

Chapter 3

Small Business and Employment

...small firms do not set out to create employment; they take on employees out of necessity...it is not the number of small businesses or the jobs they create that is important but the quality and durability of both the business and the jobs.¹

Small business employment in perspective

3.1 Small business has made a major contribution to employment growth in Australia, as in other OECD countries² over the past two decades. This has generated a focus on the potential of the sector as an important source of new jobs. Increasing employment in small business should not, however, be an end in itself but rather a means of achieving the broader objective of increasing the number of quality and durable jobs in the economy as a whole.

3.2 Small business, collectively, is the largest private sector employer in Australia. In 2000–2001, out of a total of 6.9 million people employed in the private sector (outside of agriculture), 3.3 million or 47 per cent were working in small business either as employees or business operators. More than a third of these were business owners or operators ('own account workers' or partners in employing businesses). The remaining two thirds, were employees of small business, with most of these employed in businesses with more than four employees.³ It is apparent from these figures that self-employment is a major feature of the small business sector in Australia.

3.3 Medium and large business, however, employs more than 60 per cent of the *employees* (that is excluding owner-operators) in the non-agricultural private sector. Almost half of these were employed in large businesses, that is those employing 200 or more people. The relative employment contribution of small, medium and large business is illustrated in the following two charts. The first chart shows the total number of people, including small business owners, employed in each category of business; the second shows the total number of *employees* (that is excluding business owners) in each category.

1 Dr Tim Mazzarol, Chairman, Centre for Regional Innovation and Enterprise, *Hansard*, Albany, 18 July 2002, p. 96

2 *OECD Small and Medium Enterprise Outlook*, OECD, Paris, 2000, p. 7

3 ABS, *Small Business in Australia 2001, 1321.0, 2001*, p. 7

Figure 1—Total Employment: small medium and large business

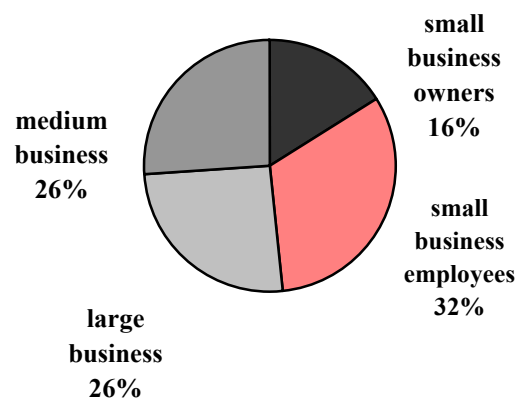
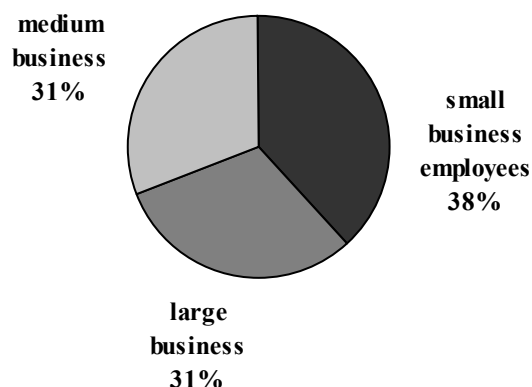


Figure 2—Employees only: small, medium and large business



[Data source: ABS, *Number of Businesses and Employment by Size of Business*, Industry Overview, 22 January 2002, pp. 1–2]

Trends in small business employment

3.4 From the mid-1980s to mid-1990s, small business accounted for a disproportionate share of new jobs (53 per cent of new jobs, out of an employment share of 47 per cent) and, as a result, increased its share of employment.⁴ Similar trends occurred in other OECD countries inspiring a new interest in understanding the small business sector and its role in economic and employment growth, particularly in the ‘new’ or post-industrial economy.⁵ Over the 17 year period 1983–84 to 2000–01, the average annual growth in employment in small business was 3 per cent, higher than the combined average growth rate in medium and large business of 2.5 per cent.⁶ However, for the three years 1997–98 to 2000–01, when employment growth in small business began to slow, the average annual growth in small business employment fell to 2.5 per cent.⁷ Employment growth in large business outpaced that in small business in the past few years.⁸

4 Productivity Commission, *Small Business Employment*, August 1997, p. ix

5 *OECD Small and Medium Enterprise Outlook*, 2000 Edition, OECD, Paris, 2000, p. 7

6 ABS, *Small Business in Australia 2001*, 1321.0, 2001, pp. 13–14

7 *ibid.*, p. 13

8 M. Priestley, Parliamentary Library Research Note: Small Business Employment, No 10, September 17, 2002. p.1

3.5 Interpreting employment trends in small business is complicated by ‘category shifting’. Category shifting occurs when a small business increases its employment to the point that it moves into the category of ‘other business’ (20 or more employees) or when an ‘other business’ decreases its employment to fewer than 20 employees. Small business employment can therefore increase as a result of additional employment being created by small business or downsizing or disaggregation by larger businesses.⁹

3.6 Employment growth in small business is therefore not necessarily a positive indicator because it may be the result of other, less desirable, changes in the economy. For example, the small business share of employment tends to increase in times of recession, sometimes quite sharply,¹⁰ due to labour shedding by larger businesses along with a tendency for small business to reduce staff hours rather than staffing numbers in times of economic downturn.¹¹ There is also the tendency for small business to function as a ‘labour sponge’¹² or haven from unemployment.

3.7 Other structural changes in the economy and the labour market can also have an effect on small business employment share. Outsourcing and downsizing by both government and large private sector employers and the growth of the non-standard workforce have both contributed to a shift towards self-employment and growth in the business services segment of small business. Technological change, including the advent of the internet and powerful personal computers has altered the costs of production in some industries and also opened up new opportunities for small business to service more dispersed markets. In other industries, including grocery retail and some of the motor trades, the increasing concentration of large business has led to a reduced small business employment share.¹³

3.8 The OECD, noting that the size of the average enterprise has decreased in recent years, has speculated that the increasing employment growth in small and medium enterprises since the 1980s may reflect fundamental structural changes in developed economies and the emergence of the ‘new economy’.¹⁴ Another view is that the changes are temporary and ephemeral, reflecting a phase in the economic cycle. This is supported by evidence that, over the longer term, the small business share of employment has remained relatively stable, as well as a recent slowing of small business employment growth.¹⁵ The Australian experience over the past two

9 Productivity Commission, *Small Business Employment*, August 1997, p. 6

10 *ibid.*

11 This may reflect the ‘more personal’ nature of employment relations in small business compared with other business, in the AWIRS survey (Productivity Commission, *Small Business Employment*, August 1997, p. 66).

