

Senate Committee Inquiry Submission

Inquiry into Small Business Employment

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Terms of Reference

- 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.**

Many small business operators are reluctant to take on employees due to the enormous and sometimes considered, onerous responsibilities placed upon them by government regulations.

The unfair dismissal laws are regularly noted by small business as stoppers to employing staff.

Many small business operators are still unaware of the *free* service offered by the Australian Taxation Office (ATO) who can assist them with information in relation to employee taxation and superannuation.

A number of operators have noted a hesitancy to employ due to work care responsibilities – employees with pre-existing complaints.

Some home-based SB operators have noted the need for employees but the restriction on this due to local government planning and the inability to afford to move the operations into commercial premises.

There are also instances where large firms who traditionally hire employees or sub-contractors to perform work such as courier driving, are now requiring these individuals to form into a company structure in order to secure the contract for the courier driving work. This has the effect of almost totally absolving the parent company from any kind of worker/duty of care responsibility. Where the individual driver is concerned, they are faced with a multitude of expense and paperwork to complete the required Australian Securities Investments Commission, taxation and income returns.

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.

Small business operators find themselves increasingly caught up in the 'business' side of running the enterprise and less time is being spent on the craft, skill or qualification which brought them into business in the first place. Many operators reach a point in their business where they have ridden the peaks and troughs of the first two years and are actually successful, when faced with the decision of whether to expand which could include larger premises and hiring of employees. Another option is to sell up or shut shop because they are tiring of the 60-80 hour working weeks.

In brief, small business need a simpler structure in which to employ staff. It is this need for simplicity which is promoting the growth of the 'labour hire' or 'employment agency' types of organizations.

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.

A recent seminar held in Albury on "Hiring and Firing" was conducted by the Department of Employment, Workplace Relations and Small Business. This event attempted to explain the different levels or approaches to awards, agreements, contracts, dismissal, termination, conduct and the claims process. Whilst the content was presented very well, there was so much room for confusion given the cross border anomalies that exist here in Albury and the different states' legislation in relation to these issues. Even with regard to wages, taxation and superannuation there are so many monetary thresholds which employers need to be aware of when employing staff that it is not surprising many are simply warned off altogether.

Example:

PAYG tax on wages in excess of \$ 115 per week
Superannuation on wages in excess of \$ 450 per month
Workcover (Vic) where wages exceed \$ 7500 per year

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

- ◆ Simplify the awards/enterprise agreement system so that either Commonwealth laws apply or individual state laws apply rather than a chance of both.
- ◆ Run ongoing campaign advertising the *free* assistance available to small business from organizations such as the ATO in relation to employer obligations.
- ◆ Make available small business expansion funding programs that can provide financial assistance to *micro* businesses.

Currently the respective Departments of State and Regional Development have funding assistance available for small business expansion, however the base turnover threshold is \$250k. In a regional area such as Albury Wodonga there are a multitude of very successful small businesses who are keen to expand and employ more staff but fail to meet this high turnover threshold for gaining financial assistance.

Case facts

A micro clothing manufacturing business in a country town with a population of 1400 people, has a current annual turnover of approximately \$100 000. Proprietors are seeking financial assistance to expand the business premises and engage up to 5 new full-time employees. Military clothing contracts have been arranged and are on hold due to lack of machinists in business.

Funds sought: \$20 000 once-off grant or low interest loan.

If employing 5 people who are currently on Centrelink benefits @ \$140 pw, would save Govt. \$700 per week in benefit payments

Assuming wages of \$430.10 per week each (Clothing Trades NSW State Award – adult level 1)

PAYG tax on wages @ \$59.41 pw each or \$297.05 pw for 5 employees

Superannuation @ 8% = \$34.40 pw each or \$172.04 pw for 5 employees

Net wages of \$370.69 pw each or \$1853.45 pw for 5 employees injected back into local economy. \$96379.40 per annum.

Total amount coming back to Govt. via savings on Centrelink and incoming PAYG is \$997.05 per week or \$51846.60 per annum.

Total amount of superannuation being contributed to super fund is \$10064.08 per annum.

A micro business financial assistance program could be operated and maintained by Small Business Assistance Officers in the Area Consultative Committees in a similar manner to the Regional Assistance Programmes.

- ◆ Disseminate simplified information to employers on the unfair dismissal claims process. It is inappropriate to conduct seminars during daytime hours with a \$70 price tag and expect to attract small business operators. The Albury seminar had approximately 20 participants out of 5000 to 6000 small businesses in the region.
- ◆ Offer greater profit driven financial incentives for small business to take on employees such as rebates.
- ◆ Offer timely, tailored assistance with employer obligations such as an ATO or Small Business Assistance Officer visit which coincides with recruitment of staff/financial incentives programmes.

Albury Wodonga Area Consultative Committee
31 May 2002