

6 August 2020

COSBOA COMMUNIQUE

Doing business and living with COVID-19

1. Introduction

COSBOA's COVID-19 Roundtable seeks to engage SME representative industry bodies and related stakeholders in a discussion about specific initiatives needed to support economic recovery and support job creation from an SME perspective. This latest meeting was conducted on **Friday, 31 July 2020** and was conducted in the face of growing evidence of a serious outbreak in Victoria and public discussion about a stage 4 lockdown in the state.

The meeting included a wide-ranging discussion with the Hon Tony Burke (federal Shadow Minister for Industrial Relations) about the current industrial relations environment and the nature of possible opportunities to make the system fairer for both employers and employees as we seek to rebuild the Australian economy.

Apart from the substantial discussion on industrial relations, the roundtable canvassed business concerns relating to the extension of the JobKeeper program and the merits of a national COVID strategy developed around virus suppression versus one developed around virus elimination. The discussion gave rise to the key themes summarised below.

KEY THEMES

The following key themes were discussed at this latest meeting:

- 1. While stage 2 and stage 3 of JobKeeper appear to have been designed to wean SMEs off the program, the rapidly changing situation in Victoria (and potential for similar outbreaks in other Australian states) suggests that there may be a need to refocus the program on supporting distressed businesses through a second COVID-19 outbreak.**
 - Roundtable participants agreed that there was an urgent need to rethink the design of JobKeeper (stages 2 and 3) given the rapidly evolving situation in Victoria and the fact that these stages appear to have been developed around an assumption that the national economy would be well into the recovery stage by October 2020.
 - There is an urgent need to rethink the revenue drop eligibility criteria for stage 2 Jobkeeper which currently requires SMEs to demonstrate a 30% fall in both the June 2020 and September 2020 quarters to be eligible. It is likely that many SMEs – particularly in Victoria – will experience a significant improvement in June quarter revenues but a subsequent and dramatic fall during the September 2020 quarter. These businesses must not be excluded from further JobKeeper assistance. Within this context, it is suggested that a better approach would be to either (a) consider the six-

month period in aggregate, or (b) apply eligibility based on September quarter revenues only.

- It is currently unclear whether employee eligibility is to be determined on the same basis as JobKeeper stage 1 (which was developed around employee status as at 1 March 2020) or is to be reset based on a later date to take account of employment changes that may have taken place since 1 March 2020 (i.e. casuals accumulated 12 months service and/or appointment of new permanent employees. Roundtable participants believe that it would be preferable that the employment status date be reset to a later date (i.e. as at 1 September 2020)).

2. The impact of second and subsequent outbreaks suggests that there is a need to rethink the delivery of business support measures in the face of COVID-19 lockdowns and associated economic impacts.

- The situation in Victoria suggests that it is not appropriate to develop assistance measures based on a theoretical timeline, particularly given the risk of repeated outbreaks and associated lockdowns – such as is occurring in Victoria.
- Rather, measures should be developed to accommodate three discrete but sequential stages of SME support, namely:
 - a) Measures supporting survival of the immediate economic impact
 - b) Measures supporting the business restart process
 - c) Measures promoting SME investment and accelerated economic growth
- *Stop-start-stop-start* business conditions pose the greatest threat of business and economic destruction, given that each lockdown progressively weakens the economic viability of SMEs. Accordingly, it will be necessary to ensure that each stage of SME assistance measures is appropriate to the economic circumstances in which they are operating – as opposed to an approach that promotes theoretical progression through each stage based on an assumed single outbreak. In other words, if businesses are exposed to a second outbreak and associated lockdown, the assistance provided should accord with business survival measures regardless of whether these measures have been provided previously.
- *Past assistance measures such as JobKeeper have largely failed sole traders, partnerships and family trusts. Given the increased probability of additional outbreaks (and associated lockdowns), there is an urgent need to revisit the efficacy of business survival measures afforded to these types of SMEs.*

3. Meaningful IR reforms - that are fair to both business and employees alike - are needed to support employment growth, with a major focus on award simplification for SMEs and resolution of the current uncertainty surrounding the employment of casuals.

- The current complexity of the award system is a deterrent to SME operation and issues associated with management of an SME during COVID-19 in the face of this complexity have made many SME owners wary of re-employing staff. There is an urgent need to simplify modern awards to make them easier to understand for employers and employees alike which, in turn, will make business owners more confident in taking on new employees on the other side of the COVID-19 economic downturn.

- Simplification of the modern award system may well be achieved by disaggregation of some existing awards, thereby creating a greater number of simpler/smaller awards that are easier to navigate and better tailored to individual industry sectors.
- There is considerable merit in pursuing a dedicated award for small business. Such an award will need to navigate issues associated with multiple coverage of different industries (i.e. different pay and conditions across industry sectors) as well as issues associated with progression to an 'Industry Award' when the business grows beyond the maximum employee threshold that is ultimately used to define a 'small business'.
- In the face of a high level of future economic uncertainty, SMEs are most likely to take initially on a casual basis only. That said, the current uncertainty surrounding casual employment means that even this option is likely to be unattractive for re-employment within SMEs. Accordingly, there is an urgent need to develop a clear definition of casual employment and implement a casual to permanent conversion process that is fair for employers and employees alike. Failure to address both aspects will likely create a substantial barrier to early employment growth within Australian SMEs

-ends-