12 Productivity Commission, *Small Business Employment*, p. 75

13 *ibid.*, p. 42

14 *OECD Small and Medium Enterprise Outlook*, 2000 Edition, OECD, Paris, 2000, p. 8; *SMEs: Employment, Innovation and Growth*, the Washington Workshop, OECD, Paris 1996, p. 9

15 B. Harrison, *Lean and Mean—the Changing Landscape of Corporate Power in the Age of Flexibility*, Basic Books, US, 1994; Productivity Commission, *Small Business Employment*, 1997, p. 13

decades appears to offer some support for this view: the proportion of businesses with less than five employees has not changed in the sixteen years between 1984 (when it was 81.47 per cent) and 2000 (when it was 81.46 per cent).¹⁶ ABS data for 2001 also highlight the fluctuating nature of employment trends in small business over time: for example, the number of non-employing businesses decreased between 1997–98 and 1998–99 and then increased each year from 1999 onwards.¹⁷

3.9 This analysis underlines the need for caution when drawing any hard and fast conclusions from the recent slowing in the growth of small business formation and employment. Between 1997–98 and 2000–01, the average annual growth in the number of small businesses was 2.7 per cent, below the average annual rate of 3.5 per cent for the period 1983–84 to 2000–01; and, as noted, total small business employment increased at an average rate of 2.5 per cent compared with an average of 3 per cent over the period 1983–84 to 2000–01.¹⁸ The slower growth in small business employment appears to be mainly the result of a slower growth in the number of employers and own account workers in small business, as the growth in small business employees was on a par (0.1 per cent below) with the 17 year average.¹⁹ There could be several explanations including a move out of ‘involuntary’ self-employment in a more favourable employment market. Another possibility is that deeper structural changes in OECD economies such as Australia may be eroding some of the advantages enjoyed by small business, particularly in the services sector, during the 1980s. For example, in the USA and Japan larger businesses have started to increase their share of the services sector at the expense of small business.²⁰ An analyst has suggested that, in the USA, the long-term small business share of total employment will soon settle to about the same level as in the 1960s.²¹

3.10 The point of this analysis is to underline the complex factors that play a role in determining overall employment levels in the small business sector, including structural changes in the economy, and our limited understanding of how these operate. This implies the need for a degree of caution about the scope for government policies or interventions to increase employment in small business, other than at the margins, as well as the need for a better information base. The Productivity Commission report on small business employment put it this way:

It is...therefore a true, albeit glib, assertion that if every small business took on one more employee, there would be no unemployment problem. But this sort of simple arithmetic ignores more fundamental and interesting questions about the role of small business in employment generation...[it]

16 Submission No. 77, Mr Brian Gibson, p. 2

17 ABS, *Small Business in Australia 2001*, 1321.0, 2001, pp. 14–15

18 *ibid.*, p. 13

19 *ibid.*

20 Productivity Commission, *Small Business Employment*, p. 13

21 B. Harrison, *op. cit.*, p. 13

may be due to shifts in demand for services where small business has a comparative advantage.²²

3.11 The Office of Small Business in its submission noted that ‘there has been limited research on the factors that affect small business employment and barriers that prevent small business taking on new employees’.²³ The Business Growth and Performance Survey, known collectively as the Business Longitudinal Survey, which was conducted from 1994–95 to 1997–98, was partly designed to remedy that deficiency. The survey captured information on the growth and performance of Australian employing businesses along with selected economic and structural characteristics of those businesses. Information from the survey has been used by Austrade to develop a better understanding of the export performance of small business and by the Office of Small Business to identify the extent to which new and existing businesses are responsible for generating employment.²⁴

3.12 Although it has been a valuable source of information on small business, the survey was discontinued in 1999. At the time small business advisers, including CPA Australia, argued that the decision was short-sighted because of the unique and valuable data about small business the survey provided. CPA Australia commented that:

If the BLS is axed we must expect that in future businesses will suffer from poor and ill-conceived policy decisions...small business performance is likely to become a guessing game.²⁵

3.13 In response to a question on this issue from the committee, the Productivity Commission advised that the survey, while involving a higher compliance burden than many other surveys, provides some useful insights into business dynamics and overcomes the problem of ‘category shifting’. The Commission also noted that the survey had been designed to minimise compliance costs as far as possible. In summary, it advised that:

Overall, the BLS has proved to be a useful survey that has been ‘mined’ by public sector and university researchers for some rich insights into business dynamics. Clearly the dataset is now somewhat dated, though it is still being used. A further similar survey would enable examination of contemporary issues and has the potential to make a significant contribution to the analysis of many policy-related matters.²⁶

3.14 The committee acknowledges that surveys can add to the paperwork burden on small business and should only be undertaken where the benefits clearly outweigh

22 Productivity Commission, *Small Business Employment*, p. 1

23 Submission No. 71, Office of Small Business, p. 4

24 *ibid.*, p. 16

25 CPA Australia, ‘Government Must Reinstate Small Business Surveys Say CPA’, *Media Release*, 2 March 1999 at: www.cpaonline.com.au/Archive/mr1999/pg_mr990302.html

26 Productivity Commission, response to Questions on Notice, 15 November 2002, p. 2

the costs. However, in view of the significant potential for a survey of this kind to lead to more informed policy formulation, including for strategies to increase employment in small business, the committee considers that the survey should be resumed, in close consultation with the small business community to ensure that any compliance burden is minimised.

Recommendation Two

The committee recommends that the Commonwealth Government resumes the Business Longitudinal Survey, in close consultation with the small business community.

3.15 Following sections of this chapter assess the views presented to the committee on factors that could provide more favourable conditions for employment growth in small business.

Characteristics of employment in small business

3.16 When assessing small business' contribution to employment, it is also important to consider the nature and quality, as well as the number of jobs. Lower quality jobs can act as a brake on employment growth in the longer term because they may restrict the capacity of small business to recruit and retain skilled employees. This can, in turn, reduce productivity. Key elements of job quality include job security, skill levels, wage rates, employment conditions, and training and development opportunities.

3.17 Employment in small business, like small business itself, can be highly volatile. New businesses account for almost half of all the jobs created by small business. As a result, job security can be very limited, particularly in the years soon after business formation when the risk of business failure is relatively high. Measures that would promote more sustainable small businesses can therefore contribute to more durable jobs.

