's small business community is the difficulty of dealing with different regulatory requirements in different jurisdictions. One of the prime examples of this complexity is the different rates and thresholds of payroll tax in each of the states and territories. In recent years, the Australian Government has overseen a coordinated process to assist State and Territory governments to simplify small businesses' payment of payroll tax.

Payroll tax 2010 harmonisation joint protocol

- 2.9 Payroll tax is a general purpose state and territory tax. It is assessed on wages paid or payable by an employer to its employees when the total wage bill of an employer or group of employers exceeds a threshold amount.⁵ State and Territory Governments have developed their own administrative systems to support the tax, which has created additional complexity for small businesses.
- 2.10 On 29 March 2007, State and Territory Treasurers announced changes to payroll tax arrangements to achieve greater legislative and administrative harmonisation. As part of the Council of Australian Governments' (COAG) National Partnership Agreement to Deliver a National Seamless Economy, the States and Territories agreed to work together to produce a nationally coordinated approach in relation to payroll tax, and complete the reforms by 1 July 2012.⁶
- 2.11 In 2008, the Commissioners of all State and Territory Revenue Offices signed a protocol binding the Commissioners to agree to:
- Continue to further the harmonisation of payroll tax administration through relevant inter-jurisdictional groups;
 - Ensure that administrative protocols providing for consultation and cooperation amongst the jurisdictions in relation to operational practices and decisions are developed, agreed to and followed, and where appropriate publish information regarding those protocols for taxpayers and other stakeholders;
 - Improve the consistency of business practices, taxpayer information and administrative and compliance requirements;

5 Payroll Tax Australia, Australian Revenue Offices, <<http://www.payrolltax.gov.au/>>, viewed 14 January 2016.

6 Payroll Tax Australia, '2010 Harmonisation Joint Protocol', <<http://www.payrolltax.gov.au/harmonisation/2010-harmonisation-joint-protocol>>, viewed 12 January 2016.

- Ensure that harmonised administrative practices are maintained through consultation and cooperation amongst the revenue offices of each jurisdiction;
- Consider opportunities for further harmonisation of payroll tax legislation and, if appropriate, make recommendations to their respective governments to make legislative changes;
- Within the limits of their authority and subject to the requirements of their respective governments, consult with each other in relation to any proposal to amend payroll tax legislation of their jurisdiction;
- Continue to consult with taxpayers and stakeholders as appropriate in relation to the future direction of harmonisation in order to maximise benefits to stakeholders.⁷

2.12 COAG reported in April 2013 that the changes to payroll tax 'are now operational'.⁸ All jurisdictions have taken steps to enact legislation aligning provisions in eight areas agreed to by State and Territory Treasurers. Further, New South Wales, Victoria, Tasmania, Northern Territory and South Australia have enacted identical payroll tax legislation, apart from minor differences identified in schedules to the legislation. Queensland has also passed legislation to establish harmonisation with those jurisdictions.⁹

2.13 Notwithstanding this progress through COAG, industry groups and the small business community have called for the abolition of state payroll taxes. The Australian Chamber of Commerce and Industry (ACCI) has described payroll tax as 'not only one of the most damaging taxes in terms of its impact on economic activity, but it is also one of the most insidious given its low level of visibility'.¹⁰ Chapter 3 discusses the issue of payroll tax in more detail.

7 Payroll Tax Australia, '2010 Harmonisation Joint Protocol', <<http://www.payrolltax.gov.au/harmonisation/2010-harmonisation-joint-protocol>>, viewed 12 January 2016.

8 Council of Australian Governments (COAG), 'National Partnership Agreement to Deliver a Seamless National Economy, Report card prepared by the COAG Business Advisory Forum Taskforce', April 2013, p. 2., <<https://www.coag.gov.au/sites/default/files/Report-Card-National-Partnership-Deliver-Seamless-National-Economy.pdf>>, viewed 13 January 2016.

9 Payroll Tax Australia, '2010 Harmonisation Joint Protocol', <<http://www.payrolltax.gov.au/harmonisation/2010-harmonisation-joint-protocol>>, viewed 12 January 2016.

10 Australian Chamber of Commerce and Industry (ACCI), 'ACCI submission, Re: *think* Taxation Discussion Paper', June 2015, p. 20., <https://www.acci.asn.au/sites/default/files/uploaded-content/field_f_content_file/acci_submission_taxation_white_paper_initial-final.pdf>, viewed 19 January 2016.

Small Business Superannuation Clearing House

2.14 The Small Business Superannuation Clearing House (SBSCH) was introduced on 1 July 2015 to reduce red tape and compliance costs for small businesses. It is a free service that allows employers to pay superannuation contributions online in one transaction to a single location. The Clearing House then distributes the payments to employees' funds.¹¹ If a business registers to use this service:

- its super guarantee contributions are counted as being paid on the date the clearing house accepts them (so long as the fund does not reject the payments); and
- it has 21 days to pass an employee's choice of fund on to the clearing house.¹²

2.15 The federal government has expanded access to the SBSCH. When the scheme was introduced in November 2009, eligibility was for businesses with fewer than 20 employees. The delivery of the services was initially undertaken by Medicare, rather than the Australian Taxation Office or the private sector. On 1 April 2014, the Government announced that operation of the SBSCH would be transferred to the Australian Taxation Office (ATO).¹³

2.16 In November 2014, the former Minister for Small Business, the Hon. Bruce Billson MP, announced that as of 1 July 2015, the SBSCH will be extended to all businesses with a turnover less than \$2 million. He explained that as a result:

...approximately 27,500 additional small businesses with a cost free solution to help them meet their superannuation obligations...Since the Abbott Government transferred the SBSCH to the ATO the number of small businesses enrolled to take advantage of the service has increased by 24 per cent. This

11 Australian Government, Australian Taxation Office (ATO), 'Small Business Superannuation Clearing House', <<https://www.ato.gov.au/business/super-for-employers/paying-super-contributions/small-business-superannuation-clearing-house/>>, viewed 8 September 2015.

