

1 April 2020

COSBOA Communiqué

Managing through partial or full business closure

BACKGROUND

The rapid decline of economic activity associated with Australia's management of the COVID-19 health risk has created significant issues for all Australian businesses – big and small alike. These issues principally relate to how best to financially respond to the rapid downturn or put their business into a 'hibernation' state with a view to resuming normal business operations as far as possible - once it is safe to do so.

Given the rapid rate of economic downturn, the Economic Assistance measures announced by the Federal Government and all Australian State/Territory Governments, while welcome, were fast proving inadequate for *business survival* – as opposed to *economic stimulus*.

It is clear, however, that the Australian Government's announcement of the *Job Keeper* measure fills one of the last remaining gaps in a *business survival* plan – with business rents still to be resolved.

The *Job Keeper* announcement means that Australia's small business owners now have all the tools that they need to put their business into hibernation during the downturn, stay connected with their staff through the crisis, and develop a plan for how to recommence their operations once the health crisis is over.

KEY MESSAGES

COSBOA held a roundtable meeting with its members on 27 March 2020 to discuss the impact of COVID-19 on Australian small business. The meeting received an opening address from the Federal Small Business Minister, the Hon. Michaelia Cash. The key points arising from this meeting, coupled with subsequent COSBOA member comment on the newly released Job Keeper package, were as follows:

1. COSBOA applauds the economic stimulus measures and concessional tax assistance that has been provided by all Australian Governments to small business in recent weeks.
2. The speed of the economic decline, while positive in terms of reducing community activity and minimising contagion risk, has occurred at a much faster rate than anyone had anticipated. Within this context, the response of the National Cabinet is to be commended in terms of their agility to addressing unforeseen issues with measures that have been announced.

3. The Job Keeper announcement represents the second last piece of the jigsaw puzzle (i.e. wage cost relief) with the issue of rental relief still to be practically resolved by State and Territory Governments. Nonetheless, business owners now have the tools they need to scale down their business to lower demand, put their business into hibernation, journey through the crisis with their employees and reopen as soon as it is safe to do so.
4. COSBOA notes that the \$130B Job Keeper package (together with the expanded Job Seeker package)- will effectively mean that household capital will be restocked behind the proverbial dam wall, with a view to these funds being released into the economy once the COVID-19 crisis is over – much like opening the floodgates of a dam.
5. The Job-Keeper package effectively resolves the issue of stand-down for small business as it provides the foundation for a future defence of inappropriate use of Section 524(1)(c) of the Fair Work Act (2009) while also minimising the economic quantum of any future successful action targeting recovery of lost wages from a business owner who has closed their business (whether it be forced by government or a voluntary decision by the business owner in the face of a vulnerable trading position).
6. COSBOA's Member Associations will now work with their industries and relevant Australian Government agencies to support their members in either scaling down their operations or putting their businesses into hibernation. This work will include promotion of measures that keep staff and customers safe.
7. All Business owners should avail themselves of the Job Keeper package as it is important that all Australian households have money to spend in the economy once the crisis is over – quite apart from the moral obligation to their staff.
8. For reasons of mental well-being, employers should work cooperatively with their employees on activities that utilise the spare time created by the partial or full closure of their business. These activities might include staff training, business development activities, website and eMarketing, staff personal development activities and business recommencement planning. Full wages should only be paid if employees are being asked to work normal hours in a normal fashion – and the business has the capacity to do so.

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