3.18 Jobs in small business have generally been considered to be of lower quality than jobs in large businesses.²⁷ The ACTU submitted that employees of small business are generally paid 34 per cent less than those in large firms.²⁸ A community-based organisation in regional Western Australia told the committee that:

The quality and sustainability of employment created by small business particularly in smaller rural communities is tenuous at best and is often casual or part-time dependent on seasonal conditions. Even in larger centres where work is often slightly more secure the employment opportunities can

27 Productivity Commission, *Small Business Employment*, p. 61

28 Ms Sharan Burrow, President, ACTU, *Hansard*, Melbourne, 24 July 2002, p. 223

still be casual or part time with jobs that are low skilled or have limited career potential.²⁹

3.19 There could be several reasons for this, including the greater reliance of small business on awards for setting terms and conditions of employment, the prevalence of low skill jobs and the limited financial resources of many small businesses. By definition, small business generally offers less scope for career development and progression than large business.

3.20 At the same time, there are also many well-paid, highly skilled professional and trades jobs in small business, for example in pharmacies, engineering firms, consultancies and information technology firms. Small businesses that export regularly are likely to pay higher wages and provide better terms and conditions than other small businesses.³⁰

3.21 Employment practices and relations in small business have been characterised as personal, informal and less sophisticated than in larger business, reflecting the lack of management layers, the small size of the workforce and owner's personal involvement with all aspects of the business. Small business owners also have high expectations of their employees: they expect their employees to contribute a similar level of loyalty, commitment and work ethic as they do.³¹ One submission noted that:

In small business, every employee plays a significant role and has a real impact—positive or negative—on business performance and, therefore, is vitally important. On the other hand, employees want the best return from employment. They may see multi-tasking as a burden, and they often do not see small business employment as maximising their potential; it is rarely their first choice.³²

3.22 These high expectations are not always matched by a capacity to offer a competitive remuneration package, and this can make it more difficult for small business to attract and retain staff. On the other hand, the more personal management style of small business can be an attraction for some employees. CPA Australia argued that small business needs to capitalise on its capacity to offer staff more flexible employment conditions, such as flexible hours, family friendly environments, job sharing, training and development opportunities, equity incentives, management responsibilities and succession options. Their recent survey of small business suggested that there is a trend in this direction.³³

3.23 The committee notes in this context that a universal, government-funded paid maternity leave scheme could benefit small business by enabling it to match an

29 Submission No. 23, Great Southern Area Consultative Committee, p. 3

30 Mr Tim Harcourt, Chief Economist, Austrade, *Hansard*, Sydney, 15 August 2002, p. 664

31 Ms Judith Hartcher, Business Policy Adviser, CPA Australia, *Hansard*, Melbourne, 24 July 2002, pp. 200–01

32 *ibid.*

33 Submission No. 18, CPA Australia, p. 6

important benefit offered by many larger employers, at no significant cost to the business. While employees of small business are already eligible for the standard period of unpaid maternity leave, small businesses and their representatives made it clear to the committee that they do not have the capacity to cover the costs of an *employer-funded, paid leave* entitlement. One consequence is that, as more large and medium employers begin to offer paid maternity leave, small business may be left behind and become less attractive as an employer. The committee was told that Business and Professional Women Australia supports a universal, government-funded maternity leave scheme as a means of ensuring that all working women, including the self-employed and small business employees, have access to paid maternity leave.³⁴

3.24 Training and development opportunities contribute to both the quality of jobs and the level of innovation and productivity in the business. But small business is dramatically under-represented in formal training: 10 per cent of micro-businesses, which account for the lion's share of employment in small business, undertook formal training in the late 1990s compared with more than 80 per cent of large businesses.³⁵ Small business is more actively involved in informal training,³⁶ and this may be an appropriate outcome for some small businesses that are based on a 'low cost, low skill' business model. For many other small businesses, however, survival and growth will depend on their capacity to innovate and continually increase productivity, in order to remain competitive. Training, both formal and informal, will play an important role in this area. This issue is discussed in more detail in Chapter 5.

3.25 There has been a trend towards casual employment in small business over recent years. CPA Australia's survey found that 35 per cent of small business employ casuals and 24 per cent of these will employ more next year. A range of reasons was mooted, including the desire to avoid coverage of unfair dismissal laws, but the most common motivation appears to be a desire for flexibility and the capacity to adjust employment and costs in line with fluctuating demand and turnover.³⁷ This is in line with the general evidence from small business people and their representatives. At the same time, many small businesses recognise that too great a reliance on casual labour can adversely affect business performance.³⁸ A representative of the Melbourne West Consultative Committee told the inquiry that:

...a number of small business responses indicated that they needed to employ more casual labour and subcontractors because they needed the labour flexibility to try and maintain or control costs. However, quite a

34 Mrs Mary Dean, Vice President, BPW Australia, *Hansard*, Launceston, 26 July 2002, p. 416, 426; BPW Australia, *Media Release*, 27 April 2002 (tabled documents)

35 Kearney, P., *Size Matters—Small Business, Small Workplaces*, National Summative Evaluation Report of the Small Business Professional Development Programme 1996–2000, Commonwealth of Australia 2000, p. 7

36 Kearney, *Big Pictures from the Small End of Town*, 1998 Small Business Professional Development Evaluation Report, Commonwealth of Australia, 1999, p. 14

37 Submission No. 18, *op. cit.*, pp. 3, 9

38 *ibid.*, p. 3

number of respondents said that they were not interested in employing casuals or contractors and that it was very important for them to have full-

time, permanent staff because they were concerned that they maintain their skills and produce quality products. I think that was quite an interesting finding: the tension between those two.³⁹

3.26 There is some evidence that small business over-estimates the flexibility and cost savings associated with casual employment, because of a misunderstanding of employment obligations owed to casual employees. CPA Australia suggested the development of tools that would enable small business to make more informed cost-benefit calculations of various forms of employment.⁴⁰

3.27 A witness from Business Enterprise Centres in South Australia (BEC SA) gave an interesting illustration of the role that job quality can play in employment and productivity in an industry. Employers in the market garden industry north of Adelaide have been trained in human resources management and ways of restructuring jobs to provide full-time employment. The project shows promise of overcoming the staff shortages that have plagued the industry because of low pay and poor employment practices.⁴¹

Comment

3.28 The committee believes that the quality of the jobs in small business is as important as the number of jobs created. Many small businesses are unable to offer the same wage rates or employment conditions as larger businesses. However there is scope for them to improve the quality of jobs through measures such as more flexible working conditions, better training and job design, and reduced reliance on casual employment. Better quality jobs have the potential to enhance small businesses' capacity to recruit and retain skilled staff, increase their productivity and performance, and thus generate more sustainable employment. Government could assist in a range of ways, including developing information and training for small business on the relationship between job quality and productivity. Specific measures such as a tool to assist small business to assess the costs and benefits of different employment options, as suggested by CPA Australia, should be considered.