12 Australian Government, Australian Taxation Office (ATO), 'Small Business Superannuation Clearing House', <<https://www.ato.gov.au/business/super-for-employers/paying-super-contributions/small-business-superannuation-clearing-house/>>, viewed 8 September 2015.

13 The Hon. Bruce Billson MP, 'Superannuation made simpler for small business', The Treasury, *Media Release*, 1 April 2014, <<http://bfb.ministers.treasury.gov.au/media-release/017-2014/>>, viewed 19 January 2016.

represents an ongoing annual compliance cost saving for those businesses of over 76,000 hours.¹⁴

Small business and taxation

- 2.17 The impost of taxes – both state and federal – can dissuade small businesses from employing and retaining staff. Chapter 3 highlights the particularly harmful incidence of state payroll taxes, which are a direct levy on small businesses that seek to employ more staff. The federal government has recently:
- cut the small business tax rate for small companies and small unincorporated businesses;¹⁵ and
 - significantly increased the value of purchased stock that can be ‘written off’ as a deduction for tax purposes.

Tax cuts

- 2.18 In the 2015 federal budget, the Government cut the tax rate for incorporated businesses with annual turnover less than \$2 million by 1.5 percentage points to 28.5 per cent. It also delivered a five per cent tax discount to unincorporated businesses with annual turnover less than \$2 million from 1 July 2015.¹⁶

Instant asset write off/accelerated depreciation

- 2.19 When a small business purchases an item of stock, the value of this stock will (generally) depreciate. Small businesses are eligible to claim a deduction each year for the loss in value of the asset. While the business’ taxable income would reduce by the amount of the deduction, the actual tax deduction would be less (according to the company tax rate).
- 2.20 Successive federal governments have announced policies to enable small businesses to write-off spending on equipment up to a certain threshold. The general threshold, for the income years before 2012-13 was \$1000. In the 2011 federal budget, the Labor Government introduced an instant

14 The Hon. Bruce Billson MP, ‘Business set to save \$20 million with less red tape in the super system’, The Treasury, *media release*, 26 November 2014, <<http://bfb.ministers.treasury.gov.au/media-release/063-2014/>>, viewed 13 January 2016.

15 An unincorporated business does not possess a separate legal identity from its owner. Examples include a sole proprietorship, a partnership and a family trust.

16 Australian Government, Budget 2015, ‘Jobs and small business, tax cuts’, <<http://www.budget.gov.au/2015-16/content/highlights/jobsandsmallbusiness.html>>, viewed 19 January 2016.

asset write-off for small businesses up to a threshold of \$6500 for 2013-14. This enabled small businesses to claim an annual tax deduction of \$6 500 for a piece of equipment purchased to that value installed and ready for use before 1 January 2014.

2.21 In the May 2015 federal budget, the Australian Government announced a significant tax deduction for small businesses. Small businesses with a turnover of less than \$2 million per year could claim an immediate tax deduction (from the time of purchase) for individual assets purchased at a cost of less than \$20 000. In place until the end of June 2017, the rule also incorporates the ability to claim multiple purchases plus has amended pooling mechanisms for purchases over \$20 000.¹⁷

2.22 The former Treasurer, the Hon. Joe Hockey MP, explained the rationale for the \$20 000 instant asset write-off in his Budget speech:

[The Government] recognise that small business, in order to succeed, needs better cash flow and better tools for innovation as well ... [This deduction] will benefit the 96 per cent of Australian businesses – more than 2 million of them – that have a turnover of less than \$2 million a year. This will be of enormous benefit to their bottom line and help businesses with their cash flow.¹⁸

2.23 While the success of this initiative is not yet clear, the Australian Government expects strong uptake from small businesses and positive outcomes in terms of investment and job growth.¹⁹

GST exemption on low value imported goods

2.24 Australians spent \$15.7 billion in the year to August 2014 buying online from both international and Australian retailers. Online shopping by Australians has increased over time, and is likely to continue doing so. A

17 Australian Government, Australian Taxation Office, 'Growing jobs and small business – expanding accelerated depreciation for small businesses', <<https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Small-Business---expanding-accelerated-depreciation/>>, viewed 13 January 2016, and; Australian Government, Budget 2015, 'Accelerated Depreciation', <<http://www.budget.gov.au/2015-16/content/highlights/jobsandsmallbusiness.html>>, viewed 13 January 2015.

18 Australian Government, Budget 2015, Former Treasurer of the Commonwealth of Australia The Hon. Joe Hockey, 'Budget Speech 2015', <<http://www.budget.gov.au/2015-16/content/speech/html/speech.htm>>, viewed 13 January 2016.

