

## **Senate Enquiry – Small Business Employment**

### **Small business employment**

Family Business Australia is a national member based, not for profit organisation. We exist to improve the effectiveness of Australian families in business through the sharing of practical experience and knowledge, to promote the value and contribution that family businesses make to our society, and to represent Australian family businesses as a strong and united voice.

Family Business Australia estimates that between 80 - 85% of all Australian businesses are family businesses and in regional centres this number is somewhere around 90 - 95% depending on the size and location of the community. It is estimated that family business employs just over 50% of the workforce\*.

#### **1. The effect of government regulation on employment in small business, specifically including the areas of:**

##### **Workplace relations,**

The general feeling is that the current industrial relations policy is restrictive and the Unfair Dismissal legislation and process is cumbersome, time consuming and often difficult and tricky to work through.

The idea that all employers are bad employers and out to take advantage of employees is incorrect and employers feel they are portrayed as the bad ones even when they have a genuine commitment to the process and are trying to do the right thing.

They believe that it is too easy to be penalized, or end up in the tribunal. The warning process is time consuming and restrictive.

A number of the businesses particularly in the manufacturing area were concerned about the union activity and in some instances intimidation. The employers believe that the union does not consider the business as a whole and is only interested in their log of claims regardless of whether the business is viable and possibly just surviving the payrise.

**An example of this is a firm turning over 20 million that was purchased out of receivership. On the day that transfer was to take place the union sent a log of claims to the new owner that included a 10% pay increase. This ended in dispute and the workers received a 3% increase, they will once again be facing another log of claims in September 2002 for an additional 6% - yet there is no increase in the sale of items or productivity to coincide with this claim.**

At one plant there are a number of migrant workers who are intimidated by the process. Secret ballots under these circumstances would reduce any intimidation.

**At one plant employees who were not union members, requested shift changes due to the pressure to join the union - they just want to do their job and go home.**

The firm belief is that the industry, the business and the employees must be considered holistically. The days of the great struggles between the workers and the bosses are long gone.

Australian businesses are trying to compete in the global economy yet in some instances (eg motor car industry) our unions are making us non competitive.

### **Taxation**

The overwhelming response was to reduce it!

For most, the GST has been fine with the only real issue coming from the initial double burden of tax. The ongoing smaller issue relates to the time taken to complete the administrative process.

One business estimated that it took an average of 10-15 hours per week to complete PAYG and GST commitments. This business is paying on the accrual system and they pay even if they don't have the funds in yet - this can have an adverse effect on their cash flow.

Agreement was that people on average are taking longer to pay outstanding accounts, in general terms, around 10-20 days. This has a direct impact on cash flow.

Some confusion exists in the area of State and Federal Govt. taxes and when or if some will be removed. Payroll tax was considered to be an impost with little return. Stamp duty was another state tax under question.

### **Superannuation**

There is a general feeling that another increase would not be justified and that at this point employees should have a compulsory contribution to make. Employers would like to see the employer contribution capped at 9% with employees contributing into the future.

Small business believes that the current level of tax through superannuation and payroll tax already acts as a disincentive to employing more employees.

Super was viewed as just another expense for business. Our businesses are competing with overseas company's and we are not competitive.

### **Occupational health and safety**

Whilst all agreed that a safe workplace was essential, there was also feeling that WorkCover premiums have increased dramatically. Whilst they are happy to pay for WorkCover it just adds another cost when employing.

**For example one business has a staff of 30, their premium is now 30k. It has gone up 6k this year. They have only had a couple of minor claims in 15 years of trading. Premiums don't seem to be linked to performance.**

The legislation is immensely difficult to understand and many manufacturers have spent vast amounts of money trying to meet the requirements – the legislation is onerous. As an employer you start at the point that you are guilty and then have to prove your innocence.

### **Local government**

Most businesses felt that this was a complete waste of tax payer money. They continued to pay rates for nothing in return.

Businesses faced slow response times on planning issues.

Not sure if there is any real understanding of what the relevance is in a third tier of government now.