Recommendation Three

The committee considers that the governments should promote awareness among the small business community of avenues open to them to improve business performance and to enhance their attractiveness as employers through improving the quality of jobs without necessarily adding to costs.

39 Mr Michael Iaccarino, Executive Officer, Melbourne West Area Consultative Committee, *Hansard*, Melbourne, 24 July 2002, p. 304

40 Submission No. 18, op. cit., pp. 4, 17

41 Submission No. 88, Business Enterprise Centres SA Inc., p. 2

Factors that influence employment in small business

3.29 Several surveys in recent years have reported on small business employment intentions. These include the Yellow Pages survey of small and medium business by Pacific Access, the employment survey of small business and their accountants by CPA Australia, and the business survey by the Australian Chamber of Commerce and Industry. As the results have been canvassed widely in the media and in the context of debates on unfair dismissal laws, this report will not attempt to recover the same ground, although may draw on some of the survey findings as appropriate. As a general caveat, the committee notes that the main evidentiary value of surveys is to provide a snapshot of small business opinions.

3.30 A clear message from all surveys and from evidence presented to the committee is that, while the factors that determine employment trends in the small business sector are complex, business growth is an essential precondition.⁴²

Business growth

3.31 Like business everywhere, small business will generally only employ more people either in response to, or anticipation of, increasing sales or profitability. The Yellow Pages survey identifies a lack of sales or demand as the most important impediment to increasing employment and as a key factor in decisions to reduce staffing.⁴³ Sales, profitability and productivity are in turn dependent on a range of other factors including the economy and the regulatory environment as well as the skills of the owner and employees. Growth prospects also depend on factors specific to industry sectors.

3.32 Evidence to the inquiry suggested that businesses in labour-intensive industries dominated by small firms, such as the restaurant and catering industry may be more likely to translate any increase in sales or profits into increased employment.⁴⁴ Small businesses in competitive environments with price-driven markets, such as the grocery retail sector, may have limited scope to grow their profits and therefore employment.⁴⁵ The National Association of Retail Grocers of Australia (NARGA) cited research from 1999 indicating that, in the retail grocery sector, for every job that is created in the major retail chains, 1.7 jobs are lost in the independent retail sector, presumably because small grocers, lacking the economies of scale of the majors, are more labour-intensive businesses.⁴⁶ The increasing market concentration of the major chains therefore has an adverse effect on employment levels overall as well as employment in the small business sector.

42 Dr Timothy Mazzarol, op. cit., p. 96

43 Submission No. 48, Pacific Access, p. 4

44 Submission No. 19, Restaurant and Catering Association, p. 9

45 Submission No. 36, Canberra Business Council, p. 4

46 Mr Alan McKenzie, Director, National Association of Retail Grocers of Australia, *Hansard*, Canberra, 8 October 2002, p. 880

3.33 Cost structures are also important. Tenancy costs are a major cost item for retailers, particularly those in large shopping centres. The Australian Retailers' Association (ARA) submitted that these costs have increased significantly in recent years, particularly for small, speciality retailers, as the result of what they describe as a monopoly hold on shopping centre development by the major shopping centre developers. The ARA estimates that the higher tenancy costs translate into a loss of between 11,000 and 30,000 jobs.⁴⁷

3.34 Government policies and regulation can influence cost structures and business profitability in a range of ways. Compliance costs associated with government regulation add to the costs of doing business and reduce profitability, particularly where businesses are unable to pass on the additional costs. As previously mentioned, a recent CPA Australia survey of identified compliance costs as the greatest risk for business profitability.⁴⁸

3.35 A witness from the Council of Small Business Organisations of Australia (COSBOA) explained how the compliance costs associated with the GST affect employment, particularly for small businesses employing three or four people, where:

...the key man should be out there getting work, ensuring he has got continuity of work for employment. This links back into employment. The only way he can be guaranteed of employing people is by guaranteeing a flow of work. The best way that a key man in a small business can guarantee a flow of work is by not being diverted by unnecessary administrative things. The small business community has been made a tax collector and the burden falls more heavily on them. This is why COSBOA is suggesting that they get to keep some percentage of the GST—I think they have mentioned 2½; I have just forgotten—to recognise that difference.⁴⁹

Growth aspirations and business management expertise

3.36 Many witnesses argued that the management skills or capacity of the owner is the main determinant of business growth. These comments from the Far North Queensland Area Consultative Committee are typical:

...the key factor that prevents small businesses from employing more people is simply the lack of ability of small businesses to reach their true potential in production and profitability. This lack of ability stems from small business owners and managers lacking the skills and discipline to manage the more administrative side of their business as distinct from the technical side...Out of 400 business people counselled an estimated 90 per cent of

47 Submission No. 4, Australian Retailers Association, pp. 6–8

48 CPA Australia: *Small Business Survey Program: Perceptions of Risk*, August 2002

49 Mr Peter Middleton, Member, Council of Small Business Organisations of Australia, *Hansard*, Canberra, 6 August 2002, p. 527

these were struggling with their businesses because of a lack of strategic planning.⁵⁰

3.37 Witnesses who took this view, including the Canberra Business Council, argued that the best way to encourage increased employment by small business is for governments to support programs to enhance the general business skill levels of small businesses: ‘This means government support through appropriately delivered programs of financial management, marketing and other specific business skills’.⁵¹

3.38 Participants in a roundtable discussion between the committee and small business advisers and counsellors took a similar position:

Mr Peters...The common denominator of all of these failings is the business principal’s lack of skills. If I were to invest my time and effort, I would invest it first in the business principal before anybody or anything else. If you want change, you start from the top.

CHAIR—Do you all agree with that?

