



**Submission to the Senate Employment, Workplace Relations  
and Education References Committee**

Regarding Small Business Employment

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## **EXECUTIVE SUMMARY**

The Recruitment and Consulting Services Association (RCSA) welcomes the opportunity to provide a submission the Senate Employment, Workplace Relations and Education References Committee.

As Australia's largest collective employer, and with 70% of members either owning or running a small business, the RCSA believes that is it important to represent its position to the Senate Committee.

Small businesses are finding it hard to grow because of the immense level of documentation and administration required to ensure that their business complies with the changing state and Federal legislation. This monitoring is vital in ensuring that their business works within the regulations and they can provide their clients with the appropriate advice.

However this information overload has created a burden that reduces small businesses capacity to spend time developing their business and in some cases is seen as an opportunity cost.

For the recruitment industry, characterised with high cash flow and small margins, it places significant burdens in order to comply with the GST requirements. Through closer scrutiny on managing cash flow, many are hesitant to plan ahead for growth and consequently employment.

The RCSA as the industry body, to some extent ensures that the RCSA members are up to date in terms of regulatory changes. However as a non-profit organisation there are limits to the extent of education and training that the Association can provide to its members and to the willingness of members to participate.

This paper outlines the RCSA's enthusiasm to work with the government to educate its members of regulatory changes and likewise advise Government on policy initiatives that impact on RCSA members businesses.

## **THE RECRUITMENT CONSULTING SERVICES ASSOCIATION**

The RCSA is the peak body for the recruitment and consulting services industry throughout Australia and New Zealand. The RCSA is a not-for-profit association that is managed by a Board of Directors.

The central focus of the RCSA is 'To represent and serve the interests of members for the increased profile and professionalism of the industry'.

The RCSA's 3200 members in Australia and New Zealand include multi-national companies, single consultancies, and individual practitioners operating within a recruitment consultancy.

The Association is instrumental in setting the professional standards through its Code of Conduct; educating and developing member skills; monitoring industry participant performance and working with legislators to formulate the future. Members are kept up-to-date on information regarding best practice techniques, resources and technological innovation, along with legislative changes impacting on employment.

The RCSA also acts as a lobbying voice, representing its members on issues that impact upon the industry. It has a strong relationship with the public and private sector.

There are three main types of member organisations in the RCSA – On-hired Employee Services and On-hired Contractor Services, Employment Consulting Services and Recruitment Services.

### **The RCSA and The Federal Government**

RCSA members provide recruitment and human resources consulting services to the Australian Federal Government and its relevant agencies. Likewise, RCSA members also service the Government agencies in all states and territories.

RCSA members provide permanent and on hire employment for all levels of the public service and many are Government endorsed suppliers.

The RCSA has a very good working relationship with JobSearch in the Department of Employment and Workplace Relations, with significant numbers of members using the website to lodge vacancies.

At the same time the RCSA has worked with the Department to expand the JobNetwork scheme to improve the employment opportunities for Australians across the nation.

## **SMALL BUSINESS IN AUSTRALIA**

The definition of a small business includes the following three categories according to the Australian Bureau of Statistics (ABS):

- “non-employing businesses – sole proprietorship and partnerships without employees;
- businesses with 1-4 employees; and
- businesses with 5-19 employees”<sup>1</sup>.

The majority (55%) is non-employing business, with 34% of business operating with 1 to 4 people, and 11% employing 5 to 19 people<sup>2</sup>.

As of June 2001 there were 1.16 million small businesses in Australia, which had grown by 9% since November 1999<sup>3</sup>.

### **The RCSA and Small Business**

In regards to the RCSA, 70% of members are classified as being a small business, based on the definitions above.

The RCSA is collectively Australia’s largest employer, and with the majority of our members in small businesses we believe the RCSA can provide significant insight on concerns and issues faced by Australia’s small businesses.

For the RCSA, this Senate review provides two areas of relevance to the RCSA – as the majority of members either manage or are employed in small business, and likewise many of the RCSA’s members clients are small businesses who have requirements for a permanent employees, specialised contractors or a on hired workers to assist in the peak demand times of the business.

In preparing the RCSA’s response to this Committee we have personally contacted several members who run their own small businesses to find out the impact of Government regulation and changes in legislation to their business.

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<sup>1</sup> ‘Characteristics of Small Business’, *Australian Bureau of Statistics*, Cat no. 8127.0

<sup>2</sup> ABS, Cat no. 8127.0

<sup>3</sup> ABS, Cat no. 8127.0

## **SMALL BUSINESS ISSUES**

### *Hindrance to Growth*

One of the overwhelming responses from small business operators is that the constant changes in legislation is a hindrance to business productivity.

RCSA members work in a volatile and ever-changing regulatory environments. They are affected by the change to every employment-related regulation including workplace relations, occupational health and safety, tax, superannuation and WorkCover. Members become involved in this industry well aware of the regulatory framework they must work in – however it is the regular changes, amendments and lack of uniformity that creates a burden on their business.

As a consequence many small business owners run their business during traditional business hours 8.30am to 5.30pm and use the hours before and after to update documentation and research new legislation. Members rely on scanning the media, and their membership of the RCSA to ensure that they are update to date on changing legislation, and more importantly on how it affects their business.

It is vital for RCSA members to be up to date with all legislative changes as their clients turn to them for advice on the latest Federal and State developments. In order for them to retain value with the clients, ongoing research must be maintained.

