



WHAT SMALL BUSINESS WANTS ACCI'S PRE-ELECTION SURVEY RESULTS

ACCI's pre-election survey of more than 2500 firms across Australia provides a detailed breakdown of what business wants from the next government of Australia. Businesses were asked to rate the importance of 63 different issues and these 63 issues have been ranked in order of importance. The data have been sub-divided so that we can see the issues of greatest importance to the small business community in Australia. For the purposes of this survey, small businesses are those with fewer than 20 employees.

Small business is different from large in more than just size. There are different characteristics and there is generally a much greater involvement of owners in the day to day operation of the firm. They are also different from larger firms in what they want from the next government of Australia. But there are also many similarities in the problems that confront firms of every size. When all is said and done, small businesses are businesses and experience many of the same difficulties that larger firms must also endure.

These differences and similarities are brought to light in the data from the pre-election survey. The table below shows the ten most important issues ranked according to the views of the small business community. The table also shows the corresponding ranking for the same ten issues for medium and large sized firms. In this case, medium sized firms are those with between 20 and 99 employees, while large firms were classified as those with more than 100 employees.

SM ALL BUSIN ESS 1-19 Em ployees	20-99 Em ployees	M ore than 100 Em ployees
1. Frequency and com plexity of changes to tax law s and rules	1	1
2. Level of taxation	2	2
3. Telecom m unications costs	7	8
4. Com plexity of governm ent regulations	4	3
5. Unfair dism issals legislation	3	7
6. Superannuation Guarantee	14	28
7. Cost of com pliance w ith governm ent regulations	6	4
8. Energy costs	12	9
9. Penalties for failure to com ply w ith governm ent regulations	8	10
10. W orkers' com pensation paym ents	5	5
52. Payroll tax	9	12

At the top of the list of rankings was the frequency and complexity of changes to tax laws and rules. This was the number one issue in the survey overall and this can easily be understood since it was the number one issue irrespective of what the size of firm was. It is clearly the most important issue that business would like the next government to understand and remedy.

Business is looking for some respite from the changes which have been regularly made to the tax system. The results are, in essence, stating that business would like governments to leave the tax system essentially alone and give business a breathing space in which it can assimilate the changes that have already taken place.

But the data also show that business is concerned with the complexity of the tax system as it is. Thus, if there are to be changes, the changes that business would accept are those which will make the system less complex and more easy to comply with. This must become the central criterion for making changes to the way we tax ourselves in the period ahead.

The 2nd issue on this list is again the same as that in the survey as a whole and it is also the same as that for medium and large sized firms. This is the level of taxation. These results should add to the pressure on governments to recognise that taxation is excessive and that the next government of Australia must ensure that the level of taxation begins to fall.

The 3rd issue in the small business agenda were related to telecommunications costs. With the widening use of telecommunications through faxes, mobile phones and the internet, the costs of bearing this particular aspect of running of business are growing. Governments will need to turn their attention to achieving a slowdown in the growth of telecommunications costs which has been increasing because of the widening and deepening of telecommunications use across all industries. Ensuring that competition is as intense as possible will be important if Australia is to reap the greatest benefit from the rapid advances that are occurring in this field.

The 4th issue in the small business agenda is the complexity of government regulations, which small business wants to see reduced. This outcome may be compared with the 7th ranked issue, the associated costs of complying with government regulations and the 9th ranked issue, which were the penalties for failure to comply with government regulations. Regulation is becoming more intrusive by the year and is making it increasingly difficult for businesses to attend to the central matter of their firms, which is to supply the goods and services sought by their customers. Excessive regulation is getting in the way of business achieving the kinds of ends that the community genuinely wants, which are quality products produced at affordable prices.

The 5th item in the small business agenda is unfair dismissals legislation. This is a problem that is creating year after year a growing reluctance by business to add to the number of employees. No one denies that there can be unfair dismissals. But the way that the current legislation is crafted makes it extremely costly in terms of executive time to achieve an outcome which should be completed in a more expeditious manner.

The next government of Australia will need to turn its attention to doing something about the unfair dismissals legislation to make it less onerous. And the ironic part of this is that rather than such changes being harmful to the interests of workers, it will make their employment more secure rather than less, and provide greater opportunities for those looking for work.

