

To:  
The Secretary  
Senate Employment, Workplace Relations and Education References Committee  
Suite S1.61  
Parliament House  
Canberra ACT 2600

From:  
Geoffrey L Sandell  
67A Seaview Road  
Tennyson  
South Australia 5022

Tel (08) 8271 0700 e-mail: sandell@bigpond.net.au

## **Submission to Senate Inquiry into Small Business Employment**

### Introduction

I am the part-owner and Managing Director of a business which operates in South Australia. It may not now technically be a small business as we have a turnover of around \$5.5 million p.a.

I started the business from scratch over seven years ago and have built it to its current size.

Our core business is that of an Employment Agency, specialising in the recruitment of personnel to be employed by our clients and the provision of temporary staff ("contract labour") – all in the field of Information Technology and Telecommunications.

We employ nine staff in our office and, in addition, we generally have between 70 and 90 contractors on assignment at any time. These are a mixture of staff directly employed by us and Consultants who provide their services to us.

### Summary of Submission with respect to Inquiry Terms of Reference

The crux of this submission is to state and illustrate my firm belief that ***the biggest single factor which inhibits small businesses in Australia is the complexity, volume and duplication of legislation and regulation.*** The cost of attempting to achieve compliance is prohibitive. The complexity of regulation is such that it is impossible for any business to fully understand and comply.

Mr Howard's promises to "reduce red tape for small & medium businesses" are cynical lies. Over the past seven years, the volume, complexity and cost to our business has steadily and significantly increased.

The point has been reached where many people deliberately choose not to expand their businesses because of the difficulty and costs of complying with regulation/legislation (I can provide specific examples).

The point has also been reached where businesses are shrinking or closing because of the negative impact of regulation/legislation. (Again I can provide specific examples).

## Legislation/Regulation

Here is a list (definitely incomplete) of some the legislation and regulation that our business is expected to be fully familiar with and to comply with. Our options are either to attempt to learn for ourselves or to pay for outside assistance (accountants, lawyers, consultants etc).

### Taxation

- GST
- PAYG
- FBT
- CGT etc etc

ASIC legislation

Director's responsibilities

Company laws

Trust laws

Superannuation

Occupational Health, Safety and Welfare

Privacy laws

Equal Opportunity

Anti-Discrimination

Industrial Relations legislation

Workers Compensation (SA WorkCover) – different for each State

State Payroll Tax – different for each State

Contract law

Insurances

- Public Liability
- Professional Indemnity
- General Business

Business Licensing (State based)

Business Name Registration

Fair Trading (ACCC, Consumer Affairs etc)

Local Government legislation

## Compliance

It is impossible for any business, particularly small business, to fully understand all the legislation and regulation. Therefore it is impossible to fully comply and any business runs the risk of fines or penalties should the department concerned decide to conduct an audit.

Many areas of legislation are duplicated at the State and Federal levels – often with overlapping or conflicting requirements.

The cost of compliance is a strong inhibiting factor with respect to the growth of the business and therefore our capacity to employ additional staff. Our estimate is that compliance with legislation/regulation costs our business in the order of \$110,000 per annum (staff costs, government fees/charges and fees to external organizations). This excludes the additional actual cost of levies and taxes such as WorkCover levy, payroll tax etc.

## General Issue

In South Australia, we have the ridiculous situation where the Government of the State is deliberately causing the demise of small business – particularly in the employment industry. We are finding it increasingly difficult to obtain public liability insurance as the insurers are aware that the SA WorkCover Corporation will sue the employment agency to recover any claim made for workplace injury. WorkCover know that full compliance with the OHS&W legislation is very difficult so as a matter of course they sue for recovery of almost every claim.

### Summary & Recommendations

In summary, my experience of the past seven years as owner and manager of a small/medium business has convinced me that:-

The effect of government regulation on employment in small business is extremely negative. It is the cause of much frustration, negativity and cost – resulting in reduced employment opportunities.

The special needs (or any needs) of small business are not taken into account by governments at any level – Federal, State or Local. Each government department at each level has their own “agenda” and motivation for increasing and policing ever more complex legislation. It appears each one has a narrow view of what they want and ignores the impact of all others. There is no overall view and no initiatives in place to improve the situation.

The complexity and duplication of legislation severely impacts the ability of small business to survive, grow and employ additional staff.

Measures that would enhance the capacity of small business to employ more people include anything which reduces the volume, complexity and compliance costs of the plethora of legislation and regulation that we are subject to. These could include:-

- Eliminate duplication and overlap of legislation between Federal, State and Local Governments.
- Somehow ensure that all government departments, at all levels of government, are made to work in a synchronised manner and to understand what requirements are being placed on business by all other departments.
- Introduce requirement to comply on a “sliding scale”. i.e. exempt very small business from a lot of the legislation, then introduce requirements to comply as the business grows (the cost of compliance relative to overall turnover and profit does reduce somewhat as the business gets larger).
- Re-define small business – i.e. special concessions for all businesses with a turnover of less than \$10 million. Some concessions for \$10m to \$20m.
- Tax breaks for small/medium businesses as an incentive to employ.
- Reduce WorkCover levies and/or workers compensation costs for small/medium businesses.
- Reduce Payroll Tax burden for small/medium businesses.

- Review all current legislation/regulation to determine what it is designed to achieve and just how much of it is actually necessary – particularly with reference to small/medium business.
- Reduce or eliminate legislation or regulation.
- SIMPLIFY legislation or regulation!!

Footnote:

I am probably about to sell my business to a large national public company. The main reason is the constant aggravation, frustration and cost caused by the unbelievable volume, complexity and cost of the legislation and regulation that we are subjected to. The situation has become farcical in that we spend far more time and effort in these areas than we do serving our customers and meeting their needs.