

3 June 2020

COSBOA Communique

Supporting economic recovery for SMEs

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.

The meeting was addressed by Senator Jane Hume, Federal Assistant Minister for Superannuation, Financial Services and Financial Technology. Senator Hume provided an overview of the performance of COVID-19 financial assistance measures implemented to date, noting that an estimated 1.78M people had claimed around \$14.8B from the *COVID-19 Early Release of Superannuation Scheme*.

Senator Hume also congratulated roundtable members on the quality of the policy priorities document assembled by COSBOA and urged all members to engage with the Federal Government on this agenda, including the identification of specific priority areas for red tape reduction as the Federal Government (and the national cabinet) examine ways to grow our way out of the COVID-19 economic downturn – as opposed to trying to tax our way out.

Much of the conversation at this meeting was focussed on issues relating to job creation and measures that might impede such action, as well as a discussion of IR reform priorities in the wake of the Prime Minister's National Press Club address on IR and skills on Tuesday, 26 May 2020.

The meeting also received an update on research being conducted to support a new national campaign project being managed by COSBOA (and funded by the Federal Government) to promote small business spending across Australia. This update included a presentation of comprehensive tracking research that is being undertaken by CT Group. This research will be used by COSBOA and its partner bodies to guide the construct of the key campaign messages with a view to maximising campaign reach and effectiveness over the next 6 months.

KEY THEMES

The following key themes were discussed at this latest meeting:

- 1. Australia must grow its way out of the COVID-19 economic downturn – not tax its way out**
 - This message was articulated by Senator Hume and was unanimously supported by all members of the roundtable. The once-in-a-lifetime magnitude of the government debt amassed to support the Australian economy during the COVID-19 crisis will not

be paid back by simply increasing taxes at pre COVID-19 rates of economic output. In fact, increasing taxes on business and individuals will deter investment in new business and job creation.

- The key nature of the intergenerational debt from the COVID-19 crisis is to take steps now to invest in the economy and support job creation via reform of Australia's direct and indirect tax system, reducing red tape, and investing strategically in industries that deliver quantum increase in economic output (and put the Australian economy into a strategically stronger position than existed pre COVID-19).
- Investment aimed at stimulating economic production and jobs creation should not be limited to investment in traditional industries (i.e. mining, agriculture and construction) but should seek to develop new national strengths in areas such as advanced manufacturing, biomed, digital technology and clean energy generation.

2. Creating new jobs for displaced workers at current gross wage rates should take absolute precedence over increasing wages for those who already have jobs

- The speed at which Australia's economy will recover is directly dependent upon how fast jobs can be created for those who want one as economic repair will occur faster by having more people in jobs on a fair wage than having a smaller number of people in jobs on a higher wage. Such an approach also serves to decrease the long term adverse social impacts on the Australian community at large.
- Within this context, the quantum of any measures that increase wage costs for businesses (i.e. annual wage case claims, increases in the Superannuation Guarantee and payroll tax) should be carefully considered in terms of the consequent opportunity cost of lost job creation opportunities. Such consideration is particularly pertinent given the current macroeconomic environment that is characterised by high unemployment, near-zero inflation and unprecedented short-term economic uncertainty.
- Where possible, all Australian governments should seek to take advantage of opportunities to increase the take-home pay of all Australians within the confines of existing gross wage levels paid by business. Possible measures include redressing longstanding issues with bracket creep for PAYG taxation, simplification of tax rules to make it easier for employees to participate in employee share schemes, increased welfare payments for low income earners, and even consideration of innovative approaches to wage growth such as the government co-funding of wage increases for eligible employees over a defined multi-year period (e.g. as per the Singapore [Wage Credit Scheme](#)).

3. IR Reform is essential to create the certainty and flexibility needed for business to work with their employees to increase national economic output and job creation

- Roundtable participants unanimously support the five priority areas of IR reform identified by the Prime Minister in his National Press Club address of 26 May 2020 (i.e. award simplification, improvement of the EBA mechanism, casuals, IR compliance and greenfields IR agreements).
- The current IR system is overly complex and retards business investment and job creation. This complexity puts small to medium business owners, with their limited inhouse IR expertise and constrained capacity to purchase external advisory services, at a distinct disadvantage on financial and competition grounds. Simplification of the

award system would put all small businesses in a much stronger position to invest in business growth and job creation.

- Roundtable participants believe that there is merit in considering a mechanism to simplify navigation and compliance of the IR system for small business. Possible approaches to this challenge include the development of a *Model Schedule* for SMEs in all modern awards that carves out special provisions for SMEs (of up to 100 employees) which include but are not limited to:
 - Specification of a single “all-hours” rate (commonly referred to as a loaded rate)
 - Work hours adjustment provision (directed with notice or earlier if agreed)
 - Stand-down provisions for SMEs
 - Redundancy provisions (as per current NES)
 - Unfair dismissal for SMEs (as per current)
 - Casual conversion process.
- Notwithstanding that there are stark ideological differences between unions and employer groups, roundtable participants acknowledge that all reasonable efforts should be made to set aside such differences with a view to implementing IR reforms that support job creation, while still ensuring that appropriate employee safeguards exist and that wilful and egregious non-compliance with Australian workplace law is penalised in a proportionate manner.

4. Efforts should be made by government and small business alike to promote increase patronage of Australian SMEs

- Australian small and family owned business account for 70% of all businesses operating in Australia. These businesses provided the economic livelihood (as a result of being an owner or an employee) of just over half of Australia’s pre COVID-19 workforce. Many of them are now working on reduced hours or have lost their jobs altogether.
- Recognising that the economic vitality and social cohesion of local communities across the country are heavily dependent on the success of small businesses in their local area, there is a need for targeted promotional campaigns to promote increased support of local small and family-owned businesses in all Australian communities. Such campaigns should commence now and evolve with the changing nature of the economic recovery.
- Roundtable participants noted that COSBOA has received a grant from the Federal Government to work collectively with its partner organisations – which in aggregate represent around 1.3M small businesses in diverse industry segments across Australia – to promote increased patronage of small business. All roundtable participants committed to support the conduct of the campaign under the leadership of COSBOA, with COSBOA agreeing to share progressive research about changing consumer attitudes towards small business support.

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