



Economic Development Small Business

Australian Christians acknowledges that the small business sector provides employment to many families who work hard for a living; small and medium sized retailers are consequently worthy of special support and consideration.

There is a need for governments and unions to recognize that small business cannot be expected to provide the same level of employee benefits and conditions as the large multi-national corporations. Small business owners should have the ability to negotiate wages and conditions with their employees, provided those conditions are not less than the minimum award applicable.

Australian Christians recognises that diversity and balance in the business marketplace are prominent features of a prospering economy. A healthy economy is like an ecosystem. It supports a wide range of enterprise sizes.

Small businesses take on tasks that large businesses and government are not good at. However, big businesses also have a valid role in our economy; providing access to capital, complex technologies and global reach. And just like an ecosystem, losses of either sized business affect the other. For example, the demise of major employers like Ford, Toyota, Alcoa lead to the flow on effect of reduced activity for thousands of smaller business suppliers.

There is no doubt that small business* is vital to a prospering economy, offering diversification of skills, services and a greater prospect of the spread of real wealth. This is because small business encapsulates the essence of community through:

Locally based decisions and better reflecting community expectations and changing markets compared with larger interstate or overseas businesses, (for example, Ford and Holden were late in recognising fuel-efficient small cars, Myer and David Jones were late comers to online trading and Fairfax had a delayed response to digital media).

Offering greater market competition and consumer choice

Promoting entrepreneurship

Their usual practice of reinvesting profits locally

Thirty per cent of Australia's wealth comes from small business. There are around two million in Australia, employing over seven million people. ABS figures show that 97 per cent of SMEs** [1]are Australian owned, with only 15 per cent seeking government assistance.

However, in recent years 35 per cent have decreased profitability. These figures alone should encourage government to safeguard their survival and growth.

While the promotion of small business should not be to the detriment of corporate Australia, the challenge is how to allow a fair representation of both. Healthy competition should increase efficiency and choice, lower prices, encourage innovation and new technology and lift productivity. But these goals are harder to achieve for small businesses due to key inhibiting factors.

Regulation

Some business regulation is necessary, but its main aim should always lie in strengthening entrepreneurship, rewarding effort and responsibility. Too often this fails. Under the Gillard government, two hundred new regulations were introduced for every regulation removed. One report estimates the economy-wide cost of compliance is over \$80 billion a year.

Since small businesses are usually self-employed or family run and operate on narrower profit margins, the time and effort to comply puts them at a disadvantage. Australian studies have found that small businesses spend, on average, up to five hours per week on regulatory compliance requirements, costing over \$1,300 every week.[1]

The Report from the Minister of Small Business (Dec 2012) lists varying industry compliance requirements that need attention. Small businesses in retail are likely to face a number of state and territory based requirements including retail trading and licensing, and planning and zoning regulations. Whereas, small businesses in building and construction sectors must meet specific requirements under the Building Code and a range of licensing, planning and zoning regulations, work health and safety, and insurance obligations. And in the hospitality, small businesses need to meet specific food safety requirements.

The childcare industry is particularly bound up with red tape. Some argue that the burdensome compliance standards are not primarily concerned with quality of health, hygiene and safety or the children's safety and emotional wellbeing.[2]

Instead, the National Quality Framework (NQF) involves increasing reporting requirements, mandating a minimum standard for staff qualifications and lower staff-to-child ratios. The bulk of these added costs are passed on to families through higher fees. And for smaller family day care centres that fail to meet these regulations or cannot sufficiently absorb the costs, larger amalgamated providers are ready to take an even greater share of this vital industry.

Added to this are local requirements. Municipal councils have regulations governing the operation of home-based businesses, signage, planning and zoning, waste management and parking. For example, deliveries to Brighton in trucks are limited to 12.5m, limiting deliveries to 14 pallets per truck; an extra three deliveries a day or another 220km of travel each day.

