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The Parliament of the Commonwealth of Australia

# **Getting business booming**

**Report on the inquiry into barriers for small business  
employment**

**House of Representatives  
Standing Committee on Education and Employment**

March 2016  
Canberra

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## Foreword

The phrase 'the engine room of the Australian economy' has been used to describe the importance of small business time and again, and nothing could be truer. Comprising around 96 per cent of businesses in Australia, and employing over 4.5 million Australians, the small business sector is vital to the prosperity of our nation.

Small businesses, however, face many challenges. Be it financial or administrative, or a combination of both, the level of success in addressing these challenges can be the difference between success and failure. This report aims to alleviate this burden by making every day easier for small businesses.

Set against a background of a post resources economic downturn, this report takes into consideration the current operating climate faced by employers and job seekers. This climate affects many aspects of small business operations because of the effect that it has on customer demand. Less customers results in lower profit margins and slower growth.

Without customers, small businesses would not survive. To all Australians getting out there and supporting small businesses by shopping in them and using their services, we say thank you. Keep shopping and spread the word.

With success comes opportunity. Supporting small businesses to grow will create more jobs for those who need it.

We know that there are already great government initiatives that provide valuable support to small businesses. While not looking to fix what is not broken, this report recognises there are areas for improvement. It recommends some fixes: further cutting red tape, defining the difference between an employee and a contractor, reducing the costs involved in taking on an employee, and lessening the States' reliance on payroll tax.

By re-evaluating barriers to small businesses actually being able to employ people, this report presents a coherent approach to tackling the barriers that small businesses face every day.

Sadly however, many Australians still struggle to find employment. While the reasons are many and varied, the Committee took evidence that negative stereotyping is an issue facing many job seekers. Be it age, gender, ethnicity or a disability, life's struggles are made even tougher when you can't even get your foot in the door.

This report calls for this to stop. Employers can learn how to improve their business by promoting the benefits of employing a person from an Indigenous or culturally and linguistically diverse background. Young people with a clear career direction can be set on a path to a lifetime of meaningful employment. People with episodic illnesses can be given stronger incentives to work, as well as peace of mind and financial security, by amending welfare arrangements.

Ensuring that Australian small businesses are able to grow and employ freely is at the heart of this report. To the entrepreneurial women and men of small business, and to the job seekers as diverse as you are, we are behind you all the way.

My sincere thanks go to the Deputy Chair, the Hon Alannah MacTiernan MP, and my colleagues on the Committee, including the previous Chair Mr Ewen Jones MP, for your hard work and professionalism. These thanks are also warmly extended to all of the inquiry participants, individuals and organisations, which took the time to write submissions and speak to the Committee. These participants provided an invaluable insight into the small business environment and the issues that are faced on the ground, every day.

**Mr Andrew Laming MP**

**Chair**



## **Membership of the Committee**

**Chair** Mr Andrew Laming MP (from 13/10/15)

Mr Ewen Jones MP (to 12/10/15)

**Deputy Chair** The Hon Alannah MacTiernan MP

**Members** The Hon Sharon Bird MP (to 26/03/15)

Mr Alex Hawke MP (to 09/09/15)

Mr Eric Hutchinson MP

Mrs Karen McNamara MP

The Hon Brendan O'Connor MP (from 26/3/15)

Ms Julie Owens MP

The Hon Amanda Rishworth MP

The Hon Sharman Stone MP (from 09/09/15 to 11/11/15)

Mrs Ann Sudmalis MP

Mr Matt Williams MP

## **Committee Secretariat**

**Secretaries**

Dr Richard Grant (from 03/08/15)

Ms Samantha Mannette (from 27/04/15 to 31/07/15)

Dr Nicholas Horne (to 24/04/15)

**Inquiry Secretary**

Mr Robert Little

**Research Officer**

Ms Rebeka Mills

**Administrative Officers**

Ms Katrina Gillogly

Ms Jessica Ristevska (to 02/09/15)



## **Terms of reference**

The Education and Employment Committee will inquire into and report on matters that inhibit or discourage job-creation and employment by private sector small businesses and/or provide disincentives to individuals from working for such businesses, including the following matters:

1. Matters relating to State and Commonwealth laws and regulations including, but not limited to, those that impose excessive red tape and compliance costs in relation to employment;
2. Matters relating to laws or regulations that inhibit small business expansion to create additional employment;
3. Factors that discourage or prevent certain cohorts of Australians from gaining employment in small businesses, in particular young job seekers, mature aged Australians, those from regional areas and those with a partial work capacity; and
4. Other related matters that the Committee considers relevant.





