

House of Representatives Standing Committee on Employment, Education and Training
Via email: ee.reps@aph.gov.au

17 June 2024

Dear Standing Committee

Re: Inquiry into Digital Transformation of Workplaces

The Council of Small Business Organisations (COSBOA) is the peak industry representative for small businesses in Australia. Small businesses make up 97 per cent of all businesses and are the lifeblood of the Australian community.

COSBOA has had a long-standing commitment to fostering innovation and productivity within the small business sector, which we believe is pivotal to Australia's prosperity. We have been committed to positioning Australian small businesses at the forefront of artificial intelligence (AI) adoption, ensuring they are empowered to harness its benefits and mitigate potential risks. Machine learning as a subset to AI can be helpful to small businesses, however, only if small businesses are equipped with the right resources and tools to navigate these systems.

Background

As mentioned in COSBOA's submission to the Select Committee on Adopting Artificial Intelligence, small businesses often lack the resources and knowledge necessary to understand and implement AI technologies effectively. This gap in AI literacy can hinder their ability to compete and innovate in an increasingly digital economy. We recommended that Government, support education and training programs in AI targeting the small business community.

We consider the recommendations made in our Adopting AI submission to align with the Standing Committee's Inquiry. Therefore, we propose the following to the Committee

1. Financial support for AI and Machine Learning (ML) Adoption
 - a. Increase funding for grants and incentives that enable small businesses to adopt AI technologies and therefore ML systems.
 - b. Simplify the application process for financial assistance programs.
2. Model AI Governance Framework:
 - a. Create a governance framework that sets clear AI ethical standards and regulatory compliance guidelines.
 - b. Include provisions for data protection, privacy, and algorithmic transparency.
3. Collaboration and Partnerships:

- a. Foster partnerships between small businesses, technology providers, and educational institutions.
4. Regulatory Alignment and Support:
 - a. Align AI and ML regulatory measures with international best practices while considering local business contexts.
 - b. Provide legal and regulatory support to small businesses navigating adoption challenges.

By adopting these recommendations, Australia can ensure its small businesses are equipped to thrive in an AI-driven economy, balancing innovation with responsibility and inclusivity.

Small Businesses Impact

The use of ML and implementation of RegTech can assist a small business significantly. Regulatory compliance for a small business has increased exponentially in the last few years, especially with the recent industrial relations reforms. Small businesses do not have the resources of separate HR or compliance teams to ensure that all obligations are being met, and often do not have the legal knowledge or understanding to comprehend complex legislation.

RegTech can significantly reduce the costs associated with regulatory compliance by automating processes and reducing the need for manual oversight. However, the initial implementation of RegTech can be costly for a small business. Recent data shows that one third of small business owners do not pay themselves due to cash flow issues, and 46 per cent have experienced increases in their operating costs. The current financial environment makes it difficult for a small business to invest in uptake of RegTech.

Furthermore, implementation of RegTech assumes that small businesses have established IT infrastructure to fully leverage the solutions offered. There are a variety of small businesses present in Australia, some still operating as sole traders with written appointment books, and some more formalised using accounting software. Consideration needs to be given to ensuring all small businesses have access to machine learning platforms that can increase efficiency and productivity in a workplace.

Whilst there are challenges a small business faces in implementing RegTech and using ML, significant support is provided by government through financial support and partnerships, small businesses are bound to increase their productivity and efficiency. This in turn will significantly assist in skill development for current staff who often do not get time to develop their skills further due to training budget constraints and also allow a small business to potentially expand operations and hire more staff.

Appropriate Safeguards

Small businesses may struggle with the ethical implications and regulatory compliance associated with AI, such as data privacy and algorithmic bias. It is necessary for government to establish an AI Governance Framework, whereby a set of AI governance guidelines are

developed that address ethical considerations and compliance requirements. These guidelines should be based on international best practices while considering local business contexts.

Additionally, workshops and consultation services need to be offered to assist small businesses in understanding and implementing these guidelines. Partnerships between small businesses, technology providers, and educational institutions is essential in ensuring these safeguards are implemented and understood by all.

COSBOA also recommends the Committee consider how ML interacts with the government's proposed privacy law reforms.

Conclusion

The recommendations outlined in our submission align with the recommendations made to the Select Committee on Adopting AI. These are designed to address the critical challenges faced by small businesses in adopting and leveraging AI technologies, and therefore machine learning. By implementing these recommendations, we aim to enhance AI literacy, reduce financial barriers, establish robust governance frameworks, foster collaborative networks, incentivise innovation, and align with global regulatory standards.

COSBOA welcomes any further consultation and is available to provide further information to the Standing Committee.

Yours sincerely,

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