The issue is particularly acute in regional Australia where micro businesses (less than four employees), where any extra duties can't be outsourced, such as accounting or book-keeping because it is not economically viable creates significant pressures on the workforce. Therefore the important task of monitoring industry issues is even more difficult to manage in micro businesses.

### *Goods and Service Tax*

It is to be expected that the GST would be the most nominated burden for small businesses.

Interestingly, some small businesses believe that they received an abundance of information from the Government that enabled them to master the new tax system and ensure they were fully prepared. As one member said, "Wouldn't it be great if we got that much information for every legislative change".

In contrast, other RCSA members find the GST a significant burden and feel that they have become tax collectors for the government. The GST plays a significant role in inhibiting business growth. Through submitting quarterly statements small businesses have to carefully watch their cash flow and as a result are cautious in planning ahead, let alone taking on new employees that they might not be able to support in the longer term.

The recruitment industry is characterised by high turnover with small profit margins. This is because the RCSA member becomes the 'employer' of the contractors and on-

hired workers whom they place with clients. The employee is actually paid by the RCSA member, who is in turn paid by the client. The high turnover means that even a recruitment agency of seven people (which is classified by the ABS as a small business) can have a turnover that classifies it as a medium business.

*Change is costly*

As RCSA members are the linchpin in the employment contract they must be aware of all employment legislation. This can be a time-consuming and costly exercise.

The recent change to Privacy legislation is a perfect example of this issue. The introduction of the privacy laws was costly in terms of an opportunity cost, but also in its implementation. RCSA members had to ensure that all of their employees understood the legislation and how it applied to their day to day business processes. This meant that many businesses held training seminars and workshop for their employees and have nominated a privacy manager to oversee the process. Likewise many small businesses had to invest in new database system and documentation procedures, not to mention the legal costs to have all their documentation reviewed, to ensure they operated within the government guidelines.

The changes to the Privacy legislation has highlighted a gap between the communication the Government provides to small business or legislative change and that provided by industry associations. As one members said 'thank God I'm a member of the RCSA, or I would have done nothing about the Privacy Act'. The RCSA is very proud of the service it provided to members for the introduction of the Privacy Act including:

- a Q&A section on the website where members could ask questions of a lawyer,
- a national roadshow explaining the impact and requirement of the legislation,
- regular updates in the members bulletin and magazine, and
- development of a standard contracts for members to use.

The RCSA believes it can continue to build its role as conduit for the Government in communicating and educating constituents about policy.

Small businesses will support government change especially when it empowers or promotes employee empowerment. Many small business employers would be delighted to institute more EEO and Affirmative action policies, yet the complexity and cost to implement these changes make them not viable.

A particular occurrence for recruitment agencies is that they are now being asked by Centrelink to complete forms for people who used to be on their books, but are now on Government assistance.. Some small agencies receive up to 10 forms a day, with each requiring about 30 minutes to complete. For a business of less than 7 people to be completing forms that could be completed by the former employee, is an opportunity cost to the business. A small business does not have the 'fat' in the organisation to take up extra responsibilities that are beyond their core capabilities.

*Self Regulated environment*

The RCSA is looking at becoming a self-regulated industry body. If the industry moves to such a position then it can work closely with Government as an enforceable body of Government legislation, and take on the role of educating and training the industry. As a self-regulated body, the RCSA would be able to discipline those businesses that do not conform to recognised industry standards. This process is already under way with the RCSA's Code of Conduct currently in the process of authorisation with the ACCC.

*RCSA – Filling the Gap*

In response to this information-loaded environment, many small businesses are becoming increasingly reliant on the RCSA to provide them with the appropriate and relevant information in a form that is easy to use and act on.

The RCSA achieves this information demand through monitoring media coverage of Government activity and industry issues, along with dialogue with Ministers and relevant agencies so that the RCSA is at the forefront of policy development. The RCSA's website, monthly bulletin and quarterly journal are the key methods of dissemination.

However, it is simply not possible for every legislative change across state and Federal boundaries to be monitored and reviewed. Nor has the RCSA contributed to the details of every Government policy or program affecting this industry. As an organisation with significant fixed costs, the Association can only educate its members on changes to a defined limit.



## **RECOMMENDATIONS**

As the leading industry body that reaches hundreds of Australian small businesses the RCSA seeks to take on a larger role in developing and communicating Government policy.

We believe that the RCSA can provide valuable feedback on the viability and efficacy of Government policy and likewise bring new ideas to the forum that will enhance employment for Australians.

The RCSA proposes that:

- It is consulted by the Government on employment related issues to provide relevant industry feedback
- Works with the Government on developing industry research to define issues facing small business
- Works with the government to communicate and manage programs targeted to the employment sector particularly in areas of Workplace Relations, Occupational Health and Safety, Tax Reform and Employment Services.
- Develops stronger dialogue with the Department of Workplace Relations and Employment to review and implement employment programs

Note that if the RCSA was to take on the industry education role it would need the tools and information from the Government to ensure it communicates and educates appropriately, and likewise appropriate funding would be required, as the RCSA is a member organisation.

## **CONCLUSION**

The RCSA welcomes Government's initiative to investigate the effect of Government regulation on small business. It is a complex and dynamic issue simply because of the diversity of small businesses in Australia.

The RCSA looks forward to discussing the ideas it has presented further with the Government Committee and working with the Government to simplify Australian legislative environment so the small business can grow and employ more Australians.