

**Submission by Canberra Business Council
to Senate Employment, Workplace Relations
and Education Committee
May 2002**

1. Introduction

Canberra Business Council is a not-for-profit business development organisation established in 1978. A membership-based organisation, Canberra Business Council represents directly around 300 partner (member) businesses in addition to almost 5,000 businesses across the Australian Capital Region through the membership of over 40 local and regional industry associations.

The small and micro business sector is by far the most significant category of Business Council partner and it reflects the business profile in this region as being predominantly small business.

The Council welcomes this opportunity to provide input into this inquiry at a point where small business is feeling considerable pressure from the increased burden of data collection, reporting and the associated costs resulting from burgeoning legislation and regulations. This is recognised in Senator Campbell's media release that states, "Government regulation has a significant effect on small businesses, with many overwhelmed and frustrated by its complexity and duplication."

There are always areas where improvement can be made. This is a responsibility of both government and business. Governments, however, must be mindful in their decision-making processes of the differences between big and small business and the ability of each to adapt to changing regulatory environments. This is an area of which small business partners of Canberra Business Council comment on frequently.

This submission was prepared by the Employment and Education sub-committee of the Canberra Business Council's Economic Impacts, Employment and Special Initiatives Task Force. All partners of Canberra Business Council were contacted and encouraged to provide input to this submission. Some of our partner organisations indicated they may seek to do this on an individual basis.

2. Effects of Government Regulation on Small Business Employment

General

There is a mood in some areas of the small business sector that is counter to the objective of governments of any level. Governments essentially need and want the small business sector to employ – many in the small business sector are largely resisting. The resistance is stemming from both the weight and rate of change that is consigning many small business operators to tax collector, data collector and provider, occupational health and safety officer, rehabilitation officer, and a myriad of other roles to cope with the changing regulatory environment.

The on-costs of undertaking these activities in addition to the ‘hands-on’ nature of the typical small business operator understandably has many small business operators questioning the value of not only employing additional staff, but also remaining in business. There is sufficient anecdotal evidence to support this proposition.

Alternatively, some feedback to Canberra Business Council proves some small home-based and micro-businesses with high growth potential want to grow and employ people. Many, however, are caught in the nervous territory between should and shouldn’t employ. To achieve the growth sought there is an onus on government to create an environment small business at large can cope with.

For many small business operators, the financial rewards associated with running a small business do not justify either the risk involved coupled with an increasingly significant workload being placed on business through government regulation.

Workplace Relations

There is strong support in the small business sector for providing a fair workplace environment for employees, a concept supported by Canberra Business Council. Much emphasis in the business world today is placed on valuing the most important resource in business - the employees.

For whatever reason, in large business and small, the situation arises when termination of an employee is required. The problem for small business in the termination of employees is a pressing issue. Whilst there is strong support for procedural fairness in the small business sector, current termination provisions have the effect of making the termination process lengthy. This situation can harm not only the business but can have the effect of undermining other workplace relationships particularly in the small business environment.

Small business has been somewhat spooked by the spectre of unfair dismissal and some of the resulting outcomes as these matters are treated by the legal system. More certainty is needed in this area.

Taxation & Superannuation

There are still issues for small business in terms of adjusting to the new tax system. For many the reporting requirements are considerably time consuming and complex. It is acknowledged that consideration has been afforded to small business in relation to this matter, however, feedback would suggest that there is still a considerable impost on small business in terms of compliance.

Superannuation is less of a problem to small business currently as it has been part of the business environment now for around a decade. Any move to choice of fund superannuation is going to be more difficult for some small businesses than others to cope with. Those less technologically capable will be faced with greater difficulty than those operating small businesses interfacing with sound supporting technology. Again, government needs to be mindful of the nature of the small business environment and the differences in operational capacity in different small business sectors.

Occupational Health & Safety

Small business would not question the intent of Occupational Health and Safety legislation. What is often being questioned is the increased record keeping, reporting requirements and costs associated with such legislation, depending on the requirements under various State and Territory Legislation.

3. Special Needs and Circumstances of Small Business

This has been discussed briefly above. Small business operates in a vastly different manner than medium to large enterprises, depending on circumstances and capability within a small business. In a rapidly changing environment, small business operators do not necessarily have the capacity to adapt to that change as quickly as corporations with a multitude of layers able to focus on single issues, particularly in the areas of technology and accounting.

Of the key factors that have effect on the capacity of small business to employ more people there are issues that will impact on different sectors. For those operating in specialised fields the impacts may be less and therefore business employment growth may be realised at much faster rate. In competitive environments with price-driven markets, growth will be harder to achieve for small business. In some of these price-driven markets small business is being driven out altogether. For instance in the retail sector large chains and franchises are cannibalising the small independent operators.

Small business needs the flexibility of government, not as a means of abrogating itself of its obligations, but as a means of being recognized as culturally different than big business.

4. Inhibitors to Small Business Growth and Performance

Much of this topic has been discussed in general in the previous sections although specific areas have been raised. One relates to the tendering process for government contracts. There is a view that the current tendering system is designed to discourage small business as small contracts or around \$200K per annum (probably seen as being the domain of small business) are almost as complex as the process for \$200M per annum.

There is support for management of risk by government along with high levels of accountability and transparency, however the argument is that the requirements of the tenders should translate to the size of the contract.

A further issue regarding the tendering process are the delays from original guidelines with dates moving ad-hoc causing increases in risk ratings for projects. This tends to move small business to question the commitment of government to the tender process and in working in partnership with successful tenderers. There is also the concern that there is a lack of real understanding by government of private sector ethics and margins on which the small business sector operates.

Another issue raised is the recent suspension of the R&D Start Scheme. A partner organisation has cited the suspension of the scheme as causing them to lose a significant competitive advantage in the development of a technology in which they are already regarded as a world leader. This technology was to be applied to a project employing 32 people over three years and obtaining the services of an internationally recognised scientist.

5. Enhancing the Capacity of Small Business to Employ

Continuing the government tendering theme from the previous section it would be helpful for small business if a policy of 'source local wherever possible' was adopted by government departments and instrumentalities operating in that region. It will not only assist the growth and development of small business but it will also assist in the development of regional Australia. There may be some potential problems with this type of policy, however it may be worth consideration.

Government should consider the development of business incubators and other intermediary services to help small and micro businesses grow. Another initiative could be to provide support for technology-based, interactive business advisory services that will link small and micro-businesses needing instantaneous answers to "bite-sized" problems with professional advisers. This would need to recognize that small and micro-business operators often seek these answers outside of normal business hours.

Small businesses approaching payroll tax thresholds begin to get cautious about employment. Payroll tax, as a State or Territory responsibility, is an inhibitor to employment growth. The Commonwealth Government in partnership with State and Territory governments should examine ways to remove this obvious barrier.

6. Conclusion

The growth potential of the small business sector will be more fully realised when there is further convergence in the gap between government decision making and the realities of small business. This process allows for some attention to this matter, however there are still many areas that small business is looking for in creating a more certain environment to accept the challenge of employment growth.

There is a need for the Commonwealth to accept greater responsibility for small business rather than leaving it as largely a State or Territory responsibility to the disadvantage of the smaller and lower resourced States and Territories.

The framing of legislation and development of regulations needs to take further consideration of its application to the small and micro-business sector. In a business environment where business is constantly being asked to adapt, accepting in many cases it needs to adapt, then the same must be asked of Governments.

Canberra Business Council has also recently made a submission to the ACT Government's Business Regulation Review. A copy of this submission can be provided if required.