Mr Small—Yes, definitely.⁵²

3.39 These views are supported by research on small business development. An OECD study of Small and Medium Enterprises (SMEs) and employment concluded that governments need to explore ways to encourage entrepreneurial activity and promote training to maximise the employment and growth potential of the sector.⁵³ The 2001 Global Entrepreneurship Study of Australia found that education, along with experience, is considered to be the main way to improve entrepreneurial capacity.⁵⁴

3.40 Not all small businesses have the desire and capacity to grow, even given the necessary management expertise. According to the Yellow Pages surveys, there is a strong, although not determinative, relationship between business growth aspirations and employment growth: some small businesses with no growth aspirations do increase employment.⁵⁵ Mr Brian Gibson stated that a significant proportion of small businesses choose a ‘capped growth’ path and will not grow their business (or employment) beyond a set target under any conditions.⁵⁶ This may reflect a preference for independence, both from financial accountability to lenders or investors and from management responsibilities:

50 Submission No. 38, Far North Queensland Area Consultative Committee, p. 1

51 Mr Craig Sloan, Vice Chairman, Canberra Business Council, Hansard, Canberra, 6 August 2002, p. 473

52 *Hansard*, Roundtable, Sydney, 14 August 2002, p. 636

53 *SMEs: Employment, Innovation and Growth, the Washington Workshop*, OECD, Paris, 1996, pp. 7–8

54 K. Hindle and S. Rushworth, *Global Entrepreneurship. Monitor Australia 2001*, Yellow Pages, p. 28

55 Submission No. 48, op. cit., p. 7 (Table 4)

56 Submission No.77, op. cit., pp. 1–2

They do not like an employer-employee relationship, so they seek to break out of that by going into business and maintaining independence.⁵⁷

3.41 The witness from Pacific Access argued that addressing the impediments to employment growth for these companies can be futile because:

They are in business for family, lifestyle, social, working-hour issues—a whole range of things. The issue that I really wanted to stress in part today is that you have to understand the mindset of those businesses, otherwise, if you are trying to apply certain filters over that and trying to interpret what the key employment barriers are, you may come up with the wrong conclusions, because they do not want to grow.⁵⁸

3.42 Similarly, the Business Enterprise Centres (BECs) in Western Australia, argued that government policy should recognise that few small businesses will actively seek to employ large numbers of workers and most will be focused on life-style rather than growth: ‘Attention should be given to encouraging those enterprises that have the potential for growth and therefore employment.’⁵⁹

Proportion of businesses seeking growth

3.43 The committee heard varying estimates of the proportion of small business with the aspiration and capacity to grow.

3.44 On one academic model of small business growth, small and medium businesses can be classified into three main growth paths:

- Traditional SMEs: these follow a low growth path and generally have few if any growth aspirations and exist principally to provide their owners with a source of employment and income (70 per cent of small and medium enterprises).
- Capped growth SMEs: these follow the moderate growth path. Growth is often capped to the point that limits dependence on external financing (25 per cent of small and medium enterprises).
- Entrepreneurial SMEs: these follow a high growth path and are often associated with entrepreneurial attitude and technical and commercial innovation (5 per cent).⁶⁰

3.45 Of the 61 businesses surveyed by the West Melbourne Area Consultative Committee, 87 per cent indicated that they had not changed their employment mix in

57 Mr Brian Gibson, *Hansard*, Sydney, 14 August 2002, p. 574

58 Mr Steven Shepherd, Senior Economist, Pacific Access, *Hansard*, Melbourne, 25 July 2002, p. 332

59 Submission No. 40, Western Australia BEC Managers, p. 4

60 J. Jones, ‘Business Growth and Industrial Relations and HRM Practices: a Longitudinal Study of Australian Manufacturing SMEs’, *Research Paper Series:01-6*, Flinders University, School of Commerce, ISSN 1441-3906

recent years,⁶¹ suggesting that only 13 per cent had grown. CPA Australia interpreted its survey results to suggest that:

...about 18 per cent of small businesses have the capacity to grow; closer to 40 per cent or 50 per cent will not grow, no matter what. In our survey, 10 per cent of businesses said that they would not employ—nothing would make them employ and they had no intention of ever employing.⁶²

3.46 The Pacific Access survey results suggest that around 50 to 60 per cent of small and medium businesses are seeking growth of some unspecified kind and that these are more likely than other businesses to be increasing employment, as the following table illustrates:⁶³

TABLE 2—Impact of SME Growth Strategies on Employment Trends (1998 to 2002)

Period	May 1998			August 2000			May 2002		
	Up	Down	Total	Up	Down	Total	Up	Down	Total
SMEs seeking growth	79%	51%	61%	66%	52%	51%	77%	51%	61%
SMEs not seeking growth	21%	49%	39%	33%	45%	48%	23%	49%	39%

3.47 The spread of results from these surveys and other sources suggests that anywhere up to 50 per cent of small business are likely to grow to some extent, albeit growth may be quite limited in many cases. Conversely it appears that around half or more of small businesses are unlikely to grow under any circumstances. These are likely to be those on the moderate or capped growth path which have reached a set limit.

3.48 High-growth businesses, sometimes known as ‘gazelles’ are an important subset of growth-oriented businesses and, along with new small businesses, known as ‘mice’, are considered responsible for most of the employment growth in the sector. Gazelles are estimated to represent usually 5 to 10 per cent of small business but have a disproportionate impact on employment growth in the sector.⁶⁴ No definition of a gazelle or high growth firm was presented to the committee, although an international study suggests that ‘high growth start-ups’ are likely to employ 50 people within five

61 Mr Michael Iaccarino, op. cit., pp. 303–04

62 Ms Judith Hartcher, op. cit., p. 201

63 Submission No. 48, op. cit., p. 7

64 Productivity Commission, *Small Business Employment*, August, p. 29

years.⁶⁵ A recent survey estimated that 5 per cent of Australian start-ups are in this category, which places Australia fourth in an international ranking of this dimension of entrepreneurship.⁶⁶

Implications for policies aimed at employment growth

3.49 International research indicates that, across the board, most of the employment growth in small business comes from the formation of new firms and the expansion of the small group of high growth firms. At the same time, the picture may differ significantly from region to region, so that in rural or remote areas, for example, existing businesses, that are not necessarily high growth, may make the greatest contribution to employment. There are various points at which management support may be useful.

3.50 Several witnesses suggested that a focus on high growth firms is likely to generate the greatest benefit in terms of employment outcomes.⁶⁷ This assumes that they can be readily identified. Evidence to the committee on this matter suggested that this is not easy to do. Mr Brian Gibson advised that he was not aware of any reliable way of identifying these firms⁶⁸ and considered there was a need for more research in this area. The Capital Region Enterprise and Employment Development Association (CREEDA) also argued for increased research to develop a better understanding of factors affecting the growth potential of small business.⁶⁹

3.51 Dr Tim Atterton told the committee that policy could also usefully focus on a subset of business that is not realising its potential to grow substantially. There is, in his view, a significant number of ‘growth’ or ‘premium’ small businesses in ‘steady state’ mode that have the desire and capacity to grow but lack the management skills to achieve their goals. These businesses need more management education and support to help them overcome the barriers to sustainable growth.⁷⁰

3.52 Another witness identified the need for support to exporting businesses that reach a point where they must make careful decisions about whether to expand their capacity in the hope of generating additional sales.⁷¹ A small business adviser also identified the scope for increased growth in those micro-businesses that are capped ‘simply because of incompetency’:

When I say that, I do not mean it cruelly; I mean they just do not know how to do better. A lot of micro businesses that I have come across would love to

65 Hindle and Rushworth, *Global Entrepreneurship. Monitor Australia 2001*, Yellow Pages, p. 21

66 *ibid.*

67 Submission No. 77, *op. cit.*, p. 4; see also Submission No. 89, CREEDA, p. 2 which argues for an increased focus on these businesses

68 Submission No. 77, *op. cit.*, p. 4

69 Submission No. 89, CREEDA, p. 2

70 Dr Tim Atterton, *op. cit.*, p. 959

71 Associate Professor Ann Hodgkinson, *Hansard*, Sydney, 14 August 2002, p. 612

know how to grow, but they simply do not and they live a life of frustration and misery, too often.⁷²

3.53 Management or business development assistance can help some businesses realise their growth aspirations. It can also help others that are on a growth path to manage their growth successfully: the committee heard evidence from a number of sources that successful small businesses may subsequently fail because of an inability to manage growth.

3.54 Evidence from Austrade suggests that a focus on small business with the capacity to export also has the potential to grow employment. Small and, in particular, micro-businesses are now entering the export market more rapidly than medium or large exporting businesses. Austrade research indicates that increasing the numbers of these businesses will mean more small businesses with better growth prospects and an enhanced capacity to create more jobs.⁷³

3.55 According to the Business Longitudinal Study for 1997–98 (latest period for which data is available), new businesses are responsible for almost half (46 per cent) of all employment generated by small business: 224,000 jobs in 1997–98.⁷⁴ One policy implication is that strategies for increasing employment in small business need to have a strong focus on facilitating the formation and survival of new small business.

3.56 Taken together, the evidence seems to suggest that a multi-pronged approach may be necessary to reflect the various paths to growth and the areas of untapped potential in small business. In similar vein, a witness argued the need to recognise that enterprises grow—and therefore grow employment—in three ways:

- new enterprises starting up which are taking advantage of sustainable competitive advantages such as natural or cultural assets;
- expansion of existing enterprises; and
- small business that kick forward because they are able to tap into national or international markets.⁷⁵

3.57 Different forms of intervention may also be necessary to help realise small business potential. The Western Australian Business Enterprise Centre suggested that industry development strategies should form part of government approaches to increase employment, particularly in regional areas, where small industries dominate.⁷⁶ A number of witnesses highlighted the benefits of strategies such as the development of business clusters and networks. These can take different forms from

72 Mr Kit Peters, *Hansard*, Roundtable, Sydney, 14 August 2002, p. 635

73 Submission No. 58, Austrade, p. 4

74 Submission No. 71, op. cit., p. 16

75 Mr Michael Edgecombe, Executive Officer, SA Regional Development Boards SA, *Hansard*, Adelaide, 10 October 2002, p. 948

76 Submission No. 40, op. cit., p. 3

general information sharing to closer collaboration between businesses to pool expertise and capacity as a means of generating efficiencies or servicing new markets. OECD research suggests that clusters and networks offer significant promise as a means of promoting innovation and enterprise development in small and medium enterprises.

Comment

3.58 The evidence on the growth potential of small business, like much else in small business, presents a very mixed picture. The consensus of opinion among academics and those working with small business suggests that a proportion of small business has no intention of growing employment, or expanding beyond certain limits, although it is difficult to estimate the precise size and characteristics of this segment. One implication is that extreme care needs to be taken in extrapolating the results of surveys of employment intentions from a sample of small businesses to the sector at large. The evidence also suggests that government assistance in developing the management expertise of small business and through industry, regional development and export initiatives, and in reducing the burden of compliance, may assist small businesses to realise their growth potential. The different needs and circumstances of small business, and the range of paths to growth, will require a diverse range of assistance mechanisms and greater flexibility within business support programs to accommodate these needs and circumstances.

Barriers to employment

3.59 The full employment potential of businesses with growth aspirations and capacity may not be realised if there are barriers to employment. According to Pacific Access, companies with growth aspirations are more likely to identify impediments to employment,⁷⁷ presumably because they satisfy the other preconditions for employment growth. Pacific Access submitted that the government should give greatest weight to the issues and concerns of growth-oriented businesses and focus on the key barriers they have identified, mainly lack of sales and finding suitable staff.⁷⁸

3.60 A similar approach was taken by Mr Brian Gibson who argued that:

While business owners may express concern about issues such as employment it is unlikely that correcting the problems will result in significant changes in employment levels. The problems identified by small firms are undoubtedly identified in good faith. However while they may inhibit additional employment at the margin or encourage an alternate employment mix (full time or casual), they are unlikely to overcome the capped growth approach to business operations that is so dominant in the sector. Even if all the apparent barriers to employment were removed, the

77 Submission No. 48, op. cit., p. 1

78 *ibid.*, pp. 1–2

vast majority of small firms in Australia would not actively pursue growth resulting in employment generation.⁷⁹

3.61 With those caveats in mind, evidence to the committee identified a number of impediments to employment across the sector. These generally included both external and internal factors. One list comprised:

- time-poverty—this is where government regulation really hits;
- limited access to personal and investor capital;
- uncertain cashflow streams—this is amplified in regional economies by fluctuations in commodity markets;
- a shortage of skilled tradespersons and professional skills;
- the costs of employing, including recruitment, training, leave and conditions, insurance and superannuation, and payroll tax;
- the potential negative consequences of employing staff if problems arise;
- a shortage of the enterprise skills required to grow businesses; and
- limited or inadequate regional infrastructure, particularly constrained electricity and water networks, lack of filtered water, lack of piped gas, and sub-standard telecommunications services.⁸⁰

3.62 Other submissions identified the costs involved in bringing infrastructure up to an acceptable compliance and quality standard, particularly in industries that are capital intensive or dependent on specialised equipment, cash flow, technology, management skills and the costs of factory/office space.

Regional development

3.63 Chapter 2 noted that location can play an important role in determining the growth prospects for small business. In regional areas the fate of the region and its small businesses are closely intertwined. Submissions from the southwest of Western Australia highlighted the difficulties facing small business in a region where agriculture has suffered a severe downturn in recent years. The market and profit margins for small businesses had been reduced as a result. Some submissions argue that rural small businesses should be eligible for income supplements or assistance on a similar basis to agriculture in such circumstances. Others highlight the potential for various interventions, such as clustering and mentoring, to assist rural small business to develop new or substitute markets or improve profitability and viability in other ways. The common message was the need for some form of assistance to non-agricultural small business in agriculture-dependent regions experiencing drought or serious downturn, as a complement to assistance provided to agriculture.

