

**EMPLOYMENT, WORKPLACE RELATIONS AND
EDUCATION REFERENCES COMMITTEE**

Inquiry into small business employment

**Submission by the Office of Small Business
Department of Industry, Tourism & Resources**

July 2002

Chapter 1 - Introduction

Many factors contribute to the propensity of small business to take on new employees. New employees are both an opportunity and a risk – there is an opportunity for business expansion and, hopefully, greater returns which is offset by the costs of employing a new person and the associated risks. Balancing the opportunities and the risks is the challenge for all businesses, but the consequences of an inappropriate decision are felt more substantially by smaller firms where the relative impact of each decision is greater than for larger concerns. Smaller firms have a far smaller capacity to absorb the costs associated with an inappropriate employment decision, a factor recognised in the current proposal by the Government to exempt small business from legislative provisions concerning unfair dismissal.

The key determinant in small businesses taking on new employees is confidence. Firms need to be confident that their business, and the economy as a whole, has the ability to manage growth and that there is the inherent customer demand to justify any further investment in labour resources.

The latest Yellow Pages small-medium enterprise index, released on 28 May 2002, provides a recent example of the relationship between business confidence and employment outcomes. The index recorded a surge in business confidence, to levels not seen since May 1996, and a high level of expectation that the economy will continue to grow. The confidence in economic growth has carried through to the employment expectations of small and medium sized firms, with 10 per cent of firms expecting to increase the size of their workforce in the coming three months.¹

One of the key roles for government in encouraging growth in employment opportunities, therefore, is to seek to maintain and enhance confidence levels among business. Predictable policy positions, sound macroeconomic fundamentals and a demonstrated willingness to consider and respond to business concerns are critical elements in this.

This Submission is divided into two main sections. The first section examines the issues which have been identified by small business as most impacting on their future employment intentions. This section draws upon survey work undertaken by a range of organisations, including the Australian Chamber of Commerce and Industry, the Certified Practising Accountants and the Yellow Pages Business Index.

The second section considers Government initiatives to encourage business growth and how the mix of policies and programs serves to encourage small business confidence. This section underscores the importance that is placed on prudent management of the economy, and how delivering a high growth, low inflation and low interest rate outcome underpins the Government's broad policy to encourage business as a whole. It also considers the role played by regulation reform strategies and Action Agendas developed in collaboration with specific industry sectors in encouraging business confidence and removing impediments to small business employment.

Small business is a major employer of Australians. Appendix A provides data on the role of small business as an employer.

¹ *Yellow Pages Business Index* May 2002

Governments can assist in realising the employment potential of the small business sector by providing a stable macroeconomic environment, responding to specific business concerns where appropriate and acting in a transparent and accountable way that takes account of the impact on individual firms. This Submission provides a general overview of the policy environment that impacts on small business, and on the interplay between policies and issues that needs to be maintained in the interests of business confidence.

Office of Small Business

The Office of Small Business is located within the Department of Industry, Tourism and Resources. The Office of Small Business charter is to provide policy advice and support to the Government on small business issues. In this role, the Office of Small Business seeks improvements in the operating environment for small business to promote efficiency and employment growth.

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Chapter 2 - Current issues identified by small business as affecting small business employment

There has been limited research on the factors which affect small business employment, and barriers that prevent small businesses taking on more employees.

This section of the submission examines evidence from the following sources:

- Yellow Pages Business Index, which includes data on barriers to employing staff perceived by small and medium business proprietors;
- A CPA Australia survey of small business proprietors and accountants on employment issues, published in March 2002 as *Employment Issues* as part of CPA Australia's Small Business Survey Program; and
- Australian Chamber of Commerce and Industry (ACCI) pre-election surveys of small business priorities.

The first two of these sources provide some direct indications about factors perceived by small business proprietors as impacting on their decisions about employing staff. The ACCI pre-election surveys provide broader information on key priorities for small business. The ACCI surveys do not directly link specific issues to employment, but are useful in suggesting the relative significance of a variety of employment-related issues.

Yellow Pages Business Index

The *Yellow Pages Business Index* surveys 1200 small business proprietors and 600 medium business proprietors every quarter. The Index has been tracking employment barriers regularly since August 1997, following on from an initial question in the November 1995 survey. Since 1997, around 60 per cent of small businesses on average have felt that there have been barriers to taking on additional employees, ranging from a high of 69 per cent in August 1997 to a low of 54 per cent in February 2000.

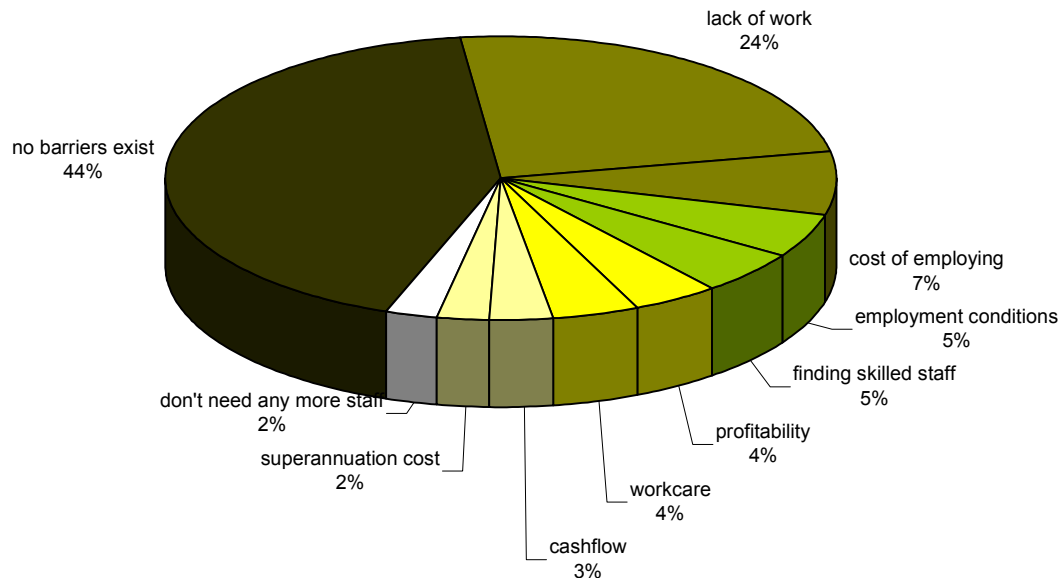
The *Yellow Pages Business Index* presents data as a percentage of those businesses that do have barriers. When taking into account the fact that on average around 40 per cent of businesses report not facing any barriers to taking on new employees, the actual percentages of businesses facing any particular barrier are somewhat lower.