19 Australian Government, The Treasury, The Hon. Joe Hockey and Senator the Hon. Mathias Cormann 'The 2015 Budget', *joint media release*, 12 May 2015, <<http://jbh.ministers.treasury.gov.au/media-release/041-2015/>>, viewed 13 January 2016.

significant portion of Australian purchases online are from Australian retailers.²⁰

- 2.25 The low value threshold (LVT) exempts eligible imports below \$1 000 in value from a number of Commonwealth legal requirements. One of these exemptions is that goods below \$1 000 in value are generally not subject to the goods and services tax (GST).²¹ That is, under current legislation, ‘[s]ales of goods that are to be imported into Australia that have a customs value at or below \$1000 can be non-taxable importations.’²²
- 2.26 This LVT exemption enables international retailers to sell to Australian consumers without charging GST. This can contribute to a price differential between goods sold by Australian retailers and by international retailers, which can be a significant factor in consumer choices. To the extent that the LVT influences consumer choices (and thus reduces the impact of underlying market factors), it distorts competition between Australian and international retailers.²³ The effect of this on Australian retailers is discussed in Chapter 3.
- 2.27 The LVT is not indexed, and has remained at \$1,000 since 1985, losing value in real terms. If indexed, the threshold would be significantly higher.²⁴
- 2.28 The majority of imported items below the LVT are quite low in value (many are less than \$100).²⁵
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- 20 Parliament of Australia, Department of Parliamentary Services, ‘Online shopping and potential changes to the low value threshold: costs and benefits for government, consumers and retailers’, *research paper*, p.1., <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/OnlineShop>, viewed 30 November 2015.
- 21 Parliament of Australia, Department of Parliamentary Services, ‘Online shopping and potential changes to the low value threshold: costs and benefits for government, consumers and retailers’, *research paper*, p.1 <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/OnlineShop>, viewed 30 November 2015.
- 22 Australian Government, Australian Taxation Office (ATO), ‘Taxable supplies and low value imported goods’, <<https://www.ato.gov.au/Business/GST/In-detail/Rules-for-specific-transactions/International-transactions/GST-and-imported-goods/?page=3>>, viewed 30 November 2015.
- 23 Parliament of Australia, Department of Parliamentary Services, ‘Online shopping and potential changes to the low value threshold: costs and benefits for government, consumers and retailers’, *research paper*, p.1., <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/OnlineShop>, viewed 30 November 2015.
- 24 Parliament of Australia, Department of Parliamentary Services, ‘Online shopping and potential changes to the low value threshold: costs and benefits for government, consumers and retailers’, *research paper*, p.1., <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/OnlineShop>, viewed 30 November 2015.

2.29 As part of the Australian Government's approach to tax reform, the then Treasurer the Hon. Joe Hockey MP announced that:

In line with these reforms, the Australian Leaders' Retreat on 22 July 2015, agreed to broaden the GST to cover overseas online transactions (physical goods) under \$1,000.²⁶

2.30 This is expected to be applicable from 1 July 2017.

Applying GST to digital products and services imported by consumers

2.31 Under current law, things imported by consumers and which are not goods or real property (including digital products and services) are not subject to the GST. This results in forgone GST revenue, which would be passed to the States and Territories. It also places domestic businesses, which generally have to charge and remit GST on the digital products and services they provide, at a tax disadvantage compared to overseas businesses.²⁷

2.32 In order to maintain the integrity of the tax system and offer a level playing field for domestic suppliers, the Government announced in the 2015–16 Budget that it would extend GST to offshore intangible supplies to Australian consumers with effect from 1 July 2017. The measure is estimated to generate a revenue gain of \$350.0 million over the forward estimates period.²⁸

2.33 The key features of the 'Netflix tax' are as follows:

- it will be imposed on intangible supplies such as supplies of digital content, games and software – but will also extend to consultancy and professional services performed offshore for customers in Australia

25 Parliament of Australia, Department of Parliamentary Services, 'Online shopping and potential changes to the low value threshold: costs and benefits for government, consumers and retailers', *research paper*, p.1.,

<http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/OnlineShop>, viewed 30 November 2015.

26 Australian Government, The Treasury, The Hon. Joe Hockey, 'Statement: Council on Federal Financial Relations Tax Reform Workshop', *media release*, 21 August 2015, <<http://jbh.ministers.treasury.gov.au/media-release/075-2015/>>, viewed 30 November 2015.

27 Parliament of Australia, Department of Parliamentary Services, 'Applying GST to digital products and services imported by consumers' <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201516/Digital> viewed 25 February 2016.

28 Parliament of Australia, Department of Parliamentary Services, 'Applying GST to digital products and services imported by consumers' <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201516/Digital> viewed 25 February 2016.

- the liability for the GST will rest either with the supplier or with the operator of an electronic distribution service
- GST will be imposed at a rate of 10 per cent on the value of the supply
- at this stage it would appear that all intangible supplies will be caught, regardless of the value of the supply (currently goods valued of less than \$1,000 from overseas suppliers over the internet imported by Australian consumers are not covered under the GST Act, hence it is likely there might be scope for this value of intangible supplies to be changed by regulation) and
- only supplies made to consumers will be caught: business-to-business transactions will be exempt.²⁹

Small Business Grants

- 2.34 The Australian Government and State and Territory governments offer a range of financial assistance packages for small businesses. Federally, there are government grants available for small businesses to expand, incentives for businesses with research and development, exporting activities, tax and duty concessions, and assistance for industries in transition.³⁰
- 2.35 AusIndustry operates a website – business.gov.au – providing prospective grant applicants with information on the types of small business grants available, the way to apply and local providers that can assist in the application process.³¹
- 2.36 Generally, there are no grants available for starting a small business. The grants available for expanding a small business are limited to a particular industry, a state or local area, or research and development or exporting activity.³² For instance, a small manufacturing business could apply for a grant through the Manufacturing Transition Programme which supports
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29 Parliament of Australia, Department of Parliamentary Services, 'Applying GST to digital products and services imported by consumers' <http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201516/Digital> viewed 25 February 2016.

