



Submission to

**Senate Employment, Workplace Relations and
Education References Committee**

Inquiry into Small Business Employment

April 2002

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The Australian Trade Commission (Austrade) is the federal government's principal trade and international business facilitation agency. Our mission is to contribute to community wealth by helping more Australians succeed in export and international business.

Operating as a statutory authority within the Foreign Affairs and trade portfolio and working closely with other Federal, State and Territory government agencies, Austrade helps Australian business reduce the time, cost and risk involved in entering and expanding overseas markets.

Austrade will carry out these tasks in 2002/2003 through a wide range of international market development and investment services to Australian companies, as well as to international buyers and investors, throughout our network of over 1 000 staff in more than 90 locations in the cities and regions of Australia and throughout the world.

This network allows Austrade to deliver sophisticated "point to point" services to Australian business – directly linking, for example, a small to medium enterprises (SMEs) in regional Australia to a customer in a distant and otherwise difficult or inaccessible overseas markets.

Austrade also has an important role in providing advice, guidance and coordination to the Government and its agencies on export matters. Lastly, Austrade also provides financial assistance to Australian exporters through the Export Market Development Grants scheme, which encourages companies to seek out and develop overseas markets. Under the scheme, eligible Australian businesses are reimbursed for part of the export marketing costs they incur.

Introduction

This submission provides Austrade's perspective on the issues raised in the terms of reference for the Senate Employment, Workplace Relations and Education References Committee Inquiry into Small Business Employment.

- 1. The effect of government regulation on employment in small business, specifically including the areas of workplace relations, taxation, superannuation, occupational health and safety, local government, planning and tenancy laws.*
- 2. The special needs and circumstances of small business, and the key factors that have an effect on the capacity of small business to employ more people.*
- 3. The extent to which the complexity and duplication of regulation by Commonwealth, state and territory governments inhibits growth or performance in the small business sector.*
- 4. Measures that would enhance the capacity of small business to employ more people.*

In particular it explains:

- Austrade's role in contributing to the capacity of small business to export and prosper;
- How having more small businesses exporting helps improve wages, employment and labour market benefits for Australian workers; and
- That by doubling the number of exporters, there will be more SMEs exporting which will bring economic and social benefits to Australia.

Austrade helps small business to export and prosper

Small businesses are becoming an important part of the Australian exporter community. According to Austrade's new report *Knowing and Growing the Exporter Community* (Austrade 2002 – pg 13) the numbers of micro and small exporters have grown much more rapidly than large exporting businesses in recent times. For instance, for the period of the ABS's Business Longitudinal Survey from 1994-95 to 1997-98, the average annual rate of change was 11 % for micro exporters (those employing 1-4 employees), and 9 % for small exporters (5-19 employees). By contrast the number of medium sized exporters grew by just over 4 % a year, while the number of large exporters actually fell by 5 % (For more detail, please see chapter 2.1, of the *Knowing and Growing* report - attached).

However, despite these promising signs, there is still a relatively low proportion of small businesses exporting. According to the *Knowing and Growing* report only 3 % of small businesses export, compared to just under a third of large businesses. Furthermore, Australia's 'exporter ratio' for small and medium sized businesses, is low in comparison with other industrialised economies (please see chapter 1 of the *Knowing and Growing* report).

Austrade plays an important role in facilitating more small businesses into exporting. Small businesses often lack the knowledge, resources and international networks of large businesses, so it is important that they have access to knowledge, resources and assistance through the international network provided by Austrade. Our services to Australian companies include:

- practical export information and advice;
- identification of overseas opportunities;
- on-the-ground exporting and investment support overseas and in Australia;
- a comprehensive trade exhibition program;
- services to identify potential overseas business partners and to research and access high -potential markets for Australian companies;
- strategic export planning and network formation services; and
- general information provided at no charge to our clients available either through our website or the export advisory service. Specific tailored advice is provided to thousands of Australian companies each year based on an hourly rate, quoted in advance.

Government programs, including those provided by Austrade, can be very effective in assisting exporters to gain entry into exporting on a sustainable basis. For instance, according to the *Knowing and Growing* report, 74 % of non-exporters intending to export who used Austrade programs in 1994-95 exported within the next three years. By contrast, only 16 % of

non-exporters who did not use any programs were successful in becoming exporters. Austrade's programs and services are therefore targeted at small businesses where they are most effective in reducing barriers to export.

Having more small businesses exporting helps improve wages, employment and labour market benefits for Australian workers.

Exporting brings economic and social benefits to Australia as well as contributing to macroeconomic benefits by allowing us to pay for imports as our economy grows. The microeconomic benefits of exporting in terms of efficiency and productivity are complemented by social benefits brought about by improved labour market outcomes for firms and workers. A discussion paper produced by Austrade in collaboration with the University of New South Wales *Why Australia Needs Exports: the Economic Case for Exporting* – attached (Austrade 2000 – pgs 6-14) outlines the economic and social benefits of exporting in further detail.

Of particular importance is the contribution that exporters make to the improvement of wages, employment and labour market benefits for Australian workers. According to *Why Australia Needs Exports*, exporters paid each full-time equivalent employee an average of \$46,000 per annum compared to \$28,600 being paid by non-exporters. Put another way, 34 % of exporters paid their workers above average weekly earnings compared to 12 % of non-exporters. Similarly, exporters, on average, provided more training than non-exporters, higher standards of occupational health and safety, more computers per employee and a higher proportion of full-time and permanent positions in each workplace. In turn, exporters achieved higher levels of productivity than non-exporters.

The labour market findings of *Why Australia Needs Exports* were not confined to large businesses. Similarly, small exporters provided better wages and labour market benefits than small non-exporters. Exporting also helped small exporters' growth prospects and boosted their capacity to create more jobs. Therefore, encouraging more small businesses to export provides clear labour market benefits for Australian workers and their families.

By doubling the number of exporters, there will be more SMEs exporting which will bring economic and social benefits to Australia.

The Federal Government has announced a goal of doubling the number of exporters in Australia by 2006. Which will generate significant economic and social benefits. According to the *Knowing and Growing* report, such an increase will bring an increase in export revenue of 5 % per annum or \$40 billion over five years. But the gains are not restricted to revenue alone. There will be economic benefits in terms of growth and micro-efficiency gains and social benefit in terms of the labour market as previously mentioned.

The next generation of exporters will be micro or small companies, knowledge-based and located equally in small towns and capital cities. Austrade research has shown that while large business still accounts for the major share of export revenue, micro and small business is growing much more rapidly. Similarly, the knowledge based services sector accounts for the strongest growth in the number of exporters. Austrade is working closely with these companies to unleash their export potential.

Doubling the number of exporters will, by design, mean that more small businesses and SMEs will be exporting. According to *Knowing and Growing* the number of small businesses exporting will grow by 16 % per annum and SMEs by 15 % under a doubling scenario (please see *Knowing and Growing*, pg 10). Having more SME exporters will assist knowledge transfer of the gains of exporting more widely throughout the economy (instead of those gains being concentrated amongst a few big players). Having more SME exporters provides a platform for more of the microeconomic gains from exporting to accrue and be applied across the economy.

Conclusion

Austrade plays an important role in facilitating the entry of small businesses into exporting, enabling those businesses to grow and prosper. Furthermore, small businesses are becoming an important part of the Australian exporter community. This has brought economic benefits to the economy and labour market benefits to Australian workers. By doubling the number of exporters, we will see more small businesses become exporters and the small business share of the exporter community rise. This will bring economic benefits to the businesses themselves but greater benefits to the Australian economy and the Australian community as a whole.

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