Over the time period that Yellow Pages has tracked barriers to employment, they have been very consistent. On each occasion, the top barrier has always been a lack of work (averaging around 40 per cent of those businesses facing barriers), with the second greatest barrier being the cost of employing (averaging around 10 per cent of those businesses facing barriers). There have been eight barriers that have featured in every survey since August 1997:

- lack of work;
- cost of employing;
- employment conditions;
- finding skilled staff;
- profitability;
- workcare;
- cashflow; and
- superannuation costs.

The graph in Figure 1 below shows a breakdown of barriers to employment from the February 2002 survey:

Figure 1 - Barriers to taking on new employees



Source: Yellow Pages Business Index February 2002

The survey results emphasise the importance of market factors in influencing small business employment decisions. The top two barriers, "lack of work" and "cost of employing", are market driven, as are other barriers of lower relative importance such as "profitability", "cashflow" and "don't need more staff". To a large extent these issues are driven by the macro-economic environment, and by market forces affecting the demand for various goods and services and wage rates in the economy.

"Regulatory barriers" rate as a relatively low barrier, having been reported as a barrier in 10 of the 19 surveys since August 1997, with an average 4 per cent of businesses finding regulation a barrier on each of these occasions. "Regulatory barriers" were most recently reported as an employment barrier in August 2001, with the previous mention being in May 2000. However, a number of the barriers indicated by the survey are influenced by regulation. For example the extent to which "employment conditions" is a barrier to employment is influenced by the workplace relations system. Other barriers noted in the survey which are affected by regulation are "workcare" and "superannuation costs"

The survey also cites "finding skilled staff" as the fourth greatest barrier to taking on staff.

CPA Australia Survey

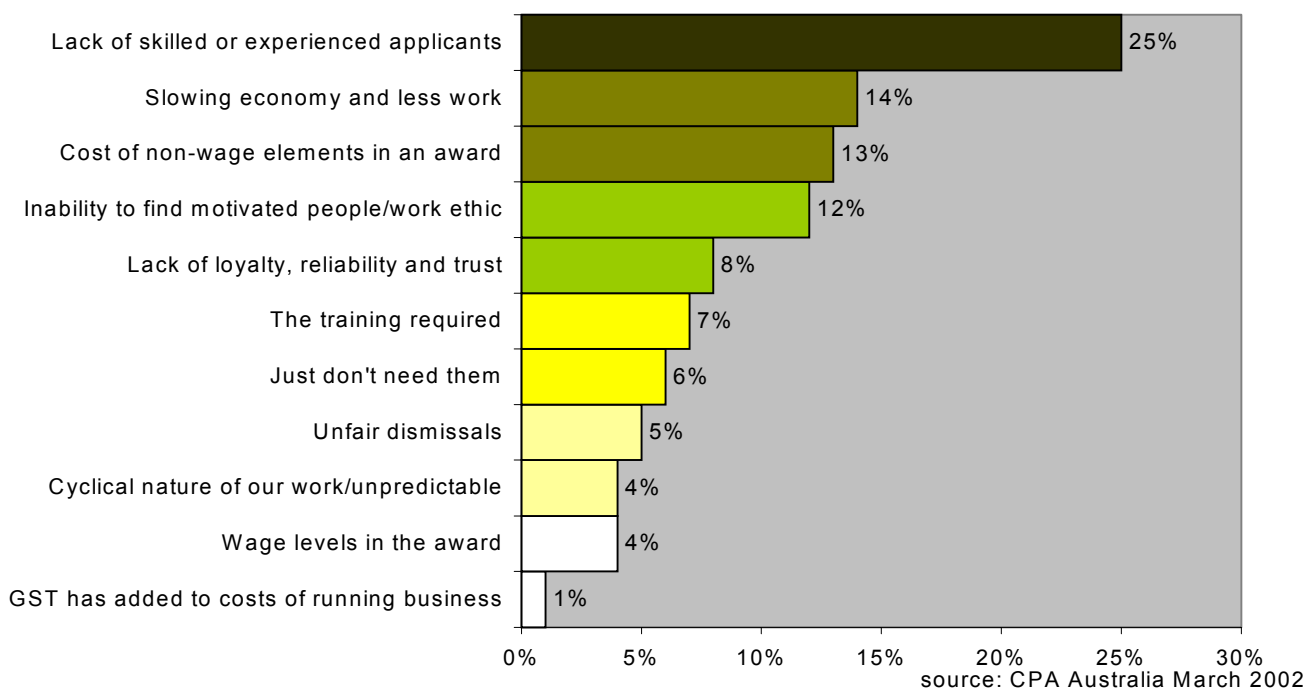
As part of its Small Business Survey Program, CPA Australia surveyed 600 small businesses and 105 CPA accountants on employment issues in February 2002. The results were published in March 2002 under the title *Employment Issues*.

This survey asked small businesses for their views on barriers to employment, and also asked accountants to indicate what they perceived as barriers to employment for their small business clients.