### **Planning and tenancy laws.**

Many of our members own their own premises and did not need to contend with Tenancy Laws. However planning was related back to Local government and the slowness of response time and lack of value for taxes paid.

## **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.**

Many small businesses are caught in the growth nexus. Some decide that the responsibility of moving to the next level of growth is just too daunting and choose to limit operations and the risk.

Collection of outstanding payments is becoming an issue for our members. They believe that there is not real support for collecting outstanding debts.

Few small businesses have either the state or federal government as a customer, however successful tenderers often subcontract small business to complete aspects of a contract. Often these subcontractors can be kept waiting for up to 18 months for payment of that job and sometimes they go broke in the process waiting for several hundred thousand dollars to be paid across.

Small business would like assistance with developing tenders and also support in constructing cooperative tenders to achieve capacity.

The burden and responsibility placed on small business eventually causes even the strongest operators to question why they are in business in the first instance.

Many of our members are seeking a level playing field – ie subsidies to supply the local market rather than the export market. This would lead to import replacement as manufacturers would buy locally rather than import their raw product.

**For example one business can purchase and import the same materials from Malaysia for \$300 cheaper per tonne then they can buy from the manufacturer in Newcastle.**

**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.**

Different regulations across states result directly in increased expense for small business.

**For example one company which recently registered as a provider in QLD required the completion company audit. As they produce product in a number of states each factory had to be audited. This cost 20K for the audit and 20K for the registration.**

WorkCover – there is a perception that there is a lack of flexibility in WorkCover and the premiums being charged. Greater control over premiums and pay outs needs to be considered by government.

Austrade received support and is providing strong support for exporters.

**One business commented on the current Packaging Covenant – (Dept Environment) action plan for packaging and the environment. He has been asked to achieve a 10% measurable improvement per year. Unfortunately they package their goods as per the requirements of their customers. The majority of their customers are large retail organisations.**

States continue to compete for existing businesses attempting to lure a company to their state rather than assist in the growth of existing smaller businesses. Most businesses commented that State government goes missing when approached for assistance. The programs available are difficult to find and access.

**For example one business in Victoria is regularly contacted with impressive relocation packages varying in value up to 3million both SA and TAS have both made proposals. They also have a proposal from the NZ govt. offering full relocation, no payroll tax and 25% premium on the dollar and export costs back to Australia.**

**4. Measures that would enhance the capacity of small business to employ more people.**

Growth comes from greater access to markets and more opportunities to expand the customer base, one possible area for growth could be through access to government tenders.

Greater control over mandatory insurance premiums such as WorkCover and Public Liability and professional Indemnity for companies would assist businesses with planning.

Many businesses would like to enter into shared tendering arrangements for larger contracts and support small business in the tendering process. They need support, possibly through their industry organisation, to achieve this.

Better access (no charge) to the government tendering process particularly at a state and federal level. Also easier access to state and federal assistance programs. A higher level of visibility for available programs would assist in the first instance.

**Recommendations:**

1. Website listing all state and federal tenders under offer. This site should also list any state or federal government assistance packages available to assist business to grow and export.
2. Cooperative tendering options to enable a number of small businesses to develop the applications and tendering groups. This could be done through industry groups or possibly using the existing ACC business development managers.
3. Transparent performance indicators for client managers/ business development managers at a state and federal government level. A percentage of their clients each year must be new businesses working to grow and access new markets.
4. Organisational hot points for growth - ie FBA has a number of great people who need some assistance to grow and access new markets. We could be the initial contact point for assistance -this could provide a renewed focus for many industry groups. Industry groups reduce the isolation for many small business.
5. Legislation or contractual obligations to protect subcontractors working on government tendered jobs. Some small business contractors are waiting up to 18 months for payment.
6. Longer term trial periods 6-12 months for employees in businesses with under 10-15 employees (or a figure that is more appropriate).
7. Cap Employer Contribution at 9%. Any additional superannuation increase is to be passed on to the employee as a compulsory contribution.
8. Removal of state payroll tax
9. Removal of Stamp Duty on the purchase of industrial premises.

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\* Australian Family & Private Business Survey - Monash University