30 Australian Government, Business, 'Grants and assistance', <<http://www.business.gov.au/grants-and-assistance/Pages/default.aspx>>, viewed 20 January 2016.

31 AusIndustry is the Australian Government's specialist business program delivery division within the Department of Industry, Innovation, Science Research and Technology.

32 Australian Government, Australian Small Business Commissioner, 'What grants are available for starting a business?', <<http://www.asbc.gov.au/resources/faq/what-grants-are-available-starting-business>>, viewed 20 January 2016.

businesses to move into higher value or niche manufacturing activities. Grants are available for up to 25 per cent of eligible costs for projects with a minimum investment of \$4 million.³³

Small business advocacy

2.37 The Australian Government has put in place several points of contact for small businesses in seeking advice and resolving disputes.

Australian Small Business Commissioner

2.38 In 2012, the previous Labor Government appointed Australia's first National Small Business Commissioner, Mr Mark Brennan. The role of the Commissioner is to:

- provide information and assistance to small businesses, including referral to dispute resolution services;
- represent small business interests and concerns to the Australian Government; and
- work with industry and government to promote a consistent and coordinated approach to small business matters.³⁴

Small Business and Family Enterprise Ombudsman

2.39 In August 2015, the Coalition Government established the position of the Australian Small Business and Family Enterprise Ombudsman. The then Minister for Small Business, the Hon. Bruce Billson, explained the rationale for the role as follows:

The establishment of the Small Business Ombudsman was an election commitment we made to ensure small businesses had an easy access point for advice to avoid and manage disputes. With the Ombudsman in place the hard working women and men of Australian small business can get on with the important job of running their business instead of being caught up in dispute resolution.

The legislation establishes the position and outlines the Ombudsman's functions and powers. The Ombudsman will be a:

33 Australian Government, Business, 'Manufacturing transition programme', <<http://www.business.gov.au/grants-and-assistance/grant-finder/Pages/manufacturing-transition-programme.aspx>>, viewed 20 January 2016.

34 Australian Government, Australian Small Business Commissioner, 'Our Role', <<http://www.asbc.gov.au/about/our-role>>, viewed 3 September 2015.

- Commonwealth wide advocate for small businesses and family enterprises;
- concierge for dispute resolution; and
- contributor to the development of small business friendly Commonwealth laws and regulations.

Our Government has ensured the Ombudsman position has been given real powers to deliver benefits for small businesses and to ensure that disputes brought forward will be impartially resolved according to the facts. The Ombudsman is also empowered to act as an independent advocate for issues that small businesses are facing at the national level, voicing concerns to Government and industry where small businesses are being adversely affected.³⁵

Australian Small Business Advisory Services

2.40 The Australian Small Business Advisory Service (ASBAS) programme aims to improve the capacity of established not-for-profit small business advisory service providers to deliver low cost small business advisory and information services to small businesses.³⁶

2.41 ASBAS providers deliver small businesses with advice and training on:

- funding avenues and financial analysis;
- building the small business;
- capitalising on talent;
- management capabilities; and
- digital engagement implementation.³⁷

Government initiatives to assist job seekers

2.42 Aside from cleaner compliance arrangements, tax concessions and financial assistance for small businesses, the Australian Government also offers greater financial assistance to job seekers and small businesses that employ workers in particular demographics. Chapter 4 of this report

35 Australian Government, The Treasury, The Hon. Bruce Billson, 'The Small Business & Family Enterprise Ombudsman legislation passes the Senate', *media release*, 18 August 2015, <<http://bfb.ministers.treasury.gov.au/media-release/074-2015/>>, viewed 20 January 2016.

36 Australian Government, Business, 'Australian Small Business Advisory Services (ASBAS)', <<http://www.business.gov.au/grants-and-assistance/australian-small-business-advisory-services/Pages/default.aspx>>, viewed 15 December 2015.

37 Australian Government, Business, 'Australian Small Business Advisory Services (ASBAS)', <<http://www.business.gov.au/grants-and-assistance/australian-small-business-advisory-services/Pages/default.aspx>>, viewed 15 December 2015.

discusses various barriers that individual job seekers face, as well as proposed and proven measures that can make these job seekers attractive to small business employers.

jobactive

- 2.43 jobactive is the Australian Government's employment service. It replaced Job Services Australia on 1 July 2015. jobactive aims to connect job seekers with employers and is delivered by jobactive providers in over 1700 locations across Australia.³⁸
- 2.44 Small business employers can use a local jobactive provider for tailored recruitment services, at no cost to their business. jobactive providers work closely with employers to understand their recruitment needs.³⁹
- 2.45 Job seekers can get help from a jobactive provider to get and keep a job. jobactive providers have the flexibility to tailor their services to a job seeker's assessed needs.⁴⁰

New Enterprise Incentive Scheme

- 2.46 Delivered as part of jobactive, the New Enterprise Incentive Scheme (NEIS) is a programme that has been developed to assist job seekers to become self-employed business owners. The NEIS provides eligible job seekers with:
- accredited small business training and business mentoring for up to 52 weeks;
 - income support for up to 39 weeks (NEIS Allowance) and NEIS Rental Assistance for up to 26 weeks; and
 - personalised mentoring and support from a NEIS provider in the first year of the new business to help a job seeker put their business idea into practice.⁴¹
- 2.47 With 6 300 places available annually, eligibility is limited to job seekers who are fully eligible for jobactive, or are a Disability Employment Services (DES) participant, and meet qualifying criteria.⁴²

38 Australian Government, Department of Employment, 'jobactive', <<https://employment.gov.au/jobactive>>, viewed 18 September 2015.