Barriers to employment – perceptions of small business operators

Figure 2 below shows the main impediments to hiring new staff from the perspective of small businesses. The results indicate that small business operators rated problems with the quality of potential staff as the greatest barrier to taking on staff. “Lack of skilled or experienced applicants” was the most commonly cited barrier (26 per cent), with “inability to find motivated people/work ethic” and “lack of loyalty, reliability and trust” also given a high rating.

**Figure 2 - Main impediments to small businesses hiring new staff
small business opinions - free response**



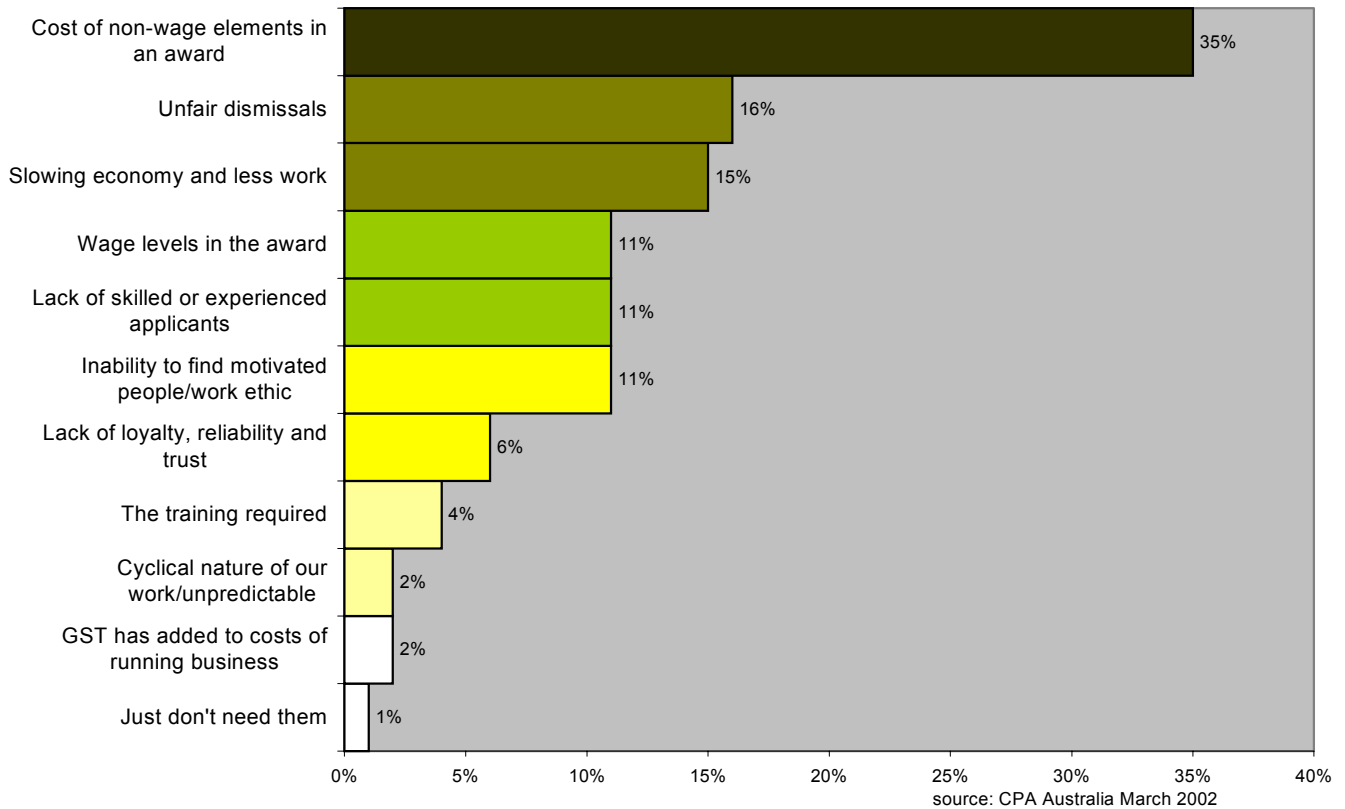
trust” also given a high rating.

In the area of regulation, the survey results emphasised the importance of workplace relations issues, with wage and non-wage elements of awards and unfair dismissals rated as significant barriers. The results also confirmed the importance of general economic conditions to small business employment decisions, with “slowing economy and less work” being rated the second most important barrier.

Barriers to employment – perceptions of CPAs

Figure 3 below shows that, while CPAs cited a similar set of barriers to employment to small business operators, they took a different view of their relative importance. CPAs rated wage and non-wage elements of awards and unfair dismissals as the key barriers, with issues related to the quality of potential staff rated as considerably less important.

