



16 May 2023

Committee Secretary
Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

Via email submission: economics.reps@aph.gov.au

Dear House Committee on Economics,

The Victorian Chamber of Commerce and Industry welcomes the opportunity to make a submission to the Inquiry into promoting economic dynamism, competition and business formation.

As Victoria's leading business and industry body, each year the Victorian Chamber informs and services more than 65,000 members, customers and clients across the State. Our work encompasses all industry sectors, spanning small, family, medium and large enterprises.

The position presented in this submission has been informed through our ongoing member consultation. We would be happy to meet and discuss this submission.

If you would like to discuss this in more detail, please contact Dylan Broomfield, General Manager, Policy and Advocacy

Yours sincerely,

Paul Guerra
Chief Executive

Executive Summary

Being competitive means that Australia can attract and retain international investment, businesses, skills and people. This will aid and increase growth which lifts incomes and living standards. Competitiveness is related to productivity and the ability to produce more output with the same level of input. More productive regions can generate more wealth and greater wellbeing, improving economic stability and resilience.

Appropriate taxation, regulation, funding and partnerships will create an environment where all organisations, regardless of size or sector, can fulfill their potential and maximise their economic, employment and social contribution to Australia.

This requires an efficient and frequently reviewed regulatory environment, creating a fit-for-purpose system, that does not place unnecessary or additional burden on business.

It must be supported by a tax system that is evolved and contemporary and encourages and facilitates business growth, innovation and entrepreneurship. In addition, there needs to be a fair and responsive industrial relations system that provides appropriate protection for employees and employers.

Summary of recommendations:

1. Review and redesign the regulatory environment to reduce the cost and burden of compliance for consumers and businesses.
2. Expand small businesses' access to funds, including through measures such as a Small Business Innovation Research (SBIR) program, to encourage small business to engage in R&D.
3. Reform the tax system to ensure Australia is a globally competitive and efficient place to do business.
4. Instil flexibility into the Industrial Relations system, in line with Productivity Commission recommendations to make the system simpler and easier to use for small businesses.
5. Reduce barriers to working more than one job, such as the secondary income tax, to increase workforce flexibility and utilisation.
6. Enable place-based coordination, with Jobs and Skills Australia playing a key role, to increase efficiencies, reduce competition and duplication.
7. Streamline access to government employment services and the pool of unemployed Australians through a more centralised contact point to increase employment opportunities and reduce confusion for employers.
8. Make paid work experience and work trials a key component of finding the right role and industry for someone transitioning into work, through subsidies to employers, to increase quality decision making and employment outcomes.
9. Commit to a Youth Guarantee to drive down the number of young people 'not engaged in employment, education or training' ('NEET'), offering all Australians under the age of 25 an employment, education or apprenticeship/traineeship opportunity within four months of becoming unemployed or leaving formal education.
10. Transform careers education in Australia, so that it better meets the needs of students and industry, including the inclusion of career development services in the national curriculum starting from primary school. A new national approach should leverage knowledge and investment being made in the Victorian school and training system.

11. Remove the Skilling Australians Fund Levy to decrease barriers and costs of bringing in necessary skills to Australia.
12. Remove migration barriers and inefficiencies, including removing labour market testing for skill occupations to speed up processing times and increase productivity.
13. Build the capacity of smaller businesses in exporting to build their ability to compete overseas and grow the Australian exporting community.

Opening remarks

As Victoria's peak business and industry body, the Victorian Chamber represents the collective voice of 65,000 members and clients. We advocate for better conditions for Victorian businesses, so that every business – small, medium, family, and large – can start up, grow, and thrive. Competition is crucial for businesses and the economy, and we therefore welcome the opportunity to submit to this Federal Inquiry.

The topic of the Inquiry 'Economic dynamism, competitions and business formation', is broad. We centre our comments on the relationship between competition and productivity, with a focus on small businesses.

Most new entrants to the market are small businesses. If the conditions are not right, they will stifle business activity, with the impacts of decreased innovation, competition and dynamism felt economy-wide.¹ Decreased innovation, competition, and dynamism in markets has a limiting impact on productivity. Improved productivity means increased wellbeing, higher wages, more economic stability and resilience.

A small business' ability to enter the market and be competitive is impacted differently by market conditions than larger businesses. Larger, more established businesses not only have the advantages of established business practices and market knowledge and economies of scale, but also have more resources to help solve the challenges and requirements that face all businesses. An example of this are smaller businesses becoming exporters, who required more training and support, delivered by organisations like VCCI.

