

INQUIRY INTO SMALL BUSINESS EMPLOYMENT

Senate Employment, Workplace Relations and Education References Committee

Submission from the Retail Traders Association of Tasmania

The Retail Traders Association of Tasmania makes the following submission on behalf of its 380 small Retail Business members in Tasmania.

The RTA is the peak industry organisation representing the interests of retailers in the Small Business Sector in Tasmania. The Association exists to provide leadership to the industry sector.

Tasmanian industry is characterised by the high percentage of SME's (small, medium enterprises) servicing a diverse population reflecting a clear urban/rural mix.

Inquiry Criteria

- 1. The effect of Government regulation on employment in small business, specifically including the areas of workplace relations, taxation superannuation, occupational health and safety, local government, planning and tenancy laws.*
- 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.*

The collective impact of the red tape associated with many of the following factors is the major disincentive to increased employment;

- Wage rates
- Unfair dismissal laws
- Shop trading hours
- Superannuation Guarantee
- OH&S provisions
- GST
- PAYG requirements
- Payroll Tax
- Rates
- Rising Tenancy Costs

Proposed paid maternity leave entitlements will impact severely due to the high percentage of females employed in the retail sector.

Many successful small business operators operating in their chosen field are often 'smothered' by red tape and choose to specialise in a narrow sector of their business sector in order to minimise red tape.

This usually involves the downscaling of staffing rather than increased employment. In other words there is not the incentive to expand their business and the resultant increase in red tape.

The following issues impact heavily on the ability of retail businesses to increase profitability and consequent employment levels.

o Cost of labour

By far the most significant factors are those relating to the cost of labour. These included wage rates (including penalty rates), generally rising labour costs, and unfair dismissal arrangements. Many operators have Enterprise Agreements but they are not practical for micro businesses.

In terms of Government regulation there are a number of regulatory arrangements that impact on staffing costs and staffing arrangements. The direct cost and the cost of administrative processes that surround superannuation, PAYG lodgement, and workers compensation, as indirect costs of labour, are significant.

o Workplace Relations.

Workplace Relations regulation create a huge cost burden on small retailers with defence of unfair dismissal situations posing a major problem.

Initiatives such as providing for a small business exemption from unfair dismissal, returning the exemption for short-term casuals and retaining or increasing the lodgement fee would assist in achieving this goal.

o Wage Rates, Productivity, Profitability and Employment

Wage rates are a very significant deterrent to employment.

Factors adversely affecting productivity, in the retailing business include;

- Increased casualisation ;
- The retention of an outmoded penalty rates regime ;

Many retailers often engage casuals over full time employees for flexibility reasons on both sides – operator and employee. Many staff particularly older people and people with family responsibilities do not want to work full-time.

While there are a range of remedies to correct these outmoded wage arrangements, through agreement, many of them are out of the reach of the average small retailer. As small businesses, the processes of agreement making, comes at a level of expense that is not justified by their small number of staff.

SMEs make a significant contribution to the Australian/Tasmanian economy in terms of absolute employment and perhaps more importantly in respect of new employment generation possibilities.

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.*

The Retail Business sector is becoming increasingly regulated by State and Federal Governments.

Some examples include;

o GST and PAYG

At the outset of the GST and revised individual income tax collection (now PAYG) changes, the average small retailer spent many hours per week in preparing their business activity statements and managing the paperwork that sat behind them.

Data gathered since the introduction of the GST suggests that the time involved has been cut in half due to the revisions made to reporting arrangements. This could be further refined.

o Rising Tenancy Costs

Whilst there are a number of aspects of rising tenancy costs that can not be laid at the feet of Government, there are some that can. Principally the cascading range of taxes and charges that apply to commercial leases, should be eliminated or at least reduced.

The application of stamp and other duties on leases should have been eliminated upon the implementation of GST.

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

This submission which includes some recommendations regarding measures to enhance the potential of small retail businesses to employ more people is intended as a paper to be supported by a verbal presentation to the Senate Inquiry in due course.

Recent actions of the ACCC encourages the RTA as moves are made to address monopolistic practices and price fixing – issues of critical importance to small business seeking to offer services to urban and rural communities.

The further development and maintenance of a 'level playing field' for small business in Australia remains a major challenge – a matter highlighted recently as a result of ACCC action.

Overseas examples in the addressing of monopolistic practices particularly in the retail sector should be utilised to enhance the growth of small business in Australia and the desired increased employment outcomes.

The Retail Traders Association of Tasmania formally seeks an opportunity to make a verbal presentation to the Inquiry when the Committee visits Tasmania.

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