**Figure 3 - Main impediments to small businesses hiring new staff
CPA opinions - free response**

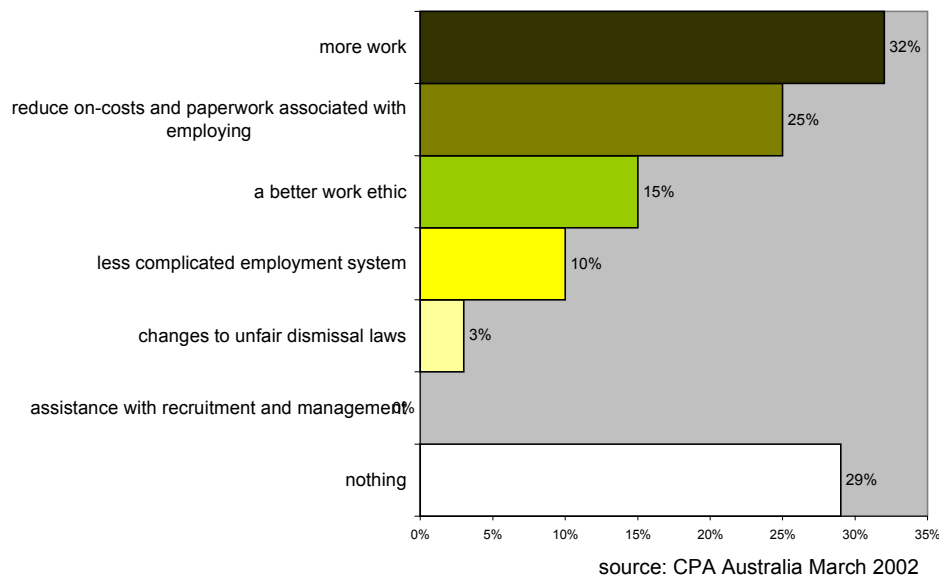


Factors that would encourage non-employing businesses to take on staff

As part of this survey, small businesses with no staff were asked what would encourage them to employ staff. Of those small businesses that had not firmly decided that they did not want staff, the survey found that factors that would encourage small business employment were more work (32 per cent), reduced on-costs and paperwork associated with employing (25 per cent), a better work ethic (15 per cent) and changes to the unfair dismissal laws (3 per cent).

The key impediment for these non-employing businesses is a market-driven factor - more work. However, other impediments are related to the regulatory burden of employing (reduce on-costs and paperwork associated with employing, less complicated employment system), the unfair dismissals system and employee attributes (a better work ethic). Assistance with recruitment and management was not a policy that appealed to the proprietors questioned, and many proprietors felt that there was no action that government could take to encourage them to employ staff.

Figure 4 - Policies that would encourage non-employed small businesses to employ staff



ACCI surveys

The Australian Chamber of Commerce and Industry (ACCI) published in November 2001 a survey on key priorities for small businesses. The sample size for the survey was 2500 firms across Australia, and they were asked to rank 63 issues in order of importance. While the survey did not specifically focus on factors affecting small business employment, it provides an indication of the relative importance which small businesses place on various employment related issues.

For small businesses, the highest priority employment issue was unfair dismissals, which ranked 5th overall. *Table 1* shows the ranking of the various employment issues that were included in the survey, showing their rankings in the 1998 and 1996 surveys. The 1998 and 1996 surveys are not small business specific and the results relate to businesses of all sizes. For comparison purposes *Table 1* also includes the relevant rankings for businesses of all sizes in 2001. In 1998 71 issues were ranked and in 1996 57 issues were ranked but only the top 30 rankings were published.

In 2001, small businesses ranked three employment issues in the top ten priorities: unfair dismissals (5th), the superannuation guarantee (6th) and workers' compensation payments (10th). Unfair dismissals have been increasing in importance as a priority for businesses since 1996, with the issue being more important for small businesses than for larger businesses. The issue impacted most strongly on medium-sized firms with 20 to 99 employees, which ranked it as their 3rd priority. The superannuation guarantee has been increasing in priority since 1996 and is also rated a more important issue by small businesses than larger businesses. Whereas it ranked as the 6th most critical issue for small businesses, medium businesses ranked it as their 14th priority and larger businesses ranked it 28th.

Table 1 - Employment priorities in ACCI pre-election surveys

Issue	2001 ranking small business	2001 ranking all businesses	1998 ranking all businesses	1996 ranking all businesses
Unfair dismissals legislation	5	6	7	8
Superannuation Guarantee	6	10	16	11
Workers' compensation payments	10	9	12	15
Recruiting employees with appropriate skills	11	12	19	14
Wage levels	20	33	29	24
Compliance with OH&S regulations	21	13	28	30
Retaining skilled employees	24	21	36	-
Unemployment	30	37	17	16
Penalty rates	31	36	23	26
Complying with Award Regulations	34	39	35	28
Restrictions on gaining access to Enterprise and Individual Agreements	35	32	-	-
Redundancy and termination payments	36	41	24	25
Achieving workplace change	38	35	31	-
Quality of vocational education	40	48	42	-
Getting appropriate training for employees	41	46	50	29
Employee productivity	42	43	20	27
Safety net increases	43	54	-	-
Absence of junior rates	48	59	48	17
Payroll tax	52	22	27	21
Industrial disputation	58	52	56	-
Availability of skilled personnel	-	-	25	-

Workers' compensation payments have also been increasing in priority since 1996, however, it is slightly less of an issue for small businesses than for larger businesses. Retaining skilled employees is an area which has also increased in priority since inclusion in the 1998 survey.

These ACCI surveys indicate that there are a number of employment issues which are rated as more important by small businesses than larger businesses. Aside from unfair dismissals provisions, these include wage levels, safety net increases and the absence of junior rates. These three issues are related to the cost of employing and the finding is consistent with the Yellow Pages results which found that the cost of employing was one of the key barriers to increasing employment.

It can also be seen that there are some employment issues that are far less of a barrier for small businesses than for their larger counterparts. Payroll tax, with most small businesses being exempt, ranks 52nd as a small business priority compared to 22nd for businesses generally. Small businesses also seem to be less concerned by industrial disputation, compliance with OH&S regulations, retaining skilled employees, restrictions on gaining access to Enterprise and Individual Agreements and achieving workplace change.

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Chapter 3 - Government policies and initiatives to encourage small business confidence

The Government has a multi-layered suite of policies and programs to realise economic growth and encourage business confidence. These range from measures that impact on the economy as a whole through to grants programs that deliver benefits to individual firms, as well as a range of sectoral initiatives that fall in between.

This chapter considers three aspects of the Government's activities that have a bearing on small business confidence and employment, namely economic management, regulation reform and Action Agendas.

Appendix B provides information on Government involvement in training and job matching. These activities are also relevant to small business employment both in creating an environment supportive of small business and in making it easier for small businesses which wish to employ staff to do so.

Economic management

The Government is committed to the sound management of the economy, and to providing a general business environment which encourages high rates of growth, while maintaining low rates of inflation and low interest rates. Sound economic management, including the repayment of public sector debt, has contributed to an environment where interest rates are at historical lows, inflation is low and growth is strong. Inflation is expected to average 2.75 per cent in 2002-03. Growth is forecast at 3.75 per cent in 2001-02, with the same level of growth expected for 2002-03.