39 Australian Government, Department of Employment, <<https://employment.gov.au/jobactive>> viewed 18 September 2015.

40 Australian Government, Department of Employment, <<https://employment.gov.au/jobactive>> viewed 18 September 2015.

41 Australian Government, Department of Employment, 'Self-employment - New Enterprise Incentive Scheme (NEIS)', <<https://www.employment.gov.au/self-employment-new-enterprise-incentive-scheme-neis>>, viewed 2 February 2016.

- 2.48 The value of the NEIS is discussed briefly in Chapter 4 in terms of the benefits for culturally and linguistically diverse (CALD) job seekers.

Disability Employment Services

- 2.49 Disability Employment Services (DES) is a network of providers that deliver specialised assistance to job seekers impeded by disability, illness or injury in order to find and maintain employment.

- 2.50 DES offers two types of services:

Disability Management Service

This service is for people with disability, illness, or injury who need the help of an employment service but do not expect to need long-term support in the workplace.

Employment Support Service

This service is for people with a permanent disability and with an assessed need for longer term, regular, ongoing support in the workplace.⁴³

- 2.51 These services combined offer a suite of tailored assistance for eligible job seekers such as training, job search support, ongoing in- job support and access to workplace modifications, including Auslan interpreters.⁴⁴

JobAccess

- 2.52 JobAccess is a free information and advice service designed to assist people with a disability to access services, financial assistance and workplace adjustments in order to support their job seeking efforts and to maintain employment. The services are also available to the job seeker/employee's employer, service providers and the community in order to assist with their employment matters.⁴⁵

Employment Assistance Fund

- 2.53 Employing a person with a mental or physical disability can be a daunting and costly task for a small business owner who is not familiar with or

42 Australian Government, Department of Employment, 'Who can take part in NEIS?', <<https://www.employment.gov.au/who-can-take-part-neis>>, viewed 2 February 2016.

43 Australian Government, Department of Human Services, 'Disability Employment Services', <<http://www.humanservices.gov.au/customer/services/centrelink/disability-employment-services#a7>>, viewed 2 February 2016.

44 Australian Government, Department of Human Services, 'Disability Employment Services', <<http://www.humanservices.gov.au/customer/services/centrelink/disability-employment-services#a7>>, viewed 2 February 2016.

45 Australian Government, JobAccess, 'Welcome to JobAccess - An Australia Government initiative', <<http://www.jobaccess.gov.au/>>, 2 February 2016.

prepared for requirements to modify work areas or equipment, or provide additional training to staff.

- 2.54 The Australian Government, however, has recognised this as a disincentive for small businesses to employ people with additional needs through the establishment of the Employment Assistance Fund.
- 2.55 The Employment Assistance Fund helps people with disability and mental health condition by providing financial assistance to purchase a range of work related modifications and services for people who are about to start a job or who are currently working, as well as those who require assistance to find and prepare for work.
- 2.56 The Fund may reimburse the cost of work related modifications and services including, but not limited to:
- the cost of modifications to the physical work environment;
 - modifications to work vehicles;
 - adaptive equipment for the workplace;
 - information and communication devices;
 - Auslan interpreting;
 - specialist services for employees with specific learning disorders and mental health conditions;
 - disability awareness training;
 - Deafness awareness training; and
 - mental health first aid training.⁴⁶
- 2.57 An example of where this fund has assisted a jobseeker with a disability in finding and maintaining employment is presented in Chapter 4.

Wage subsidies

- 2.58 A wage subsidy is a payment to an employer or business to assist in recruiting eligible job seekers. Wage subsidies can support small businesses to expand their business and employ new staff.⁴⁷

46 Australian Government, JobAccess, 'Employment Assistance Fund', <<http://www.jobaccess.gov.au/government-services/employment-assistance-fund>>, viewed 2 January 2016.

47 Australian Government, Department of Employment, <<https://employment.gov.au/jobactive>>, viewed 18 September 2015. See also Organisation for Economic Co-operation and Development (OECD), 'Strengthening public employment services', *research paper*, 24 April 2015, pp 13-14., <<http://www.oecd.org/els/Strengthening-Public-Employment-Services.pdf>>, viewed 21 January 2016.

- 2.59 Through jobactive providers, wage subsidies are available to employers who hire eligible job seekers including mature age, long-term unemployed, Indigenous, youth, parents, parent carers or Tasmanian residents.⁴⁸
- In terms of mature workers, a wage subsidy of up to \$10 000 (GST inclusive) is available for job seekers over 50 years of age.
 - A job seeker who is a parent can receive a wage subsidy of up to \$6 500 (GST inclusive) through the Parents Wage Subsidy.
 - A long-term unemployed job seeker (12 months or more) and an Indigenous job seeker (six months) can receive a wage subsidy of up to \$6 500 (GST inclusive) through the Long Term Unemployed and Indigenous Wage Subsidy.⁴⁹
- 2.60 In addition to these subsidies, the Government announced in the 2015 federal budget a new parent carer wage subsidy and increased eligibility and payment levels for other wage subsidy payments. These changes were as follows:
- a new wage subsidy of up to \$6 500 for parents who are on income support with participation requirements and are classified as a Principal Carer Parent. The subsidy is provided after six months in jobactive;
 - expanded eligibility for the Youth Wage Subsidy to include eligible job seekers aged 15 to 29 years of age after six months in jobactive, with a start date of 1 November 2015;
 - increased accessibility for payments for the Restart Subsidy by allowing employers to receive the subsidy amount of \$10 000 progressively over 12 months (rather than the previous arrangement of 24 months); and
 - from 13 May 2015, the wage subsidy under the Tasmanian Jobs Programme doubled to \$6 500.⁵⁰
- 2.61 Small businesses can receive a wage subsidy over 12 months if they employ eligible job seekers for at least 30 hours per week. Pro-rata payments starting from \$3 250 (GST inclusive) are available for part-time

48 Australian Government, Department of Employment, 'jobactive', <<https://employment.gov.au/jobactive>>, viewed 18 September 2015.

