

Small business

The small business sector accounts for approximately two million businesses and employs over seven million people in Australia. The employment in small business accounts for approximately two thirds of the Australian workforce.

It is clear that the health of the small business sector is a major single determinant of the health of the economy.

Successive Australian governments have professed to be concerned about the small business sector and still the regulatory demands on the sector see it pushed nearly to the brink and the decline is seeing significant reduction in business numbers and labour utilisation in spite of population growth. Furthermore, the definition of a small business varies between the Australian Tax Office, Fair Work Australia, the Australian Bureau of Statistics and the Australian Chamber of Commerce and Industry.

It is exceedingly unlikely that any Australian government has made any serious commitment to the small business sector when they have not even taken the time to define the sector. Interestingly, not a single one of the many Australian definitions of the small business sector correlates with our major international competitors. Australian government definitions range from:

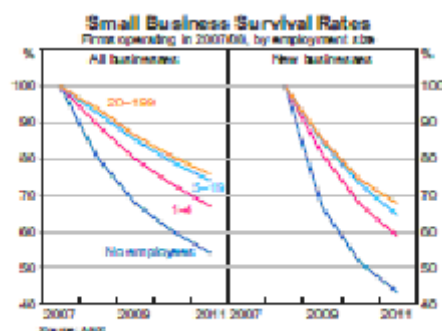
- less than 15 employees by simple count rather than full time equivalents for Fair Work Australia;
- less than 20 employees for the Australian Bureau of Statistics;
- less than 50 employees for the Australian Tax Office;
- less than two million dollars in revenue for the Reserve Bank of Australia; and
- less than fifty million dollars for the Australian Prudential Regulatory Authority.

Typically, small business operators actually operate the business they own or at very least have an intimate knowledge of the operation. Similarly, most small business operators are not often “sophisticated”, in the corporate sense, and their primary skills tend to lie in the field of the service or production sector that the business operates within. For example:

- A plumbing contractor is usually a plumber with a trade background, and is not a university trained business management graduate.
- A farmer is usually skilled in production of crops or livestock, and is not a tax accountant or industrial relations lawyer.

As a result we see small business severely disadvantaged by government regulation and compliance, which does not differentiate between a large or small employer.

Small business operators are besieged by predatory and anti-competitive behaviour of big business. Similarly, small business is increasingly besieged by the regulatory systems of government which are really targeting big business and indifferently catching small business in the crossfire. The result is that we are seeing small business survival rates decline sharply and the rate of labour utilisation by small business contract even faster. The increasing demands on small business administration and compliance do nothing to improve productivity or profitability and simply add cost to the business and demotivate the sector.



KAP is committed to supporting small business and recognises that it is the sector of the economy most able to drive growth and innovation in the Australian economy and with meaningful support will provide the biggest growth in employment in terms of numbers of jobs and numbers of hours of work.

The Australian government has progressively pushed compliance requirements onto business in regards to the roll out of the administration of increasingly complex employee services such as tax collection and management and superannuation administration. It is alarming that the superannuation industry is filled with highly trained accountants and administrators who do not pick up a pencil without charging someone and the government expects small business operators to perform all the accounting and compliance functions for superannuation at no cost. The reality is that the cost of compliance and implementation of increasingly complex payroll management systems cannot be efficiently offset on small workforces that typically define small business.

KAP is committed to reducing red tape and compliance costs for small business and recognises that the marginal unit costs to compliance to small business must be considered in contrast to the marginal unit costs to big business. KAP is committed to seeing regulatory impact assessments for small business mandated for relevant legislation and regulation.

Specifically KAP will pursue policies that:

- provide a consistent definition of small business in Australia that ensures competitive advantage for Australian small business (less than 50 employee threshold preferred);
- give small business the same rights under competition policy as consumers;
- give small business the same rights under industrial relations law as employees;
- mandate regulatory impact assessments specifically for small business;
- establish a Small Business Ombudsmen with particular interest in predatory anti-competitive behaviour by big business and compliance cost burdens; and
- provide separate award conditions for small business that recognise the difference between big business and small business, while still providing certainty to employees.