Low interest rates, low inflation, and a domestic economy where growth is both strong and provides a shield from adverse economic effects occurring offshore, provide an environment where businesses can proceed with confidence on investment decisions. The maintenance of a consistent, and successful, policy concerning the management of the economy, largely frees firms from the concern about the broader economic direction of the economy, providing more time for business owners to concentrate on running their businesses.

Regulation reform

The approach which governments take to business regulation also has an impact on business confidence and employment decisions. It is reasonable to presume that a predictable regulatory environment in which governments are responsive to business needs and the cost of regulation is kept to a minimum will tend to boost small business confidence and help businesses to grow. For small businesses in particular, which lack the resources of larger firms, minimising regulatory impediments makes an important contribution, either directly or through perception, to the propensity of firms to employ new staff.

Best practice regulation

Some of the critical areas of regulatory best practice from a small business perspective are:

- consideration of costs, including transition and compliance costs;
- consultation;
- forward planning and predictability; and
- flexible compliance.

Consideration of costs

All businesses will clearly benefit from policy processes which aim to minimise the compliance and paperwork burden of regulation. There are, however, grounds for giving special attention to costs for small business.

Government regulation can have a disproportionately large impact on small businesses, both in direct terms of cost and in terms of the impact compliance requirements have on the business.

Reducing the Regulatory Burden: Does Firm Size Matter?, a research paper published by the Productivity Commission in 1997, reviewed evidence from Australia and overseas for economies of scale in regulatory compliance. The paper concluded that there are significant economies of scale in regulatory compliance, so that small businesses incur a proportionately greater cost as a result of regulation than do large firms.² (DFSM 59-65).

The report of the Small Business Deregulation Task Force, *Time for Business*, commented:

“The burden of regulation falls most heavily on small business, not because they are more heavily regulated, but because they have the least capacity to cope”.³

One factor which can lead to this is scarcity of management time. Small businesses are less likely to have specialist staff to take care of regulatory requirements, and the consequence can be that the time required to learn about regulation or complete paperwork directly reduces the management time which can be devoted to the actual running of the business.

Assessment of the cost of regulatory change on small businesses needs to take account of transition costs as well as recurrent costs. In some cases, consideration may need to be given to transition mechanisms that spread the impact of any change over a period, while retaining the incentive to accommodate the reform proposals. It is important to recognise the compliance costs of change, even where the ultimate impact is clearly in the firms interest, as failure to do so may undermine any business goodwill towards a platform of reform.

² Bickerdyke, I and Lattimore, R *Reducing the Regulatory Burden: Does Firm Size Matter?* Industry Commission December 1997 pp. 59-65

³ Small Business Deregulation Task Force *Time For Business* November 1996 p. 19

Consultation

Consultation with businesses during the development process is one of the key mechanisms for creating regulation which is responsive to business needs. Consultation provides an avenue for taking into account the interests of affected parties, constructing informed debate and examining the costs, benefits and appropriateness of regulatory options.

Failure to consult on a wide enough basis, and across a broad selection of firms, can lead to circumstances where a policy solution, designed with a particular business type in mind, brings a range of undesired consequences for other industry sectors. As small businesses are disproportionately affected by the costs of regulatory decisions and unnecessary red tape, it is critical this key interest group is given an opportunity to have a say when regulatory changes are proposed.

Forward planning and predictability

Governments can build business confidence through accountability and predictability of response. The greater the degree of uncertainty surrounding the nature of a government response to an issue, the greater the impact on confidence. Accountable decisions, made against a consistent framework of policy objectives, reduce the uncertainty associated with future events and, in doing so, contributes to an environment where investment decisions, such as employing staff, can be taken with confidence. Initiatives such as the preparation of forward regulatory plans by portfolios, where prospective changes to the business environment initiated by Government are identified well in advance of them occurring, are useful in this context.

Flexible compliance

Regulation should, as a general rule, aim to remove impediments and undesirable outcomes, rather than prescribe specific patterns of behaviour that must be followed. There is a risk that overly prescriptive regulations, that deliver fixed patterns of behaviour, rather than prohibiting undesirable behaviour, can have adverse consequences, stifle innovation and harm business confidence. Where appropriate, it is preferable for regulation to define outcomes or performance standards rather than prescribing the steps a business must take to comply.

That said, it is also desirable for policy initiatives to include compliance strategies which, if followed, provide a degree of certainty for a firm. Good government is a balance between prohibiting undesirable activity while maximising the commercial freedom available to market participants. Where appropriate, it is preferable to avoid overly prescriptive policy approaches which can compromise the market mechanism.

Regulation reform measures

A number of mechanisms have been established to ensure that Commonwealth agencies adopt good establish good regulatory practices.

Commonwealth agencies are required to provide a Regulation Impact Statement (RIS) when proposing regulation affecting business. The RIS must address the costs and benefits of alternative ways of meeting the objective of the regulation, specifically consider the impact of the proposal on small business compliance costs and paperwork, and document consultation on the proposal. This is the primary mechanism for

ensuring that regulation takes account of the impact on small business, and that appropriate consultation is carried out.

Commonwealth agencies responsible for business regulation must report annually on their performance against nine Regulatory Performance Indicators. The indicators monitor compliance with the RIS process and other aspects of good regulatory practice, including the extent to which regulations have incorporated compliance flexibility, and whether agencies have published forward plans for regulation.

Appendix C outlines some significant measures taken or proposed by the Government to reduce the impact of regulation on small business. It is not intended as an exhaustive review of regulation reform measures, but rather focuses on measures with particular relevance to employment, for example changes to unfair dismissals provisions, or measures specifically targeted at small business, such as exemptions from regulation.