The superannuation guarantee is found in the 6th position. In only a decade compulsory superannuation payments by business have gone from zero to having reached 8% of the wages bill. This has been part of the reason that full-time employment growth has been as minimal as it has and there has been a greater growth in the number of part-time and casual employees in comparison with the past.

It will also be noted that the superannuation guarantee is a more important issues in small business than it is in medium and large. In medium sized firms it was ranked 14th and in large sized firms it was ranked 28th. Contributing to this difference is the fact that in larger firms there had historically been the provision of superannuation to employees. Therefore, since it had in general been provided by larger firms, mandating superannuation did not have the same impact.

The 8th most important item on the small business list is that of energy costs. In part, this followed the rise in petrol prices due to the higher costs of imported crude oil. It was also in part due to the rising costs of electricity in different parts of the country. But whatever maybe the reason for it, the rising costs of energy will have consequences for the economy in the longer term.

The 10th item in the small business agenda is that for workers' compensation payments. While to some extent this is a state issue rather than one that will be part of a federal election campaign. Nevertheless, recognising that workers' compensation is a problem for firms throughout the economy, and not just amongst small business, should remind those who formulate policy that the problems exist and that it is not a minor issue.

The last item on this table shows the importance of payroll tax. It will be seen that payroll tax ranks at 52 amongst small businesses. This is in large measure because most small businesses find their wages bill below the payroll tax threshold and therefore are not compelled to pay payroll tax.

However, in medium and larger sized firms, this is not at all the case. In medium sized firms, payroll tax ranks 9th and in large sized firms it is 12th. It is therefore important for those who craft policy to recognise the problems that payroll tax causes. It should be kept in mind that just because it is not on the small business agenda that this is not something that can be forgotten. Payroll tax is a problem for industry and as the GST revenues begin to increase in the years ahead, reductions in payroll tax should be one of the first changes to follow.

Small Business Issues - Ranked 11-30

Just outside the top ten issues are those shown in the second group of results. These are the data showing the rankings from 11th to 30th. Each of these is of paramount importance to small business and will need to be dealt with in a considered way.

RANK	AREA OF CONCERN
11	Recruiting Employees With Appropriate Skills
12	Compliance With The GST
13	Personal Tax (PAYG)
14	Adequacy of Telecom Infrastructure
15	Level of Government Spending
16	Exchange Rate Volatility
17	GST
18	Time Required To Complete BAS Forms
19	Cost of Finance/Interest Rates
20	Wage Levels
21	Compliance With OH & S Regulations
22	Company Tax
23	Compliance With Tax Other Than The GST
24	Retaining Skilled Employees
25	Foreign Debt/Current Account Deficit
26	Water Costs
27	Asian Economic Outlook
28	US Economic Outlook
29	Capital Gains Tax
30	Unemployment

It is quite clear that within small business, the difficulties associated with the introduction of the GST have not disappeared. While in some sense it is pleasing to find that none of the GST issues were ranked in the top ten, nevertheless they remain issues of importance.

As the table shows, compliance with the GST is ranked 12th (compared to 15th overall), the level of the GST ranked 17th (compared with 26th overall) and the time required to complete BAS forms is in 18th position (compared to 17th overall). The next government of Australia will need to concern itself with continuing to reduce the compliance costs of the GST and making it less difficult to complete the BAS.

It is also notable that a number of economic issues are of very large importance to small business. These were largely issues that are associated with the cost structure of business such as the cost of finance and interest rates, which was ranked 19th, and the level of wages which was ranked 20th.

There were also concerns within the small business community about the economic outlook in both Asia and the United States. Given that these survey results were

gathered prior to the terrorist attacks in the United States on September 11, the high ranking for the international situation can be seen to be probably an understatement of the concerns that exist right now.

Finally, in regard to the international situation, high on the list for small business is the exchange rate volatility of the Australian dollar as well as the level of foreign debt and the size of the current account deficit. Both are unsettling for small business.

It is also notable that finding skilled employees, ranked 11th, and retaining skilled employees, which was ranked 24th, are highly significant to small business. Since each employee represents a higher proportion of the entire workforce of a small firm, getting the right people and keeping them may be an even greater priority than it is for larger sized firms.

Small Business Issues – Ranked 31-50

The next set of issues are those ranked between 31 and 50. These are also important but to a lesser degree than in the tables above. Nevertheless, these are issues that small business is looking to government to do something about.