Australian Christians (AC) supports government administration of some of its regulatory requirements, particularly national schemes such as, industrial relations, superannuation and paid parental leave payments. Businesses should be freed up to focus on its commercial activities and creating jobs.

AC strongly recommends reducing the government departments' overlap and excessive red tape; this requires better coordination between State and Federal authorities. [3]

AC advocates that government adopt the previously proposed 'one-in-one-out' approach to legislation and regulation, requiring one outdated rule is dropped before another one is justifiably introduced.

Part of the issue identified with over regulation lies with bureaucracy's lack of business experience, particularly within small business.

The latest research shows that more than half of our parliamentarians — 52 per cent — are political professionals having worked full-time as advisers, electorate officers, union officials and organisers or state legislators prior to entering parliament.[1] In part, the disconnection between regulation and economic reality seems to lie in the fact that our politicians do not appreciate firsthand the risks and pressures involved in business. Politics could do with a greater pool of candidates with small business experience.

AC backs the pre-selection of more diversity in the pool of political candidates in particular from small to medium business operators to add greater business insight to our governments.

AC supports giving the Small Business Commissioner more authority to fight red tape, rather than wasting more taxpayers money in forming more agencies and inquiries. Small firms lack the political lobbying power of big business and unions. The government through the appointment of the commissioner needs to be honest about listening to the difficulties of small businesses. To this end, adequate funding is required to establish what regulatory restrictions are making operating a small business and selling their product uncompetitive.

- AC recommends that policy decisions affecting the business community be subjected to a small business impact assessment before any implementation. SMEs provide more net jobs growth than corporate business expansion.

Banking

The ability of small businesses to access bank financing at competitive interest rates should be a priority. Banks "get big or get out" motto is shortsighted. Despite the rhetoric of helping business grow, bank loans for small start-up ventures is difficult, more commonly it is directors that take out personal loans.

Our major banks remain among the most profitable banks in the world and received a lot of support during the 2008 GFC. Conversely, this period had a significant negative impact on SMEs around the world. The squeezing of credit supply to small firms as a result of the GFC, particularly those at the larger end of the SME sector is concerning. Banks should do more to help lower the cost of capital to small businesses.

- AC supports the establishment of greater special purpose banks for small to medium businesses such as the KfW Mittelstandsbank (which roughly translates as KfW small and medium enterprises bank), providing assistance to German small and medium enterprises (SMEs) including individual entrepreneurs and start-ups.

Sustaining Small Business Growth to Maturity

While start-ups are important, support is needed to help business achieve sustained growth. There remains a high churn rate amongst Australia's SMEs. Each year the majority — 99.5 per cent — of employing businesses that stop trading are SMEs and are quickly replaced again with new start-ups.

This shows that most small businesses do not develop beyond micro-enterprise status and rarely employ more than five people. To grow a business sustainably and operate with between 20 and 200 employees requires a range of management systems.

Enterprise Connect is one of the few schemes offering more general strategic management assistance to mid-sized firms. This includes assisting SME owners achieve an "e-Vision", or a positive understanding toward the benefits of an online business. Online promotion and social media have become important features for SME growth.

AC encourages greater governmental initiatives, such as Enterprise Connect, towards finding ways of sustaining and growing existing businesses and particularly medium sized companies.

Eleni Arapoglou

Australian Christians

[1] **Small to medium sized businesses and generally all references to small business apply to medium business.

[2]<http://www.pc.gov.au/projects/study/small-business/report/media-release>

[3]<http://www.abc.net.au/news/2014-03-27/jha-why-feminists-should-support-childcare-deregulation/5347476>;

http://www.coag.gov.au/sites/default/files/ris_early_childhood_education_care_quality_reforms.pdf

[4]http://www.pc.gov.au/__data/assets/pdf_file/0020/118550/09-local-government-chapter6.pdf

[5]<http://www.theglobalmail.org/feature/is-the-political-talent-pool-shrinking/320/>