Action Agendas

The Government's 1997 industry statement *Investing for Growth* announced that the Government would be working with industry to develop Action Agendas to address impediments to growth in specific industry sectors. Action Agendas provide a mechanism to address sector-specific issues, and provide an important underpinning to measures to improve the confidence and efficiency of certain industry sectors.

The Action Agenda process is a mechanism through which a working partnership can be formed between governments at all levels, industry and others to address the specific needs of certain sectors. It provides a template for reform and change, agreed to by the major participants in that market and sets out a series of deliverables to benefit key industry sectors. It allows for a targeted approach to issues such as training, workplace relations, industry specific regulation and other matters. The cooperative nature of the process, and the need to develop a consensus amongst all relevant parties, means that not only does it provide a mechanism through which to raise concerns with government but also can draw on a broad range of public and private sector resources in identifying solutions. More Information about Action Agendas can be found on the Department of Industry, Tourism and Resources website at http://www.industry.gov.au/content/controlfiles/display_details.cfm?objectid=CC8A8D86-0597-412D-B105C70F98CC428B.

By providing a mechanism through which to progress detailed initiatives, Action Agendas address a key business demand for government to better understand and respond to the issues that impact on firms on a day-to-day basis. Action Agendas provide a useful adjunct to the benefits in confidence that arise from the sound management of the economy as a whole, and address the concern of firms that the very real issues of a particular industry sector may become lost in the face of economy-wide consideration. Action Agendas provide an important touchstone between industry and government and play an important role in maintaining business confidence.

Chapter 4 - Conclusions

New employees represent an investment by a firm, and investment is only likely to occur in circumstances where there is a strong degree of confidence in the future. Few businesses are going to seek to expand their operations in an environment of uncertainty, or one where they perceive the future to be bleak.

Sustainable jobs growth will come in an environment where business confidence is high and where a firm's energies are dedicated to expanding the business rather than concern over the future direction of the economy or the cost of compliance with the regulatory burden. The Government's macroeconomic policy settings and commitment to regulation reform, complemented by partnerships with business and other governments in particular industry sectors via the Action Agenda process, maximise the growth potential of firms. The success of this layered approach is shown by the most recent Yellow Pages survey which highlights that, in an environment of considerable global uncertainty, the majority of small businesses are confident about the future with a significant proportion entertaining new employment opportunities in the near future.

Profile of small business employment

In this submission “small business” will, unless otherwise indicated, be defined as a business with less than 20 employees. This is the definition generally used by the Australian Bureau of Statistics.

- As at 30 June 2001 there were 1 162 000⁴ non-agricultural small businesses.
- Over 96 per cent of businesses are small businesses.
- Around 45 per cent of small businesses have employees, with 34 per cent employing between one and four people and 11 per cent employing five to nineteen people.
- The number of small businesses has grown by an average annual rate of 11% since November 1999. It is likely that the New Tax System (NTS) may have impacted on the rise in the number of small businesses reported for the June 2001 collection, as it may have prompted more business operators to register their businesses.

Small business employment

Small businesses employ well over 3 million people, accounting for almost half of private sector non-agricultural employment.

The Australian Bureau of Statistics has been collecting data on small business employment consistently since 1988-89, with data for one year also available for 1983-84. The most recent data released in this series is for the 1999-2000 financial year. In that year the ABS found that there were 1 074 900⁵ small businesses in Australia employing 3 181 000 people.

Between 1983-84 and 1999-2000 the level of small business employment has grown by an average rate of 3.1 per cent each year. This compares to an average annual employment growth rate of 2.5 per cent for other businesses.

Data from the Australian Bureau of Statistics⁶ shows that small business employment levels have generally increased between 1988-89 and 1999-2000, with only one year in that time having recorded a decline (1996-97). Over this same time period medium and large businesses have had more fluctuating employment levels, with negative employment growth recorded for four years (1990-91, 1991-92, 1992-93 and 1997-98).

⁴ The Australian Bureau of Statistics publication Characteristics of Small Business represents the most recent data published on small businesses ABS Catalogue 8127.0. This data relates to a survey taken in June 2001 and found that there 1 162 000 small businesses at that time. This publication does not include employment levels for businesses. The ABS publication Small Business in Australia Update 1999-2000 ABS Catalogue 1321.0.40.001 presents the latest information on employment levels in small business.

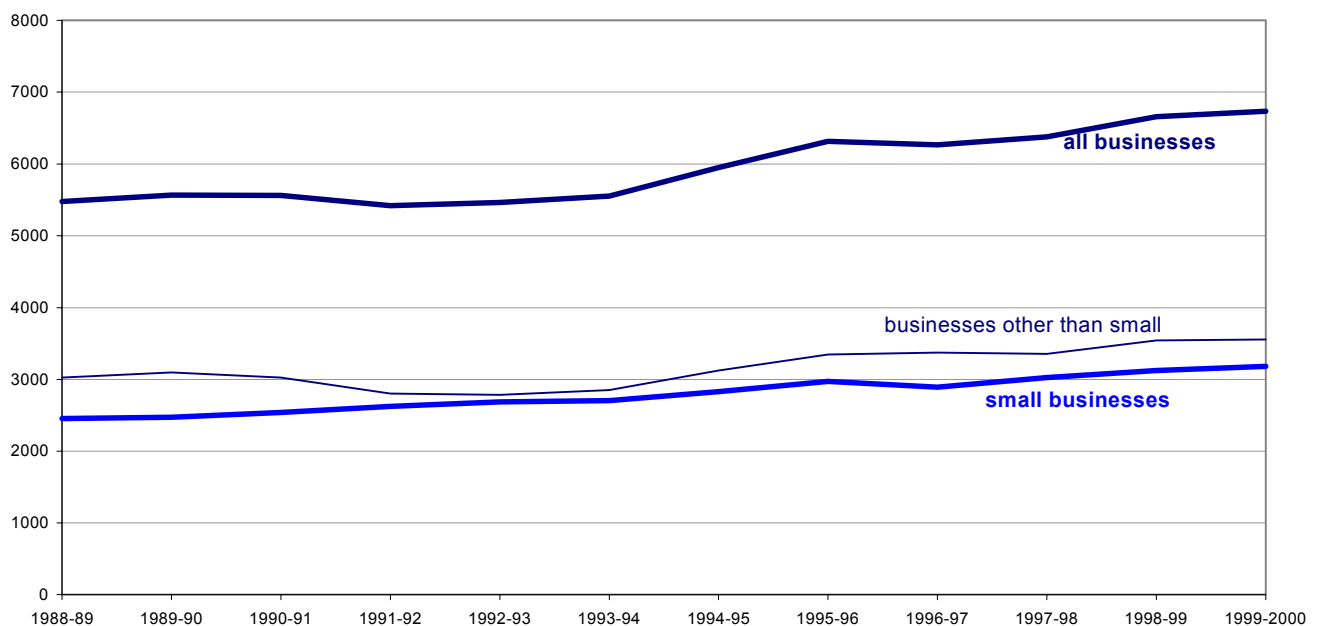
⁵ ABS Catalogue 1321.0.40.001 found that there were 1 074 900 small businesses. This data relates to 1999-2000 and should not be confused with the number of small businesses in the more recent ABS Catalogue 8127.0, as mentioned in the previous footnote.