These challenges and requirements include staffing, industrial relations compliance, tax compliance, navigating state and federal compliance. Smaller businesses, particularly owner-operated businesses, typically address these business activities at night, after a day's work. To facilitate competition this process should be as straightforward and easy to understand as possible. Otherwise, the system provides a competitive advantage for larger companies who have staff whose role is based on fulfilling these requirements.

The 2021 [Victoria Summit](#) helps inform this submission and highlighted the importance of easing the cost of doing business in order to help facilitate economic growth and provide more jobs. The Victorian Chamber hosted the Victoria Summit process, which was a unique opportunity for thought leaders from industry, unions, governments, the community and educational institutions to work together to create a shared, bold, compelling and aspirational vision for Victoria. This included a path for economic recovery and long-term prosperity, culminating in more than 10,000 hours of work. While the Summit was

¹ [Australian Productivity Commission, Volume 1: Advancing Productivity, 2023.](#)

focused primarily on Victoria, learnings and recommendations from that large consultation process will also help inform this submission.

Regulation and Innovation

According to the Australian Productivity Commission, a dynamic economy is a proven ‘machine’ for facilitating innovations. Proposed reforms to boost competition, business entry, investment and dynamism go beyond general competition law to include general settings like tax, trade and regulation (e.g., planning).² This section focuses on the need to address business conditions, and help business, particularly small businesses, to operate more effectively and efficiently.

Fulfilling and working in line with regulatory requirements is a major impediment to small businesses. Businesses of all sizes report dealing with regulation as a significant cost on business. While new entrants and smaller businesses can often move at pace, they still have to manage their limited time and resources. The Victorian Chamber’s *Cost and ease of doing business in Victorian report*³ found that thirty-nine per cent of survey respondents reported that time was a bigger cost to doing business than money.

The Victorian Chamber and our members accept that regulation serves an important purpose, and do not necessarily want regulations decreased, but want to see how regulation is administered done more efficiently and effectively, with the needs and limitations of small businesses in mind. This requires an efficient and frequently reviewed regulatory environment that does not place unnecessary or additional burden on business.

Also highlighted within the Productivity Commission’s recent report is small businesses’ access to finance. Recommendation 5.1 suggests policy change that includes monitoring the effects of the Australian Prudential Regulation Authority’s (APRA) changes to capital requirements and risk weights for loans to small and medium enterprises that are not secured by property, and make finance available if barriers to finance remain. The Victorian Chamber would like to see a Small Business Innovation Research program, similar to one run in the United States, adopted here.⁴ The Victoria Summit also included a focus on small businesses’ access to finance, particularly in Action 106: Create a fund to support access to finance and capital by Aboriginal and Torres Strait Islander individuals, communities and organisations.⁵

A fit-for-purpose tax system is essential to drive efficiency, productivity and competition in Australia’s economy. This requires a tax system that encourages investment, innovation and entrepreneurship. It must also create the right environment where business can take appropriate risk and be rewarded, while still contributing to the overall wellbeing of the community. It must be supported by a tax system that is fit-for-purpose and encourages and facilitates business growth, innovation and entrepreneurship. In addition, there needs to be a fair and responsive industrial relations system that provides appropriate protection for employees and employers.

The industrial relations system has been identified by the Productivity Commission as an area that can be improved for small businesses. Specifically, recommendation 7.16 in their 2023 report recommends

² [Australian Government Productivity Commission, 2023.](#)

³³ [Victorian Chamber, 2022.](#)

⁴ [SBIR \(n.d.\).](#)

⁵ [Victoria Summit, 2021.](#)

that changes to Fair Work legislation should focus on flexibility and how to increase productivity for small businesses.⁶

Recommendations:

1. Review and redesign the regulatory environment to reduce the cost and burden of compliance for consumers and businesses.
2. Expand small businesses' access to funds, including through measures such as a Small Business Innovation Research (SBIR) program, to encourage small business to engage in R&D.
3. Reform the tax system to ensure Australia is a globally competitive and efficient place to do business.
4. Instil flexibility into the Industrial Relations system, in line with Productivity Commission recommendations to make the system simpler and easier to use for small businesses.

