

4th May 2015

The Secretary
Standing Committee on Education and Employment
House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Secretary

Submission to the inquiry into inhibitors to employment for small businesses and disincentives to working for individuals

I am the co-owner of a very small building business in rural Tasmania and have listed below a number of issues that affect us.

Building and Construction General Onsite Award

The Award was developed with large construction companies in mind, who have dedicated human resource, payroll and occupational health and safety staff to interpret and implement the various aspects of the Award. However, from a small business owner's perspective, without the resources that large firms have, the Award's 135 pages are cumbersome and complicated to interpret.

For example: on any given day we could be removing asbestos, working at heights, working in confined spaces, installing insulation, engaged in dirty work, lifting heavy blocks, carrying fuels & oils, spraying plaster, bagging bricks, cutting tiles, using secondhand timber, repairing roofs, computing quantities, and using pneumatic tools; each of these activities attracts a 'special rate' which is an additional hourly rate on top of the standard rate. These additional rates all vary depending upon the activity.

For instance Wednesday of last week we undertook the following activities that attract special rates:

- Removed asbestos for 1 hour – 4% added to hourly rate for wearing protective clothing & 10.8% added to hourly rate for asbestos removal
- Installed insulation for 2.5 hours – 4% added to hourly rate
- Crawled under a floor for 2.5 hours – 3.2% added to hourly rate for dirty work and 4% added to hourly rate for confined work

- Lifted heavy blocks for 0.5 hour – 3.2% added to hourly rate for blocks under 9 kgs and 5.8% added to hourly rate for blocks under 18 kgs.
- Used a pneumatic tool for 0.5 hour – 17.6% added to the hourly rate
- Used secondhand timber for 2 hours - 12.6% added to hourly rate

As you can see detailed diary entries are required throughout the day to keep track of what activities were undertaken and for how long, in order to calculate the pay for our employee; this is an onerous task.

This is just one aspect of the award that we find difficult, but there are others, such as working out travel allowances. We live in a rural area and have to travel around, often some distance, to get to work. In any given week we might travel to 2 or 3 different locations, which makes working out the allowance difficult.

This award is not suited to small building businesses that undertake small jobs in a variety of different locations. Its cumbersome and complicated nature has made us very reluctant to employ anybody in the future. We are more likely to rely on contractors as a result.

Employer obligations

Six years ago we employed an apprentice and were given a pile of employment information. However, seven months later we were contacted by TasBuild and very rudely told that we were breaking the law by not paying long service leave on behalf of our apprentice. The group training organisation had failed to inform us of this vital piece of information and when we started asking questions about what else weren't we doing, we were dismayed to discover that there was no one document or source of information that actually listed all our obligations. This experience soured the otherwise successful employment of an apprentice.

Paid work experience

Recently a young man approached us looking for an apprenticeship; we weren't in a position to take him on, but we gave him four weeks paid work experience instead. The experience was great for him as he was exposed to heritage restoration work which he hadn't encountered previously. However, the experience was the exact opposite for us, due to the effort involved with employing him (i.e. completing a tax declaration form, completing a payments summary form, signing up to TasBuild and signing up to his super fund). This paid work experience helped him gain an apprenticeship a short time later, but it required the same amount of paperwork as putting on a permanent employee; so from our perspective, and we are unlikely to do it again.

Liability of an employer

Increasingly employees (people in general) are encouraged by our legal system to take less responsibility for their actions, which unfairly pushes more responsibility onto employers. Recently we had a discussion with a farmer in Victoria who shared a sad, but not uncommon story. One of his employees turned up at work on Monday morning still intoxicated from the previous night and fell off the top of a truck and broke his leg. The farmer was unaware his employee was intoxicated, but in the eyes of the law he was held responsible and consequently his workers' compensation premiums skyrocketed. That issue, along with the declining work ethic of Australians (he preferred to employ Irish) compelled him to sell this farm. This story made us very uncomfortable, because at the time we employed somebody who took advantage of any opportunity to better himself at the expense of others. The pendulum has swung too far in favour of employees and makes employers, particularly small businesses, cautious about employing people.

Being in small business

There are a number of other State and federal issues that impact us as a small business owner, and the compounding effect is like death by a thousand cuts; and it is making us question why we are still in business, and employing others, when we could have an easier life working for somebody else.

Builders' registration: We must renew our builders' accreditation annually, which involves filling in the same form each year and getting our accountant to authorise a certificate of our net tangible assets. This is an example of "busy work" – unproductive paper shuffling for sake of it. The renewal could be undertaken every 5 years, like a drivers license, and save all involved a lot of time and aggravation.

Asbestos removal: We work on a lot of old buildings that require asbestos to be removed. The process involves employing a licensed asbestos remover (for an area over 10m²) and then employing an asbestos inspector to check that the work has been done correctly. What is the point of training asbestos removers and making them pay license fees, only to have an inspector check their work - surely if they are correctly trained and licensed they must be capable of doing the job properly! The extra layer of compliance adds to the time and cost of building work and is resulting in an unintended consequence – more people are illegally removing asbestos.

Subcontractor payment: A couple of years ago the ATO brought in a requirement that all payments made to subcontractors within the building and construction industry must be provided each year. While I understand the reason for this, the ATO has failed to look at the big picture in terms of the compliance cost to small business. As mentioned we are a very small business and don't require an accounting system, so we can't just pull out a list of subcontractors. Rather it takes me approximately 5 hours to compile a list of all the subcontractors that we have employed throughout the year and the amounts we have paid

them. This is another cost we must absorb (and can't easily pass onto clients) and just adds to the compliance burden. Surely it is preferable to have a more productive industry than waste resources trying to catch people avoiding GST. Recording subcontractor payments is a pointless exercise if a builder and a subcontractor decide to avoid paying it, as neither will record the transaction!

ABS construction industry statistics: Each quarter we must submit various statistics to the ABS relating to activity within the construction industry. Other than a couple of statistics, the information we must provide is the same that we give the ATO in our BAS. Would it not be a better use of public funds and our time if the ABS got its statistics directly from the ATO?

Yours faithfully

Madeleine Skerritt