⁶ ABS Catalogues 1321.0 and 1321.0.40.001

The ABS have also published data on employment creation and destruction, from data collected as part of the Business Longitudinal Survey (BLS)⁷. The most recent data found that between June 1997 and June 1998 small businesses contributed 492 000 persons (49 per cent) to total job generation, compared to 256 000 jobs generated by medium businesses (25 per cent) and 265 000 jobs generated by large businesses (26 per cent).

Of the employment generated by small businesses 268 000 were generated by continuing businesses (54 per cent), with 224 000 jobs generated by new businesses (46 per cent). Between June 1997 and June 1998 small businesses accounted for 50 per cent of net employment growth, with medium businesses accounting for 17 per cent and large businesses accounting for 33 per cent. Micro businesses accounted for 27 per cent of net employment growth in that time, compared to 23 per cent for other small businesses.

**Employment by business size
1988-89 to 1999-2000**



Source: ABS Cat. 1321.0

⁷ The Business Longitudinal Survey (BLS) tracked the growth and performance of 4000 firms in Australia of all sizes over the four year period from 1994-95 to 1997-98. The aim of the survey was to explore the impact of firm characteristics and behaviour on the performance of firms. Data was collected by the Australian Bureau of Statistics as their Growth and Performance Survey (GAPS). The data on employment creation quoted above related to the change in employment between June 1997 and June 1998 and was published in *Small Business in Australia 1999*, ABS Catalogue 1321.0, p91.

Government Involvement in training and job matching

Training Packages

National Training Packages are sets of nationally consistent qualifications and competency standards for recognising and assessing skills. They are developed by industry and are subjected to a rigorous quality assurance process to ensure they meet the needs of industry.

At the beginning of May 2002 there were 73 Training Packages (66 industry and 7 enterprise), estimated to cover around 75 % of the workforce. A variety of industries, such as transport and distribution, floristry, museums, outdoor recreation, beauticians, caravans, sport and rural operations, now have structured national training as a result of the implementation of Training Packages. New Training Packages are being developed in 2002 for a number of other industries, including aviation, conservation and land management and visual arts, craft and design.

New sectors and/or qualifications are also being developed for endorsed Training Packages on an ongoing basis to meet new and emerging skill needs. Recent examples include: call centre operations (Telecommunications Training Package), digital television (Electrotechnology Industry Training Package), e-business (Information Technology and Business Services Training Packages) and finance and financial planning (Financial Services Training Package).

Many Training Packages contain skills sets and qualifications designed to support management needs in small and medium sized enterprises. In addition, the recently endorsed Business Services Training Package has adopted a generic approach to skill development for small business. Its competency standards are described in broad terms with the express intention that they are used in and contextualised to the requirements of many, if not all, other industries. The qualifications are designed to maximise flexibility, allowing a variety of skill combinations, to cater for the specific needs of individual businesses.

The Certificate IV in Business (Small Business Management) in the Business Services Training Package covers the essential management skills for small business. They include researching business opportunities, establishing a business and legal requirements, financial and business planning, managing business operations and small team plus others. There are also other management-related competency standards in the Business Services Training Package that can be used by small and medium sized enterprises, including frontline management, record keeping plus specialist areas such as marketing and human resources.

Group Training Organisations

Group Training is an employment and training arrangement whereby an organisation employs New Apprentices under a Training Contract and places them with host employers. The organisation undertakes the employer responsibilities for the quality and continuity of the New Apprentices' employment and training. The organisation also manages the additional care and support necessary to achieve the successful completion of the Training Contract.

There are approximately 180 Group Training Organisations operating nationally. At June 2001, they employed approximately 36,000 New Apprentices.

Research conducted by the National Centre of Vocational Education Research (NCVER) in 2001 'Group training apprenticeships and traineeships in Australia' indicates that Group Training Organisations are used almost exclusively by small firms, although Group Training Organisations in their own right are large employers. A survey by the group training employer association, Group Training Australia, in 1996 found that host employers tended to be small or medium businesses with almost 90% employing 50 people or less and over half employing 5 people or less.

In addition, the Commonwealth through the Department of Education, Science and Training provides funding under the Group Training New Apprenticeships Targeted Initiatives Programme to establish New Apprenticeships markets in areas considered critical, challenging or underserved. Programme funding is \$4million annually and most projects have a requirement that at least 50% of commencements be with small to medium sized businesses.