79 Submission No. 77, op. cit., p. 4

80 Submission No. 95, Adelaide Hills Regional Development, pp. 2–3

3.64 Many submissions also emphasised that higher cost structures and limited infrastructure in many parts of regional Australia are impediments to small business growth. This can further constrain economic growth in the region. These submissions argued for increased government investment in regional areas, in both physical infrastructure and education and training opportunities, to provide a more favourable environment for small business growth. The committee notes that the Regional Business Development Analysis currently in progress will be examining the options for development of sustainable regional businesses.⁸¹

Access to finance

3.65 Although access to finance did not figure as one of the most prominent issues in the inquiry, lack of access to finance on reasonable terms is clearly a growth inhibiting factor for many small businesses. Access to start-up capital is a particular problem for those business intenders who lack the capital or resources to secure against borrowings. This issue is discussed in more detail in Chapter 4.

The effect of regulation generally, including cash flow issues

3.66 Regulation can affect the capacity of small business to employ more people in several ways. Funds spent on compliance can affect cash flow and reduce profit margins, making businesses more wary about absorbing additional costs. Compliance with regulations is seen as an ‘unproductive’ activity which eats into managers’ time. One business proprietor singled out the effect of the GST, and the requirement to pay out money that has not been yet been collected:

In terms of cash flow—and I know one of the terms of reference for the inquiry was about small businesses’ ability to employ people—if you are constantly struggling with your cash flow, your ability to employ people is crippled because you think, ‘Sure, I’ve got the business, I’ve got enough work to take on an extra person but I’m not sure that I’m going to be able to pay them. My cash flow is on a roller-coaster ride because I have to pay out money I haven’t collected.’⁸²

Recruitment-related issues

3.67 Surveys consistently find that small business has difficulty recruiting staff with the appropriate skills and attitudes. This maybe the single greatest impediment to increased employment by those businesses with the desire and capacity to grow. According to CPA Australia estimates, a shortage of skilled and motivated employees is an impediment to employment growth in 52 per cent of small business.⁸³ Various reasons are suggested. One witness noted that ‘for the right people, there is no career path, so attracting good people to small business is an inherent problem in the first

81 Submission No. 96, Department of Transport and Regional Services, p. 1

82 Ms Suzanne Sheil, *Hansard*, Roundtable, Sydney, 15 August 2002, p. 689

83 Submission No.18, op. cit., p. 3

place'.⁸⁴ Another submitted that TAFE graduates, who provide the main pool of potential employees, lack the required level of skills, implying a training deficiency.⁸⁵

3.68 The reluctance of small business to invest in training, and a preference for employees who are fully trained, can also act as a brake on employment, as the pool of such employees is limited. CPA Australia recommended more research into the employment needs of small business and in particular the attributes and skills that small business is seeking in its employees, and for these to be articulated to schools and training providers.⁸⁶ The committee considers that there is much merit in this proposal.

3.69 Current employment services arrangements are also an impediment to recruitment, according to the Melbourne Development Board, because the number of different employment programs and Job Network providers presents a maze too complicated for many small businesses to navigate.⁸⁷ Restaurant and Catering Australia was also sceptical about Job Network's capacity to meet its members' needs, suggesting that the agencies appeared to concentrate on larger employers, who are presumably more profitable clients.⁸⁸

3.70 Small businesses may also find it difficult to recruit staff because they do not know how to accurately determine the skills they require in an employee. This is not surprising: as noted, small business managers have many roles and responsibilities but few have the specialised human resources expertise usually found in the corporate areas of larger companies. However, most industries have developed packages outlining the competencies and key performance indicators that are needed for the major occupations. These could be a very useful tool for small businesses in their recruitment exercises. The committee notes that the CPA Australia survey in March 2002 found that up to 75 per cent of small business do have a list of the skills and qualifications attached to a job but only 53 per cent have a written job description and 14 per cent were dissatisfied with the last person employed.⁸⁹ These findings suggest that, while there are many small businesses that use best practice recruitment practices, a significant number could benefit from improved focus on recruitment. Research on the recruitment needs of small business should also examine the role of competency packages in assisting small business to adopt more successful recruitment strategies.

3.71 The committee also heard evidence that skill shortages in some regions and industries are acting as a brake on employment. The Western Australian Branch of the Motor Trades Association of Australia (MTAA WA) stated that a shortage of trade skills is an impediment to economic health of the automotive industry and must be

84 Mr David Byrne, *Hansard*, Adelaide, 10 October 2002, p. 973

85 Submission No. 53, Australian Property Institute, p. 3

86 Submission No.18, op. cit., p. 3

87 Submission No. 35, Melbourne Development Board, p. 8

88 Submission No. 19, op. cit., p. 17

89 CPA Australia, *Small Business Survey Program: Employment Issues*, March 2002, p. 11

addressed for small businesses in that industry to remain viable.⁹⁰ The Northern Territory Chamber of Commerce and Industry Skill also identified skills shortage as an impediment to growth.⁹¹

3.72 The committee notes that the government reports a number of initiatives to address skill shortages in particular industries and that the Senate has asked it to conduct an inquiry into the general question of skill shortages, which will provide an opportunity to investigate these concerns.

3.73 Even when suitable staff can be found, small business may balk at employing because of the additional compliance obligations and management responsibilities. According to the Canberra Business Council, many home-based and micro-businesses with high growth potential are therefore ‘caught in the nervous territory between whether they should or shouldn’t employ.’⁹² Other witnesses emphasised that employing the first staff member is an enormous step for small business because:

It increases overheads dramatically and requires the business to comply with numerous acts and legislation. Many small business operators have little or no experience of recruiting, supervising and managing employees. In previous occupations they may have had interaction with their immediate supervisor or manager but few have training, either formal or job specific, in ‘hiring & firing’ and the many associated areas. Anecdotal evidence in the small business sector (1–5 employees) suggests that too often the decision to employ someone is made with little consideration given to a range of issues that impact on an effective *employer–employee* relationship.⁹³

3.74 The scale and complexity of employment-related regulations in particular can act as a deterrent to employment:

There is a growing number of home based businesses and there is a growing number of owner-operators who are reluctant to take that next step of becoming owner-managers and starting to employ people. There is a perceived barrier there: the barrier of suddenly having to employ people. There is a whole heap of regulations and red tape that they need to come to grips with. For me, as an owner-operator, it is a lot easier to work 65 hours a week than to suddenly take the next step and say, ‘Well, hang on, maybe I could work 35 hours a week, grow the business a bit further and employ somebody.’⁹⁴

