

19 June 2020

COSBOA Communiqué

Mental well-being and the road out of COVID-19

SYNOPSIS

COSBOA's COVID-19 Roundtable has been re-tasked to focus on the nature of specific initiatives that could aid economic recovery and support job creation from an SME perspective. The first of these re-tasked meetings was convened on Friday 22 May 2020 and successive meetings continue to canvass the nature of specific policy and legislative opportunities in this regard.

This latest Roundtable Meeting was held on **Friday, 12 June 2020**. The discussion at this meeting was conducted by way of a listening post with COSBOA's industry association members and partners, who collectively represent around 1.4M SMEs. These organisations shared their perspectives on the general feeling of SMEs as the Australian economy takes its first steps along the road to economic recovery.

The discussion gave rise to a series of strategic issues that could ideally be considered in the design and implementation of policies designed to aid SME recovery over the short to medium term. These issues have been grouped under four key themes as summarised below.

KEY THEMES

The following key themes were discussed at this latest meeting:

- 1. The rate of SME recovery and small business job creation is likely to be vulnerable to movements in the mental well-being of business owners and, consequently, more needs to be done to provide assistance to business owners in this area.**
 - Unlike large business, the decision of a small business owner to invest and grow is heavily influenced by the mental and emotional disposition of the small business owner. As a result, there is an inalienable link between the mental well-being of SME business owners and the rate of business growth and job creation of that enterprise.
 - The speed and quantum of the business impact of COVID-19 has created a significant drain on the emotional resources of many small business owners. Accordingly, there is an urgent need for Australian governments to institutionalise processes for the capture and tracking of data pertaining to the mental health and emotional well-being of business owners. This data could then be used to derive correlations between changes in the mental health and emotional well-being of SMEs and the rate of economic recovery of small to medium enterprises, to better inform policy making.
 - All Australian governments should seek to develop dedicated assistance programs to support the mental health and emotional well-being of small business owners. These

programs should be progressed in tandem with financial assistance measures to maximise the public good dividends of the same.

- Measures should be implemented by government and business to de-stigmatise business failure, given that current attitudes could give rise to unacceptable increases in insolvent trading within the SME sector. These measures should extend to changes in the eligibility criteria for government support measures for those individuals who have recently been forced to wind-up their business (i.e. most current policies and programs penalise failed small business owners in terms of not providing the same levels of assistance that are afforded to a normal wage earner who has lost their job). Access to Services Australia thresholds, for example, should be reviewed to mitigate personal financial impact on individuals.

2. The impact of COVID-19 on Australian SMEs has been severe, with SMEs hit almost two times harder than larger businesses in terms of both revenue loss and job destruction

- Following a survey of its customer base, Xero released findings revealing that there has been an estimated 13% decline in jobs in Australian SMEs. This compares with an estimated 8% in larger businesses. The results also reveal that SMEs operating in the hospitality sector have been hardest hit in terms of revenue loss and job loss.
- Xero also estimates that Australian SME revenue in April 2020 was down 11% when compared with the same period last year
- The results suggest not only that the greatest number of jobs were lost in SMEs, but that the greatest opportunity for job reinstatement/creation also exists within the small to medium business sector over the near term.

3. There is an urgent need to develop a roadmap for the journey out of the COVID-19 downturn, including the tapering of various SME assistance programs beyond September 2020.

- Participants noted data that revealed that the Commonwealth Government's JobKeeper program had mitigated job losses in SMEs, with 10% of job losses occurring prior to the JobKeeper announcement and just 3% job loss following the announcement.
- While the reopening of business has been welcomed, the patronage constraints imposed as a result of social distancing will continue to constrain SME revenue recovery for the foreseeable future. Consequently, consideration should be given to continuing assistance to SMEs – albeit in a different form to JobKeeper – beyond September 2020, to take account of businesses that will be hardest hit by these patronage constraints.
- The government should consider a tapering of all current SME assistance measures, based on industry sector impacts, beyond September 2020. Such consideration could be advanced via the development of national economic and job impact thresholds – or “triggers”. Ideally, these should be developed by the Australian Government prior to 31 July 2020 to provide indicative guidance for businesses on possible eligibility for ongoing assistance.

- There are significant concerns associated with the abrupt termination of current insolvency and bankruptcy provisions. Consideration should be given to tapering these provisions – separate to the tapering strategy suggested above – to prevent aggressive debt recovery actions that force bankruptcy unnecessarily.

4. The substantial impacts of recent natural disasters and COVID-19 suggest that there is a need for the Australian Government to consider the establishment of a permanent national agency for management of the physical, economic and social impacts of natural disasters.

- The performance of the Bushfire Recovery Commission to date has been sub-optimal. There was a general view amongst participants that much of the early efforts of the Commission appear to have been focussed on institutional establishment, at the cost of timely delivery of financial assistance to SMEs. This is not so much a criticism of the Commission, but more considered to be an indication of the opportunity cost of not having a permanently established national agency.
- Based on the SME and community experiences of the past 12 months, there appears to be a strong case for the establishment of a centralised national agency for disaster management. This agency would be responsible for co-ordinating tripartite government responses in terms of disaster preparation, in-disaster management, and post disaster recovery (i.e. economic, physical infrastructure and social support). Ideally, the agency would be developed along similar lines as the USA's Federal Emergency Management Agency (FEMA).

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