## List of abbreviations

ABS	Australia Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACCI	Australian Chamber of Commerce and Industry
AES	Aboriginal Employment Strategy
Ai Group	Australian Industry Group
ANRA	Australian National Retailers' Association
AQF	Australian Qualification Framework
ARA	Australian Retailers Association
ASBAS	Australian Small Business Advisory Service
ATO	Australian Taxation Office
BOOT	Better off overall test
CALD	Culturally and linguistically diverse
CCIQ	Chamber of Commerce and Industry Queensland
CCIWA	Chamber of Commerce and Industry of Western Australia
CMRC	Community Migrant Resource Centre
COAG	Council of Australian Governments

COSBOA	Council of Small Business Australia
CTFIA	Council of Textile and Fashion Industries of Australia
DES	Disability employment services
ECCV	Ethnic Communities' Council of Victoria
FECCA	Federation of Ethnic Communities' Councils of Australia
FWO	Fair Work Ombudsman
GST	Goods and services tax
GTA	Group Training Australia
HSC	Higher school certificate
IFA	Individual flexibility agreement
LMA	Lebanese Muslim Association
LVT	Low value threshold
MBA	Master Builders Australia
MEA	Master Electricians Australia
NCVER	National Centre for Vocational Education Research
NEIS	New Enterprise Incentive Scheme
NESA	National Employment Services Association
NES	National Employment Standards
NRA	National Retail Association
NSNL	National Skills Needs List
OECD	Organisation for Economic Co-operation and Development
PAYG	Pay as you go
SBSCH	Small Business Superannuation Clearing House
SDA	Shop Distributive and Allied Employees' Association

SME	Small to medium-sized enterprise
SWL	Structured workplace learning
TCF	Textiles, Clothing and Footwear
TFIA	Council of Textile and Fashion Industries of Australia
VACC	Victorian Automobile Chamber of Commerce
VECCI	Victorian Employers' Chamber of Commerce and Industry
WHS	Work health and safety
YACWA	Youth Affairs Coalition of Western Australia





# List of recommendations

## Inhibitors to small businesses employing

### **Recommendation 1**

The Committee recommends that the Australian Taxation Office and the Fair Work Ombudsman set up a working group to align the definitions of employee and contractor across government agencies and to develop a single decision tool to help small businesses correctly identify when a worker is an employee or a contractor. This working group should also identify legislative changes if needed.

### **Recommendation 2**

The Committee recommends that the Australian Taxation Office and the Fair Work Ombudsman working group set up to align the definitions of employee and contractor, and also to look into the Master Builders Australia proposals including for a register of building contractors.

### **Recommendation 3**

The Committee recommends that the Minister for Employment in conjunction with Safe Work Australia formulate proposals to take to COAG that eliminate the requirement for a small business operating in multiple jurisdictions to engage with multiple workers' compensation schemes.

### **Recommendation 4**

The Committee recommends that the Australia Government work with states and territories to boost employment and business productivity by reducing state and territory governments' reliance on payroll tax as a form of revenue.

### **Recommendation 5**

The Committee recommends that the Productivity Commission investigate the impact on small business of lowering the GST threshold on the importation of physical goods and undertake regular cost effectiveness research of GST threshold reduction.

## **Barriers to gaining and maintaining employment in a small business**

### **Recommendation 6**

The Committee recommends that Australian Small Business Ombudsman, Small Business Commissioners, Chambers of Commerce, Business Enterprise Centres and peak small business organisations develop strategies to promote to small business the benefits of workers from culturally and linguistically diverse (CALD) backgrounds. Where appropriate, the providers of small business advisory services should incorporate into the written and verbal material they present an explanation of how a small business can benefit from recruiting a person from a CALD background.

### **Recommendation 7**

The Committee recommends that the Australian Government conduct a review of careers advice and support provided in schools [and online]. The purpose of the review must be to assess any gaps or areas of weakness in the current written and verbal advice that is provided [by schools and by federal and state governments], and to improve the quality of the careers advice that young people receive.

The Committee recommends that a Council of Australian Government Working Group consider the merit of a national standard for careers advice for all secondary school students.

### **Recommendation 8**

The Committee recommends that Australian Government provide more funding and support for the provision of driver's licence programs to enable young and disadvantaged people to access employment opportunities.

### **Recommendation 9**

The Committee recommends that the federal Department of Employment look into the implementation of a 'passport to competencies' as envisaged by Master Builders Australia.

**Recommendation 10**

The Committee recommends that the Australian Government assess the impact of changes at the State and Federal level to apprenticeship programs including the Joint Group Training Program and the Australian Apprenticeships Access Program.

**Recommendation 11**

The Committee recommends that the federal Department of Employment work with jobactive providers to ensure that ancillary service providers receive Australian Government funding for their assistance in placing jobactive clients into employment.

**Recommendation 12**

The Committee recommends that the Australian Government review welfare eligibility rules for people with an episodic illness transitioning from a period out of the workforce into paid employment. The Committee encourages the Australian Government to ensure that people with an episodic illness are not discouraged from entering the workforce for fear of losing their disability or Centrelink pension when they work.

**Recommendation 13**

The Committee recommends that Australian Government reassess the policy case for taxing the redundancy payouts of persons over 65 years of age to encourage people to stay in the workforce.

**Recommendation 14**

The Committee recommends that, in light of the importance of digital infrastructure for the viability of small business, special focus be given by NBN Co on ensuring their timely access to high speed broadband.