3.75 Many submissions identified the need for assistance to small business to help them become ‘employer ready’.⁹⁵ This includes both general people management

90 Submission No. 51, Motor Trades Association of Western Australia, pp. 4–5

91 Submission No. 57, Northern Territory Chamber of Commerce and Industry, p. 10

92 Submission No. 36, op. cit., p. 2

93 Submission No. 39, Greater Brisbane Area Consultative Committee, p. 1

94 Mr Danny Keep, *Hansard*, Roundtable, Launceston, 26 July 2002, p. 460

95 Submission No. 39, op. cit., p. 2

skills, for example in recruitment, training and management of staff, as well as assistance with identifying and understanding employer obligations. The committee heard evidence that the Human Resource Advisory service project funded by the South Australian government, which provided small businesses with access to subsidised human resources advisers, has resulted in a measurable increase in employment in small businesses using the service. The Business Enterprise Centres of South Australia stated that:

The program has been an outstanding success with between one and two jobs created with each consultancy and given small business the confidence to employ more. Over half of the businesses surveyed after 3 months indicated they intend to take on even more staff.⁹⁶

3.76 Other suggestions include development of software tools and manuals to help small business identify and work through their employment obligations, as well as better access to advice, either through e-mail, phone or in person.⁹⁷ The Business Enterprise Centres of Australia (BECA) recommended that the Commonwealth develop a training program on employing staff, to be delivered through business networks, including accountants and the BECs, to assist small business to engage more full-time employees.⁹⁸

3.77 The committee is convinced of the need to provide more assistance to small business to help it become employment-ready. Many of the proposals made in the inquiry appear constructive and practical but would require more detailed investigation as to their feasibility. The committee therefore considers that the Commonwealth, state and territory governments, ideally under the leadership of the Small Business Ministers Council, should undertake research to identify the most appropriate measures. A consistent, national approach should be adopted in line with the committee's general findings about the need for more coordination and integration of government programs for small business. A broad range of small businesses and their advisers, including Business Enterprise Centres, Small Business Answers advisers and accountants should be consulted in the course of the research.

3.78 The issue of compliance obligations related to employment is taken up in more detail in Chapter 6.

Recommendation Four

The committee recommends that the Small Business Ministers Council commissions research into measures to assist small business to become employment ready and to enhance its capacity to recruit appropriate employees including, through identifying:

96 Submission No. 88, Business Enterprise Centres of South Australia, p. 1

97 Mr Ian Davis, Deputy Chair, Canberra Business Council, *Hansard*, Canberra, 6 August 2002, p. 473

98 Submission No. 72, Business Enterprise Centres of Australia, p. 9

- **the attributes and skills that small business needs in its employees;**
- **ways in which the Job Network could better meet the recruitment needs of small business; and**
- **tools to assist small business make more informed decisions about employment arrangements, including the basis of employment.**

This research should include consideration of how the competency standards and key performance indicators developed by the Industry Training Advisory Bodies could be more effectively used by small business in recruitment, training and performance management.

Costs of employment

3.79 The cost of employing staff was raised as a deterrent to employment by a number of witnesses. Particular areas of concern are the compulsory employer superannuation contribution, penalty rates and payroll tax. Occupational health and safety standards and workers compensation premiums are also factors that some small businesses see as deterrents. While most small businesses accept the need for compulsory superannuation contributions to provide for employees' retirement, many are concerned that under the current arrangements casual employees may have small amounts accumulating in many different areas, undermining some of the objectives of the scheme. There is also a common view among small business employers that employees do not consider superannuation contributions as part of their total remuneration. It was suggested that compulsory employee contributions might result in a greater appreciation of the value of the employers' contribution.

3.80 While payroll tax was not raised as a major issue by most small businesses, it was raised as a concern by some interest groups and some small businesses approaching the threshold at which exemptions no longer apply. These comments illustrate how exemptions can function as a cap on small businesses growing beyond a certain point.

Unfair dismissal laws

3.81 Unfair dismissal laws were raised by a number of industry and business associations and small business people. However, consistent with the results of the various surveys of small business,⁹⁹ they did not emerge as a major point of concern

99 For example, the committee received a copy of the report of the Illawarra Regional Workplace Relations Survey which indicated that, although there had been a total reduction in the region's small business workforce in 1996 as a result of terminations (mainly due to lack of work) and resignations, very few firms experienced difficulty in terminating employees for any reason. It found: 'Unfair dismissal legislation was an insignificant consideration in recruitment, termination or disciplining of employees'. See 'Illawarra at Work, A Summary of the Major Findings of the Illawarra Regional Workplace Relations Survey', Labour, Human Resource and Regional Studies Centre, University of Wollongong, *Industrial Relations Report No. 4*, 2001, p. 21

or a determinant of employment. For this reason, and because the issues have been extensively canvassed in other fora, the committee will not deal with this issue in any detail. For a detailed discussion of the arguments from both sides, readers are referred to Senate Employment, Workplace Relations and Education Legislation Committee reports on the various bills proposing a small business exemption from the Commonwealth laws. Unfair dismissal is discussed in Chapter 6 on the effect of regulation on small business.

Comment

3.82 An employment creation strategy needs to be based on an understanding of areas where intervention can be effective, of where there is scope and motivation to increase employment. Evidence to the committee suggests that the determinants of employment in small business are complex and, as yet, not well understood. However business growth is clearly a key factor. The most effective way to grow employment in small business is to focus on ways to assist enterprises to expand to their full potential, whether through developing individual capabilities or the overall capacity of an industry or region. A focus on assisting new small businesses to become sustainable enterprises is also likely to be effective, given the significant contribution they make to the creation of new jobs in the sector. Strategies that maximise the skills and capabilities of small business owners and groups of small business are also valuable because, irrespective of any contribution they may make to employment growth, they can contribute to the development of a more productive, profitable and innovative small business sector.

3.83 Growth aspirations and potential vary significantly across the sector and the characteristics of the various segments are not well understood. This limits the scope for extrapolating from survey results on impediments to employment outcomes unless researchers can be confident that the survey sample contains a representative selection of businesses with various growth aspirations and capabilities. Effective strategies to increase employment in small business will require a better information base than is currently available. In the meantime, governments could usefully investigate ways to assist business to reach its growth potential and address some of the main barriers to employment identified in by businesses seeking growth, including tools and programs that could assist small business to better meet their staff recruitment and management needs. In selected industries and regions other strategies that could be effective include development of the regional infrastructure and capacity. Action to address key costs to small business, including retail tenancy, may also be useful.