RANK	AREA OF CONCERN
31	Penalty Rates
32	Road Transport - Cost And Reliability
33	Fringe Benefits Tax
34	Complying With Award Regulations
35	Restrictions On Gaining Access To Enterprise And Individual Agreements
36	Redundancy And Termination Payments
37	Rate Of Inflation
38	Achieving Workplace Change
39	Stamp Duty
40	Quality Of Vocational Education
41	Getting Appropriate Training For Employees
42	Employee Productivity
43	Safety Net Increases
44	Compliance With Environmental Regulation
45	Workplace Health And Safety Inspections
46	Compliance With (Non-Tax) Paperwork
47	Availability Of Finance
48	Absence Of Junior Rates
49	Land Tax
50	Trade Practices Legislation

What is evident amongst this group is the high proportion of industrial relations issues that are found. Interestingly as 34th and 35th we find complying with award regulations and the restrictions on gaining access to enterprise and individual agreements. The results indicate that within small business the award system remains

a handicap to growth and productivity and that as the reverse side of that, the problems of making ones own enterprise or individual agreement are large.

It must be borne in mind in looking at this result that firms that do have enterprise or individual agreements and are no longer concerned with the award system would not rank these issues very highly. The fact that these issues have moved as far up the list as they have means that for those businesses which are obstructed by the award system and are unable to get an enterprise or individual agreement feel this problem very strongly. Because unlike with many of the other possible problems listed in this survey, these specifically are problems only to those firms for which they remain unresolved difficulties.

Unfortunately it is impossible to separate out the results for those who are subject to awards and those who are not. But what should be understood from these results is that awards are major problems, for those firms in which these kinds of industrial relations problems remain.

One cannot dismiss these observations and they should be recognised in terms of their other industrial relations issues. The safety-net increase, which is ranked 43rd, would not appear to be a problem of the same intensity as others above it. But it must be borne in mind that in comparison to, for example, getting appropriate training for employees, which is potentially a problem for every firm in Australia, the safety net affects a smaller proportion of firms.

Further evidence that industrial relations issues remain important can be seen by the ranking of penalty rates at 31st, achieving workplace change at 38th, employee productivity 42nd and the absence of junior rates at 48th.

Small Business Issues – Ranked 51-63

RANK	AREA OF CONCERN
51	Licensing Provisions
52	Payroll Tax
53	Compliance with Privacy Requirements
54	Corporation Law Requirements
55	Air Transport - Cost and Reliability
56	Speed of Government Payments
57	Access to Government Procurement
58	Industrial Disputations
59	Rail Transport - Cost and Reliability
60	Access to R & D Tax/Grants
61	Excise Taxes
62	Sea Transport - Cost and Reliability
63	Getting Export Assistance

The last set of issues is shown in the final table. Again one should be careful not to draw the conclusion that because they are at the bottom of this list that they are of no

importance. All of the issues that have been included in this survey are important to business everywhere in Australia. What the survey intends to do is to rank the relative importance of issues that business must deal with.

Nevertheless, that said it is notable that many of those issues in this last group are in relation to receiving assistance from government. For example, the very last issue on the table is getting export assistance, which is, in terms of priorities, the least important as a general small business issue.

On the other hand, to see that industrial disputation ranks 58th out of 63 is a very welcome outcome. Industrial disputes were at one time the single most important cause of economic contraction and rising rates of unemployment. That industrial disputation is now ranked as lowly as it is, is a true sign of progress. It should be the aim of any government of Australia to keep industrial disputation at this end of the table.

Conclusion

For the most part, small business has similar problems to those that are affecting all business irrespective of size. Running a small business is not getting easier. What we seem to find is that as computer technology advances, governments impose additional regulation and additional tax collections that would have been unimaginable prior to the computerisation of the workplace.

Small business shares with all business the desire to have a less complex tax system in which taxes are lower than they are. They seek less regulation and where regulation is necessary, they seek more light-handed regulation than now exists. It is also apparent that industrial relations issues are important as shown by the high level for unfair dismissals and the importance that is attached to the problems gaining access to individual and enterprise agreements.

The next government of Australia will need to pay close attention to the needs of small business. They are often buried beneath the problems associated with medium and larger sized firms simply because small size can lead to outcomes where “out of sight out of mind” prevails.

What this survey has done is to bring into view the concerns of small business. It will be the responsibility of Australia’s next government to focus its attention on the issues that have been raised by these survey results and deliver meaningful solutions.

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