

**Attn: Secretary of the Standing Committee on Employment and Workplace Relations
House of Representatives
Parliament House
Canberra
ACT 2600**

**Submission to the Standing Committee on Employment and Workplace Relations
Inquiry into employment: increasing participation in paid work**

Submitted by:

**Andrew Milchem
Managing Director Corston Pty Ltd
463 Greenhill Road
Tusmore SA 5065**

Contact Details:

**Andrew Milchem
Mobile:**

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON EMPLOYMENT
AND WORKPLACE RELATIONS

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Increasing participation in paid work.

About our business

I own and operate a domestic pool servicing business which consists of a small retail outlet and service vans to perform service work on domestic swimming pools. Our business is probably typical of the type and size of business that would be the target for placement of the short and long-term unemployed. The educational levels and entry skill levels are not high and the pay levels are generally at the lower end of the scale (when compared with construction site workers and more highly skilled workers).

I have experienced considerable difficulty in the recruitment of employees and we probably represent a large group of prospective employers who find the whole employee business so trying that we soldier on for as long as possible with a minimum of staff. With a different external environment the hiring of new staff would be much easier.

Increasing participation from the prospective employee perspective

To increase the level of participation in paid work requires the active participation of two parties, the employer and the employee along with the blessing of the governing authorities.

Clearly for the prospective employee there must exist a situation, which on net produces positive benefits. The most likely benefits to be sought are;

- Increased income
- Job satisfaction
- Improved prospects for future position and income

Tony Abbot has argued that those in receipt of welfare benefits who choose to move to some form of employment are the most highly taxed in our community. From my own experience in hiring staff I would agree. I have had numerous discussions with people who resent that I am paying them only \$2.00 an hour (this calculation being based on the difference between their welfare benefit and the wage I am offering them). Unfortunately my business doesn't receive welfare payments so the actual cost to me is their full wage-regardless of what they think!

Clearly as an employer I am competing against the welfare system for the person's time. My experience is that many are willing to work for a couple of days a week but are not prepared to work full time. This has caused substantial problems for our business in securing full time workers. Perhaps this explains in part the substantial rise in part time employment, which is not the result of employers requirements, as many assume, but rather employees who don't want too much work to impact on their welfare benefits.

Increasing participation from the employer perspective

From an employer perspective I am reluctant to hire from outside of our industry (ie I try to steal other peoples staff rather than recruit and train new staff) due to the commercial risks and the lack of government support with training in particular and employees in general.

My willingness and capacity to employ people would be increased if the government implemented the following measures;

- Removal of unfair dismissal rules for any business with less than 10 employees (I have been through this process and received no compensation for the false allegations made against our business)
- An increase in the tax-free income threshold would make low wage positions more attractive than they currently are. (On a moral basis one has to ask how any government can in conscience tax a person who is earning a wage near or below the poverty line). Any reduction in tax would clearly increase the benefit for those making the comparison between their welfare benefits and the wage on offer.
- Additional support for staff training in small businesses (currently the training allowances are negligible and do not account for the expense of the one on one training required in our industry due to the lack of any government or industry run training courses).
- A reform of the law regarding the definition of "Contractor". We would dearly like to employ more people on a contract basis, however the government has introduced all sorts of measures that seek to make any such arrangement defunct and give the contractor all the rights of an employee. Again any such reform could be limited to businesses of less than 10 employees thus helping the little guys without letting the big fish swim away. {As an example the law does not allow us to provide a van to a

contractor, the reality is that many people can't afford to make such a large purchase however they are prepared to work on a contract basis where they can make a lot more money if they put in a decent day's work – why does the government want to discourage such arrangements?}

- A proper reporting structure and financial assistance to businesses reporting welfare recipients who decline work. At present we have no incentive to report people who decline work, its only going to take time and money and I remain unconvinced that the Government really cares. If a proper reporting system existed then people would realise that every time that they declined paid work they could possibly have all payments stopped. Naturally as such reporting would involve time and expense to our business we would expect reasonable payment to justify us taking the time (and possible abuse involved) to report the person declining work.
- Provide an incentive for householders to use legitimate service companies instead of black economy operators. As a legitimate business we pay GST, Superannuation, workcover, award wages, taxes and bear a host of other costs that black-market operators don't have. I estimate that stamping out the black economy would triple our business. A simple incentive would be to allow for the full deductibility of minor household services up to \$1,000 per annum providing that the householder has taxation invoices for the services.

Summary

Government regulations and the like are the most influential of the external environmental factors that effect business. The employment decision is influenced by amongst other things;

1. Employment regulations and laws (unfair dismissal, maternity leave are just some examples)
2. Availability of labour (availability of labour for award wages in some categories is almost non-existent due to the Government essentially offering better "wages and conditions" for many people if they choose to remain on welfare benefits)
3. Compliance requirements (the general attitude appears to be that all people in business are out to rip off their employees, while the Government excepts no responsibility to properly inform businesses of the ever increasing list of compliances or to compensate small business owners for the costs of compliance)
4. Tax rules (GST has served to only improve the profitability of people offering black economy services while increasing compliance costs for law abiding businesses). The tax office has recently taken to telephoning me on weekends, which I find to be a highly offensive intrusion on my family time.

As an operator of a small business I face substantially higher operating costs (in terms of general management and statutory compliance costs) than larger businesses. The government provides no proper assistance and yet the small business sector is the largest employer in Australia. Any desire to increase participation in paid work must address the concerns of small business. It appears from conversations I have had with parliamentarians, suppliers and others that small business people are generally regarded as people of limited intellectual capacity who can therefore be easily duped, fobbed off or otherwise kidded into something. I believe the government's current stance reflects this view. I furthermore believe that until these views change, any changes made will be superficial and will not deliver the results expected.

The way forward is, I believe, reasonably clear. Whether or not this government, or any that follows, is serious about addressing participation in paid work remains to be seen. To date the performance of governments of all persuasions has been very poor in this area.