



## Articles & Commentaries



### p-Watch — Australia



by Richard Barton, former Managing Director of Business Improvement Advisory Services. Previously he was the Business Process and Quality Management Executive for IBM in Australia & New Zealand. He was also General Manager with the Australian Quality Council. He has had a long and close association with the APO. Mr. Barton writes this column regularly for the *APO News*.

#### Small Business in Australia: The Engine for Employment Growth

The Small Business (SB) sector in the Australian economy is a very powerful contributor to the economic well being of the nation. The Australian Bureau of Statistics defines small business as one employing fewer than 20 people, and typically having the following management characteristics: 1) independently owned and operated with total income below AUD10m., and 2) principal decision-making rests with the owners/managers who contribute the working capital.

In Australia there are about 950,000 small businesses (SBs). Over 2/3 are family-owned with 75% operating from home or residence office. Eighty-five percent are considered to be micro-business employing less than 5 people, while 45% are sole traders. These 950,000 SBs produce 33% of GDP (non agricultural), 50% of total private sector (non-agricultural) employment, and 40% of total public and private sector employment. Over the period from '84 through '99, SB's employment was growing by 3.1% while large enterprises were reducing staff and growing at 2.6% over the same period.

The increasing importance of SBs has been influenced by a shift in demand patterns towards the service sector, now their major operating area. Between '84 and '98 the property, business services, and health & community services industries reported the highest rate of SB growth, i.e. 8% annually. In 1998, 55% of SB employees worked in either the manufacturing, retail trade or property and business services industries.

During the past 4 years a considerable amount of national structural reform has occurred in the SB sector in the following three areas in order to enable them to improve productivity: 1) Reduction of regulation, 2) Taxation reform, 3) Workplace relations reform.

#### Reduction of Regulation

The reform program was initiated by the Federal Government as a result of representations by SB associations. The SB portfolio was elevated to a Cabinet position in the Federal Government in 1996, which has enabled the appropriate

high level focus and funding for fast tracking the reform agenda. Previous over regulation of the sector was identified as a major inhibitor to competitiveness and productivity improvement.

Several enquiries and special task forces led by recognized and credible small business leaders provided expert advice to the Government in this reform process. One such example was the New Deal-Fair Deal program announced in Sept '97 which was aimed at ensuring retailers in large shopping malls got a fair deal in disputes with the shopping centre owners and management. Another action was the voluntary reform of the policies governing franchisers and franchisees. For several years, concerns had been raised about the unfair "unconscionable" conduct of franchisers, landlords and large business organizations towards SB operators.

### **Taxation Reform**

Improvement in the business tax system involving reduction in company tax rates and changes to capital gains tax are aimed at rewarding hard work.

The introduction of Australian Business Number registration for incorporation and taxation purposes has removed duplication and streamlined the start up process for a business.

Through the Web-based Business Entry Point, the government has consolidated the provision of online service to business. This free service provides information on a wide range of topics including taxation, employment, business planning and financing, workplace relations, superannuation, and importing and exporting information. It is a secure and reliable private environment for business to complete online transactions with the Australian Taxation Office. It also provides access to the Lodge A Job transaction service to advertise, at no cost, a job vacancy on the Internet or apply for endorsed supplier status to the Commonwealth Government.

Several other special support and advisory services have been made available to SBs through the Office of Small Business and Internet Links.

### **Workplace Relations Reform**

Work and work life balance is important in the Australian workplace. Recent reform provides employers with a range of flexibilities to provide a basis for balancing employees' work and their family responsibilities. The development of individual and enterprise workplace agreements has improved organizations' productivity performance and reduced staff turnover. For the employees it means better pay and working conditions, and more job satisfaction. Recent innovations in IT have facilitated home-based work and flexible working hours for sections of the workforce.

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One such SB case study is of an environmental health & safety consultancy service that employs 17 staff with an even gender balance, and which enables its employees to adapt work patterns to suit their respective individual circumstances. It has introduced flexible work arrangements and taken advantage of new technology by allowing some employees to work from home.

The business has benefited by reduced staff turnover and absenteeism, and has established a presence in another city through teleworking arrangements. They have been able to recruit high quality staff because of this flexibility.

Removal of many burdensome employment regulations for SBs has given more flexibility to employers in hiring and releasing staff in what used to be a very rigid workplace relations framework. At the same time additional responsibility was placed on employers to manage staff better by proper documentation of job responsibilities, greater accountability, and regular review of staff appraisals.

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The Federal SB Minister Hon Peter Reith said in a recent report: "There is no doubt that a strong and dynamic small business sector is crucial in creating a more prosperous, growing community and economy that provides business and employment opportunities and choice."

The reform and restructuring has occurred at the same time as unemployment has been reducing and national economic growth has been close to the strongest of any nation in the world. As such, this has positioned SBs in Australia for a more productive, sustainable and competitive future.



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