49 Australian Government, Department of Employment, 'jobactive', <<https://employment.gov.au/jobactive>>, viewed 18 September 2015.

50 Australian Government, Budget 2015, 'Expense measures', <http://www.budget.gov.au/2015-16/content/bp2/html/bp2_expense-10.htm>, viewed 15 January 2016. For information on the Tasmanian Jobs Programme see Australian Government, Department of Employment, 'Tasmanian Jobs Programme', <<https://www.employment.gov.au/tasmanian-jobs-programme>>, viewed 15 January 2016.

- work, between 15–29 hours per week. The amount will vary depending on the number of hours worked, but to receive a wage subsidy, the employee must work for a minimum of 15 hours per week.⁵¹
- 2.62 Small businesses are able to negotiate flexible payment options with their employment services providers from the day the employee starts in the job. Wage subsidies are therefore paid flexibly to employers to meet their business needs.⁵²
- 2.63 A small business employer receives payment for the employee's hours worked. If the employment ceases early, employers are able to receive payment commensurate with the hours and duration of the employment.⁵³
- 2.64 Chapter 4 discusses the Committee's evidence on the use and effectiveness of wage subsidies.

National Work Experience Programme

- 2.65 The Australian Government introduced the National Work Experience Programme on 1 October 2015 with the aim of increasing work experience and employment opportunities for job seekers.⁵⁴ Jobactive and Disability Employment Service (DES) providers can place job seekers in up to four weeks unpaid work experience at a maximum of 25 hours per week.⁵⁵ Job seekers undertaking an approved program are not considered employees under the *Fair Work Act 2009* and receive a supplement of \$20.80 per fortnight to meet the costs of participating, such as travel.⁵⁶
- 2.66 The federal Minister for Employment described the rationale for the Programme as follows:

51 Australian Government, Department of Employment, 'Wage Subsidies', <<https://www.employment.gov.au/wage-subsidies>>, viewed 15 December 2015.

52 Australian Government, Department of Employment, 'Wage Subsidies', <<https://www.employment.gov.au/wage-subsidies>>, viewed 15 December 2015.

53 Australian Government, Department of Employment, 'Wage Subsidies', <<https://www.employment.gov.au/wage-subsidies>>, viewed 15 December 2015.

54 Australian Government, Department of Human Services, 'Budget 2015-16: Growing Jobs and Small Business Package – National Work Experience Programme', <<http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1516/measures/job-seekers/002129>>, viewed 22 September 2015.

55 Australian Government, Department of Human Services, 'Budget 2015-16: Growing Jobs and Small Business Package – National Work Experience Programme', <<http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1516/measures/job-seekers/002129>>, viewed 22 September 2015.

56 Australian Government, Department of Human Services, 'Budget 2015-16: Growing Jobs and Small Business Package – National Work Experience Programme', <<http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1516/measures/job-seekers/002129>>, viewed 22 September 2015.

One of the things that the government is aware of is that employer surveys show that often insufficient work experience prevents many job seekers, but in particular young job seekers, from getting and then keeping a job. So on 1 October, we launched the National Work Experience program. The program aims to build the confidence and real-life work experience of job seekers so that we can better prepare them for what it is like to be in the workforce and ensure that employers' expectations are managed.⁵⁷

- 2.67 Job seekers are eligible for the National Work Experience Programme if they are registered with jobactive or Disability Employment Services providers and are in receipt of Newstart Allowance, Youth Allowance (other), Parenting Payment Single, Special Benefit and Disability Support Pension (under the age of 35).⁵⁸
- 2.68 Job seekers who volunteer to participate in jobactive or Disability Employment Services and do not receive an income support payment can also be placed in unpaid work experience but will not receive the supplement.⁵⁹
- 2.69 Chapter 4 discusses the evidence relating to the value that work experience has for an individual in gaining employment.

Australian apprenticeships

- 2.70 Australian Apprenticeships - often referred to as apprenticeships or traineeships - are available to anyone of working age who, generally, must also:
- be an Australian citizen; or
 - be a New Zealand passport holder who has been resident in Australia for at least six months; or
 - a permanent resident; or
 - hold a temporary resident or working visa; or

57 The Hon. Michaelia Cash, Minister for Employment, *Senate Hansard*, 2 December 2015, p. 9636.

58 Australian Government, Department of Human Services, 'Budget 2015-16: Growing Jobs and Small Business Package - National Work Experience Programme', <<http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1516/measures/job-seekers/002129>>, viewed 22 September 2015.

59 Australian Government, Department of Human Services, 'Budget 2015-16: Growing Jobs and Small Business Package - National Work Experience Programme', <<http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1516/measures/job-seekers/002129>>, viewed 22 September 2015.