National Industry Skills Initiative

The National Industry Skills Initiative (NISI) is an industry led process designed to establish the steps that industry, government and the partnership of the two can take to assist industry in meeting their skill needs both now and in the future. A number of the industries that have participated in the NISI process comprise a high proportion of small to medium size enterprises, eg Rural, Building & Construction, Commercial Cookery and Retail Motor. It has been found through the deliberations of the specific industry Working Parties that small businesses share the concerns that effect each industry across the board. The actions to address issues of skill attraction, development and retention devised for each sector, while generally not addressing small business particularly, are intended to assist all enterprises in their respective sectors.

Job Network

Job Matching services are provided by Job Network members to match a job seeker's skills and experience to a job. Job Network members providing Job Matching services canvass employers for jobs and refer suitable job seekers to these vacancies. Job Matching assistance is available to most job seekers who are working less than 15 hours a week. Confirmation of job seeker eligibility for Job Matching services can be made either through the job seeker's local Centrelink Office or local Job Network member.

Job Matching has successfully placed some 320,000 job seekers into eligible placements for the year 2000 - 2001. Job Matching services are delivered by 155 providers from 1655 sites nationally.

The New Enterprise Incentive Scheme (NEIS) is a part of Job Network and is currently delivered by 50 Providers from 350 sites around Australia. NEIS is a comprehensive package of assistance designed to assist unemployed people to establish their own business through the provision of small business training, income support and mentoring/support during the first year of business operation.

NEIS is a successful programme, maintaining significantly higher outcome levels than other employment services/programmes, with 83 per cent of participants either in business or employment fifteen months after commencing on NEIS (three months after conclusion of assistance), and an "off benefits" outcomes level of around 70 per cent. In the year ending April 2002, over 6,100 job seekers were helped to start their own business through NEIS.

Measures to reduce the impact of regulation on small business

Unfair dismissal regulation

The Government is committed to exempting small businesses from unfair dismissal provisions in the Workplace Relations Act. Between 1997 and 2001, the Government introduced three Bills and two sets of amending regulations to exempt small businesses from unfair dismissal laws. All have been opposed in the Senate.

The *Workplace Relations Amendment (Fair Dismissal) Bill 2002*, currently before Parliament, would exempt small business from the unfair dismissal provisions of the Workplace Relations Act. This Bill was introduced following an election commitment in 2001 to exempt small businesses with less than 20 employees from the operation of the unfair dismissal laws.

As noted above, unfair dismissals provision have been of longstanding concern to small businesses, and appear to be one of the major factors inhibiting small businesses from taking on staff. The Government's policy position is that small businesses should be exempted from unfair dismissal laws, in order to protect small businesses from the costs and administrative burden of unfair dismissal claims, improve business confidence and increase employment opportunities. Unfair dismissal laws have a disproportionate impact on small businesses, compared with larger businesses. They do not have access to the same financial and human resources as larger businesses. Unplanned legal expenses and attendances at hearings away from the workplace can threaten the viability of small businesses and the jobs of those working for them.

Workplace relations reforms

There has been significant reform of the federal workplace relations framework to make the primary focus of the system agreement making at the workplace or enterprise level. There has also been a refocussing of the role of awards on providing a safety net of minimum wages and conditions.

The *Workplace Relations Act 1996* has reshaped the legislative framework to provide small businesses with greater opportunities to develop workplace relations arrangements that better meet their individual circumstances. Under the new framework, employers and employees have a choice in agreement-making that provides for more flexible working arrangements that better suit the needs of the business and its employees.

The Act has also reduced the role for third-party intervention, simplified the award safety net underpinning workplace bargaining and introduced a less bureaucratic process for approving agreements.

As well the federal award system has been simplified and made more flexible for those small businesses that wish to remain regulated by it. The award simplification process aims to make federal awards less detailed and prescriptive so they operate principally as an effective safety net of minimum wages and conditions of employment. Awards also act as a benchmark for the no-disadvantage test for enterprise bargaining agreements. As at 31 May 2002, 1639 mainly obsolete awards have been set aside under the provisions of the WR Act⁸. In addition, 1416 federal awards have been simplified or are in the process of being simplified by the Australian Industrial Relations Commission.

⁸ Award Simplification Current Status Report – 31 May 2002, Australian Industrial Relations Commission, AIRC web page <http://www.airc.gov.au/awdsimp/lists/stats.htm>.

Privacy legislation

The Privacy Amendment (Private Sector) Act 2000, which establishes privacy requirements for private sector organisations, commenced on 21 December 2001. The Act requires businesses to comply with 10 National Privacy Principles when handling personal information.

The Act includes an exemption for small businesses whose information handling practices do not raise significant privacy concerns.

The Act also allows small businesses that are affected by the legislation, other than health service providers, an extra 12 months before the new rules apply to them.

The exemption means that many small businesses will not be affected by the legislation at all, and those that are, other than health service providers, will have until 21 December 2002 to comply.

Australian Bureau of Statistics surveys

More Time for Business, a statement by the Prime Minister, responded to the Small Business Deregulation Task Force recommendations by committing to, among other things, a 20 per cent reduction in the ABS reporting load on small business during 1996 - 1997 and further reductions in reporting load in consultation with small business representatives.

The ABS has employed a range of measures to decrease the time taken to fulfil survey requirements. Some of these measures include: reducing the sample size for some collections; testing survey questions to ensure they are as easy as possible to understand and complete; and using alternative sources of information in preference to surveying businesses.

As a result of these and other initiatives since 1995 – 1996, the ABS has achieved an overall reduction in time taken to complete surveys of 38 per cent for all business and 44 per cent for the small business sector. The ABS will continue to seek further reductions in the reporting burden for small business. The introduction of the New Tax System, for example, has provided an opportunity for the ABS to gather information from non-survey sources. It is hoped that this information will reduce the necessity of directly involving small business in many surveys.