

21 April 2020

COSBOA Communiqué

Journeying through the COVID 19 economic downturn

BACKGROUND

COSBOA convened a further meeting of the COVID-19 Roundtable by national teleconference on Friday, 17 April 2020. The meeting was attended by COSBOA member associations and other interested stakeholders, with attending associations representing an estimated 1M small and family businesses in aggregate.

The purpose of this latest Roundtable meeting was to identify some of the key challenges being faced by small to medium business owners as they grapple with the economic downturn created by the COVID-19 health crisis. Three key challenges were identified.

KEY CHALLENGES FOR SMEs

1. Funding the JobKeeper 'cash gap' is proving difficult.

- All participants welcomed the Federal Government's JobKeeper program, noting that the central objective of this program was to provide financial support to keep staff employed in small and medium businesses during the COVID-19 downturn. A majority of the industry bodies in attendance noted that the level of member inquiry about JobKeeper had increased dramatically in recent weeks. Analysis of these inquiries gave rise to the following observations:
- *SME business owners continue to struggle with the 'cash gap'.* Continuing the theme from the 7 April 2020 roundtable meeting, member organisations reported that the most common business owner concern related to the difficulty in pre-paying JobKeeper salaries for the month of April. This issue was particularly evident in the retail and hospitality industries where many businesses reported that JobKeeper had increased their pre-COVID 19 fortnightly payroll
- *Unfortunately, the Australian banking sector has not been able to assist with the bridging of the JobKeeper 'cash gap' in many cases.* Roundtable participants suggested that the problems being encountered by SMEs seeking interim financing arrangements for management of the JobKeeper cash gap are largely due to: (a) local banking managers apparently being unfamiliar with the COVID-19 assistance measures announced by their banking leaders; and (b) the inability of the banking system to provide approvals for bridging finance fast enough to bridge the JobKeeper gap, while still ensuring compliance with reasonable prudential requirements and lending practices
- *ATO information is comprehensive and timely.* All participants noted that JobKeeper communications being delivered by the ATO are both comprehensive and timely.

2. The commercial rent issue remains both significant and unresolved.

- Participants noted the release of the *COVID-19 SME Commercial Leasing Principles* by the National Cabinet. While this national code of conduct is welcome, the vast majority of small to medium business owners report that they are continuing to experience issues in securing reasonable relief from commercial rents during COVID 19.
- There remains an urgent need for state and territory governments to enact new regulations in their state to put the code of conduct into practical effect as soon as practicable, including the funding of state/territory small business commissioners to mediate in cases where the commercial landlord and business owner cannot reach agreement on a rent compromise during COVID-19.
- It was suggested that this issue would best be addressed by the pursuit of 'template legislation' – possibly along similar lines to that being pursued in Victoria – to promote consistency of commercial rent relief mechanisms across state/territory borders.

3. JobKeeper has inadvertently created new challenges relating to workplace attendance.

- Small businesses that continue to trade are reporting that significant numbers of staff – particularly casual staff – are refusing to attend the workplace, apparently believing that they are entitled to the JobKeeper payment regardless of whether they attend work or not.
- Employers who attempt to tackle this issue are reporting that their employees, when directed to work, are citing safety concerns about the risk of being infected by COVID-19 in the workplace. This is despite the business implementing social distancing and other hygiene measures in the workplace.
- The issue of workplace attendance is apparently being aggravated by the public actions of some unions who are openly challenging the efficacy of reasonable workplace safety actions being implemented by some businesses.
- There appears to be an opportunity for the Fair Work Ombudsman, or similar authority, to reinforce the fact that JobKeeper staff are required to follow reasonable directions to undertake alternative workplace activity and attend the workplace – or risk their employment being terminated in accordance with due process defined in the Fair Work Act (2009).

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