- have a temporary protection visa.⁶⁰
- 2.71 Australian Apprenticeships are available in a variety of certificate levels in more than 500 occupations across Australia. They are available in traditional trades, as well as a diverse range of emerging careers in most sectors of business and industry.⁶¹
- 2.72 A secondary school certificate or other qualification is not required to be able to do an Australian Apprenticeship. It can be undertaken by school-leavers, those re-entering the workforce or as an adult worker wishing to change careers. It can combine time at work with training as part of a full-time, part-time or school-based apprenticeship.
- 2.73 Australian Apprenticeships are the most direct link between training and a job because they offer opportunities to train, study and earn an income at a variety of qualification levels in most occupations, as well as in traditional trades. On completion of an Australian Apprenticeship the apprentice/trainee has a qualification recognised anywhere in Australia and one that is held in high regard abroad. Australian apprenticeship support network
- 2.74 A June 2013 Australian Industry Group report recommended 'utilising and strengthening apprenticeship mentoring support structures and career advice services to lift apprenticeship completions, particularly in small businesses'.⁶²
- 2.75 On 1 July 2015, the Australian Apprenticeship Support Network (Apprenticeship Network) replaced Australian Apprenticeships Centres. The Apprenticeship Network is designed to make it easier for employers

60 The specific citizenship and visa requirements vary slightly between States and Territories. See, for example, Queensland Government, 'Apprenticeships info', <<http://apprenticeshipsinfo.qld.gov.au/apprentices/become-apprentice/eligible.html>>, viewed 20 January 2016; NSW Government, 'Citizenship and residency status requirements to undertake apprenticeship or traineeship', <http://www.training.nsw.gov.au/aacs/advice_instructions/vtgs/citizenship_residency.html>, viewed 20 January 2016; ACT Government, 'Hiring and Apprentice or Trainee', <http://www.det.act.gov.au/training/employers/apprenticeships_and_traineeships>, viewed 20 January 2016; and, Victoria State Government, 'Who Can Be Employed as an Apprentice or Trainee?', <<http://www.education.vic.gov.au/training/employers/apprentices/pages/who.aspx>>, viewed 20 January 2016.

61 Australian Government, Australian Apprenticeships, 'About Australian Apprenticeships' <<http://www.australianapprenticeships.gov.au/about-australian-apprenticeships>>, viewed 3 September 2015.

62 Australian Industry Group, 'Apprenticeships: Achieving Excellence', June 2013, p. 14, <http://www.aigroup.com.au/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/LIVE_CONTENT/Publications/Reports/2013/apps%2520report%2520FINAL.pdf>, viewed 16 January 2016.

to recruit, train and retain apprentices and better support individuals undertaking apprenticeships. The Australian Government is investing up to \$200 million annually the Apprenticeship Network.⁶³ Chapter 4 of the report discusses issues relating to employer ability to attract and retain an apprentice, and the cost of an apprentice.

- 2.76 A total of 11 Apprenticeship Network providers will deliver support services to employers and Australian Apprentices from more than 420 locations nationally, including in rural and remote areas.⁶⁴ Apprenticeship Network providers will provide advice and support services tailored to the needs of employers and apprentices from pre-commencement of the apprenticeship to completion. This will be done through a combination of universal services for all employers and apprentices, and targeted services for employers and individuals assessed as needing additional support to complete the apprenticeship.⁶⁵
- 2.77 The Australian Government has announced that there will be targeted in-training support services, such as mentoring, to help apprentices and employers at-risk of not completing the apprenticeship. There are also pre-commencement services available for targeted clients including screening, testing and job-matching. Apprenticeship Network providers can also assist individuals who may be unsuited to an apprenticeship to identify alternative training pathways.⁶⁶

Australian Apprenticeships Incentives Programme

- 2.78 An important objective of the Australian Government's support for apprenticeships is to encourage both the quality and quantity of skills that are demanded in the Australian economy. A 2011 report of an expert panel into the reform of the Australian Apprenticeship System recommended that:

Redirect current Australian Government employer incentives to provide structured support services to eligible apprentices and

63 Australian Government, Australian Apprenticeships, 'Australian Apprenticeships Support Network', <<http://www.australianapprenticeships.gov.au/australian-apprenticeship-support-network>>, viewed 17 January 2016.

64 Australian Government, Australian Apprenticeships, 'Australian Apprenticeships Support Network', <<http://www.australianapprenticeships.gov.au/australian-apprenticeship-support-network>>, viewed 17 January 2016.

65 Australian Government, Australian Apprenticeships, 'Australian Apprenticeships Support Network', <<http://www.australianapprenticeships.gov.au/australian-apprenticeship-support-network>>, viewed 17 January 2016.

66 Australian Government, Australian Apprenticeships, 'Australian Apprenticeships Support Network', <<http://www.australianapprenticeships.gov.au/australian-apprenticeship-support-network>>, viewed 3 September 2015.

trainees and their employers in occupations that are priorities for the Australian economy. While a wide range of occupations should be trained through apprenticeship and traineeship pathways, Australian Government support should focus on occupations that have tangible and enduring value for the economy – both in the traditional trades and the newer forms of apprenticeships and traineeships, such as community services, health services and information technology.⁶⁷

- 2.79 The Australian Apprenticeships Incentives Programme seeks to contribute to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness. The Australian Government intends that the Programme will achieve this by encouraging:
- genuine opportunities for skills-based training and development of employees; and
 - people to enter into skills-based training through an Australian Apprenticeship.⁶⁸
- 2.80 The National Skills Needs List identifies traditional trades that are experiencing a national skills shortage. The list is based on detailed labour market research and analysis. Under the Australian Apprenticeships Incentives Programme, an Australian Apprentice undertaking a Certificate III or IV qualification that leads to an occupation listed on the National Skills Needs List may be eligible for support payments and incentives.⁶⁹
- 2.81 Chapter 4 provides evidence and further discussion about skills shortages and the issues that job seekers face in this context.