Skills, Education, and Employment Access and Pipelines

As the OECD notes, the supply of skills, human capital management, and skill utilisation are important. Ensuring skills are utilised effectively means local economies can become more competitive and host better quality and better paid jobs, while simultaneously improving living standards and stimulating innovation.⁷ Meanwhile, Australian businesses are experiencing substantial challenges in finding staff and filling vacancies. This is further compounded by Australia experiencing historically low unemployment. Labour market conditions are extremely tight, with unemployment at 3.4 per cent, a 50-year low.¹ In Victoria, a minimum of 373,000 additional workers will be needed by 2025 to meet growing market demands.²

Access to staff, training, and a highly skilled workforce, particularly in difficult labour market conditions, is more challenging for small businesses than larger businesses. While the gap between what is needed by employers and what's available in the labour market impacts all employers, smaller businesses are less resourced to attract candidates or invest in training and professional development. If potential workers out of schools, training institutions, or employment support services are not work ready and appropriately skilled, small businesses are not equipped to help bridge the gap. To ensure small businesses are equipped with necessary staff, the pathways that provide potential workers need to be fit-for-purpose and focused on delivering a skilled, flexible workforce.

Barriers to workforce participation, such as secondary income tax, and limits to how much pensions recipients receive reduce labour availability and utilisation in Australia's labour market. These structural barriers can prevent people with valuable skills and experience from participating in work, and reduces flexibility for both workers and employers. Small businesses, that can act flexibly and with agility, often leading to innovation and growth, are limited by these constraints and ability to hire workers.

Employment support services need to be better coordinated across providers, and easily accessible to employers. Currently, there is limited trust and significant confusion amongst employers about how to access potential workers within Australia's employment support services system. Employers of all sizes do not understand how it works, with the network of disparate providers making it unclear who to approach to work with, and how.

⁶ [Australian Productivity Commission, Volume 1: Advancing Productivity, 2023.](#)

⁷ [OECD, 2012.](#)

Employers want to hire people who are ready for work and who understand their options in the labour market, making careers advice and development services crucial in the delivery of case management to those not in work within the employment support system, with training and upskilling available to those not in work. Transitions for people going into the workplace, particularly for disadvantaged job seekers, should be eased through subsidised work experience and placements.

Careers development in schools and in the labour market should be considered when assessing how to create a labour market that serves businesses of all sizes. Careers services should be expanded to provide a foundation for Australians entering the education and training system, and equipping them with the skills they require to navigate their careers. A transformed careers education strategy would meet the needs of industry and students.

We need to increase collaboration between students and industry, by bringing more industry partners into the classroom, to provide more real-world education and training. By embedding careers development into curriculums, students would be more engaged at school, with the potential of early school leavers decreasing.

Access to workers for small businesses through migration can also be improved. The Skilling Australia Fund levy should be removed, especially for small businesses, and Australia needs to maximise the experience and skills of our migrant workers. The Federal Government must recognise prior learning, including education, qualifications, and work experiences to streamline migrant workers straight into our workforce, fast. This can be done through the extended recognition of qualifications and training in areas of skills shortage, alongside the use of microcredentials to fill any gaps and bring them up to Australian industry standards. Visa processing should be done at times better than other countries, to increase the attractiveness of migration to Australia.

Smaller businesses have a harder time becoming exporters, not benefitting from economies of scale, attention from development grants, or previous experience. These small organisations who want to export, or take the next step in their exporting require more training and support, which can be delivered by organisations like VCCI.

Recommendations:

5. Reduce barriers to working more than one job, such as the secondary income tax, to increase workforce flexibility and utilisation.
6. Enable place-based coordination, with Jobs and Skills Australia playing a key role, to increase efficiencies, reduce competition and duplication.
7. Streamline access to government employment services and the pool of unemployed Australians through a more centralised contact point to increase employment opportunities and reduce confusion for employers.
8. Make paid work experience and work trials a key component of finding the right role and industry for someone transitioning into work, through subsidies to employers, to increase quality decision making and employment outcomes.
9. Commit to a Youth Guarantee to drive down the number of young people 'not engaged in employment, education or training' ('NEET'), offering all Australians under the age of 25 an employment, education or apprenticeship/traineeship opportunity within four months of becoming unemployed or leaving formal education.
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starting from primary school. A new national approach should leverage knowledge and investment being made in the Victorian school and training system.

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Concluding remarks

To be competitive, innovative and dynamic, Australia needs to create the conditions for businesses, especially small businesses, to grow. Small businesses account for the vast majority of new entrants, where innovation, growth, and productivity are driven. The relationship between competition and productivity is critical, and improved productivity means increased wellbeing, higher wages, more economic stability and a higher standard of living for Australians.

Business conditions, including taxation and regulatory burden offer the opportunity for improvement – freeing businesses up to innovate and grow. Meanwhile, access to staff, training, and a highly skilled workforce is more challenging for small businesses than larger businesses. Skills, education, and employment pipelines need to be fit for purpose and ensure that all businesses have access to the workforce they need.

The Victorian Chamber would be pleased to work with the Federal Government on designing these changes and creating a more competitive, productive, Australia.