National Employment Standards

- 2.82 Chapter 3 of this report notes the time and cost for small businesses to comply with industrial legislation. This legislation has three pillars: the minimum wage, the industry award and the National Employment

67 Mr Jim McDowell et al., 'A shared responsibility: Apprenticeships for the 21st century: Final Report of the Expert Panel', 2011, p. 14, <http://www.australianapprenticeships.gov.au/sites/ausapps/files/publication-documents/apprenticeshipsforthe21stcenturyexpertpanel_0.pdf>, viewed 17 January 2016.

68 Australian Government, Australian Apprenticeships, 'Summary of the Australian Government Australian Incentives Programme', <<http://www.australianapprenticeships.gov.au/publications/summary-australian-government-australian-apprenticeships-incentives-programme>>, viewed 3 September 2015.

69 Australian Government, Australian Apprenticeships, 'About the National Skills Needs List' <<http://www.australianapprenticeships.gov.au/publications/about-national-skills-needs-list>>, viewed 3 September 2015.

Standards (NES). The national minimum wage and the NES make up the minimum entitlements for employees in Australia. An award, employment contract, enterprise agreement or other registered agreement cannot provide for conditions that are less than the national minimum wage or the NES. Further, they cannot exclude the NES.⁷⁰

2.83 The National Employment Standards (NES) are ten minimum employment entitlements that must be provided to all employees.⁷¹ These entitlements are:

- maximum weekly hours;
- requests for flexible working arrangements;
- parental leave and related entitlements;
- annual leave;
- personal carers leave and compassionate leave;
- community service leave;
- long service leave;
- public holidays;
- notice of termination and redundancy pay; and
- Fair Work Information Statement.⁷²

2.84 All employees in the national workplace relations system are covered by the NES regardless of the award, registered agreement or employment contract that applies.⁷³

2.85 Casual employees only receive NES entitlements relating to:

- unpaid carer's leave;
- unpaid compassionate leave;
- community service leave; and
- the Fair Work Information Statement.⁷⁴

70 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

71 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

72 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

73 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

- 2.86 In some states and territories long serving casuals are eligible for long service leave.⁷⁵
- 2.87 Where there is an expectation of ongoing work for a casual and the casual has been employed regularly and systematically for at least 12 months, they have extra entitlements from the NES.⁷⁶ These are:
- the right to request for flexible working arrangements; and
 - access to parental leave.⁷⁷

Mentally Healthy Workplace Alliance

- 2.88 One of the biggest barriers to individuals being able to participate fully in the workforce is poor mental health. Poor mental health can limit a person from gaining, retaining and thriving in employment. This issue is discussed in Chapter 4 of the report.
- 2.89 The Mentally Healthy Workplace Alliance (the Alliance) is a national approach by business, community and government to encourage Australian workplaces to become mentally healthy for the benefit of the whole community and businesses, big and small.⁷⁸
- 2.90 Established by the Australian Government National Mental Health Commission on 1 July 2013, the Alliance aims to make sure all people in the workplace, including those who experience mental health difficulties, their families and those who support them, are supported.⁷⁹
- 2.91 This includes minimising harm, promoting protective factors and having positive cultures that are conducive to mental wellbeing. It also recognises

74 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

75 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

76 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

77 Australian Government, Fair Work Ombudsman, 'National Employment Standards', <<https://www.fairwork.gov.au/employee-entitlements/national-employment-standards>>, viewed 10 October 2015.

78 Australian Government, National Mental Health Commission, 'Mentally Healthy Workplace Alliance', <<http://www.mentalhealthcommission.gov.au/our-work/mentally-healthy-workplace-alliance.aspx>>, viewed 17 December 2015.

79 Australian Government, National Mental Health Commission, 'Mentally Healthy Workplace Alliance', <<http://www.mentalhealthcommission.gov.au/our-work/mentally-healthy-workplace-alliance.aspx>>, viewed 17 December 2015.

that a mentally healthy workplace is not just good for people, it is also very good for business.⁸⁰

- 2.92 In addition to the Commission, Alliance members include: the Australian Chamber of Commerce and Industry (ACCI), Australian Industry Group (Ai Group), The Australian Psychological Society Ltd, beyondblue, the Black Dog Institute, Business Council of Australia, Comcare, COSBOA, Mental Health Australia, Safe Work Australia, SANE, SuperFriend and the University of New South Wales.⁸¹

Summary

- 2.93 The Australian Government has put in place a range of measures to assist small businesses, many of which – either directly or indirectly – will encourage small businesses to grow and employ. This chapter has set out the main initiatives to assist:
- small businesses to be able to employ and retain high quality staff; and
 - job seekers to develop the skills and experience to capitalise on small business employment opportunities.
- 2.94 Nonetheless, as the following chapters highlight, there are various concerns from the small business community and organisations representing vulnerable job seekers that barriers to employment remain. Small business employers are for various reasons reluctant to take on (more) staff and job seekers – particularly those in disadvantaged cohorts – report continuing difficulties finding work.

80 Australian Government, National Mental Health Commission, 'Mentally Healthy Workplace Alliance', <<http://www.mentalhealthcommission.gov.au/our-work/mentally-healthy-workplace-alliance.aspx>>, viewed 17 December 2015.

81 Australian Government, National Mental Health Commission, 'Mentally Healthy Workplace Alliance', <<http://www.mentalhealthcommission.gov.au/our-work/mentally-healthy-workplace-alliance.aspx>>, viewed 17 December 2015.

