

# BUSINESS NSW

21 August 2020

The Treasury  
Langton Crescent  
PARKES ACT 2600

## **Supplementary submission to the 2020-21 Budget**

*Business NSW* welcomes the opportunity to provide a supplementary pre-Budget submission.

*Business NSW* (NSW Business Chamber) made a submission to the 2020-21 Budget in December 2019. Since this time, COVID-19 has dramatically altered the business environment. The pandemic has heightened the need for many of the recommendations made in our initial submission. This includes proposals relating to investment allowances and capacity building, productivity, tax, infrastructure, skills and youth engagement.

*Business NSW* recently released its COVID-19 recovery plan: [Back on track](#). Our plan outlines ten business recovery drivers and a further forty measures to support our recovery. It also presents the results of a survey of more than 1,000 businesses to inform what businesses need to recover from the economic impacts of COVID-19.

The policy agenda presented in *Back on track* includes proposals that *Business NSW* wishes to submit for formal consideration as part of this supplementary submission to the 2020-21 Budget.

### **Immediate and long-term priorities**

*Business NSW* recognises there is a need to distinguish between the immediate needs of businesses and the longer-term structural reforms required to drive future economic growth. Our report is structured to recognise the parallel policy agendas being developed over these distinct time horizons.

For the purposes of this supplementary submission, we draw attention to the immediate needs of business, noting the 2020-21 Budget is a crucial opportunity to adapt policy responses to meet these needs.

This submission provides further comment on five of our business recovery drivers:

1. Signing a compact to return unemployment to below 6 per cent
2. Providing greater certainty about when remaining restrictions will be lifted
3. Establishing a Youth Jobs Guarantee
4. JobKeeper 2.0
5. Supporting our regions through a seamless state economy

Formerly NSW Business Chamber, Business NSW is the peak policy and advocacy body which has been representing businesses in NSW since 1826. Business NSW is one of Australia's largest business support groups with a direct membership of 20,000 businesses. Business NSW works with government, industry groups, as well as business and community leaders to provide a voice for our members. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level.

## **1. A compact to return unemployment to below 6 per cent**

*Back on track* calls on governments to sign a compact to return unemployment to below 6 per cent. Employment targets would demonstrate a commitment to supporting the capacity of employers to create new jobs and maintain their existing workforce.

Governments have previously committed to jobs targets.<sup>1</sup> If jobs targets have been adopted in less perilous times then there ought to be a strong case for a similar commitment when policy support is needed most.

*Business NSW* is pragmatic about the specific target and its form, particularly given the jobs outlook has deteriorated since *Back on track* was released. Nonetheless, there is merit in adopting a sufficiently ambitious target as a signal to the community.

More generally, *Business NSW* views labour market outcomes as an appropriate indicator to benchmark the degree of fiscal support needed in the economy. Fiscal policy is playing a more active role in macroeconomic management than it has in recent decades. There is an opportunity to leverage heuristics based on labour market outcomes to guide macroeconomic management. For example, the longevity of fiscal support programs could be contingent on targets being met. In this respect, such targets should be viewed as a feature of the macroeconomic policy architecture much like the inflation target is for monetary policy.

## **2. Think beyond step three**

The business community understands the challenging circumstances under which governments have had to make decisions. Businesses have adapted to become COVID-safe, playing their part under the three-step plan to reopen the economy.

*Back on track* called for the Commonwealth and state governments to provide greater certainty about when and under what circumstances remaining restrictions will be lifted. Recent developments in Victoria, including the progressive introduction of stage three and stage four restrictions, illustrate how quickly plans can change.

*Business NSW* acknowledges the need for flexibility in the event of further outbreaks that cannot be foreseen ahead of time. Nonetheless, we believe there is scope for greater clarity and transparency around the principles that guide policymaking. This will support businesses in navigating uncertainty as they will be able to plan for different scenarios.

While many restrictions are controlled by state governments, the Commonwealth has a critical role given its responsibilities for the international border which is critical to many industries, including tourism and education. While recognising it is too early to identify when the border will reopen, *Business NSW* would encourage further discussion about:

- the conditions upon which the border will reopen
- the Australian Government's position on international travel bubbles
- outbound restrictions on Australian residents
- arrangements for international students
- the conditions required before the border is reopened.

*Business NSW* supports the work of the Australian Chamber of Commerce and Industry (ACCI) in advocating for greater certainty for businesses affected by restrictions. We also support the set of policy principles ACCI has provided to the Commonwealth.

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<sup>1</sup> Such as the 2013 commitment to create one million new jobs in the first five years of a Coalition Government.

### 3. A Youth Jobs Guarantee

It is essential that we do not lose a generation of skilled workers as this loss in human capital will have lasting impacts for our economy.

Our initial submission noted the lifetime costs of a disengaged person is in the order of \$1.1 million in net present value terms (including \$411,700 in fiscal costs). It further noted that pre-employment programs such as [Productivity Bootcamp](#) improved youth engagement, with around 85 per cent of graduates in work or study following their participation. This is around 20 percentage points higher than for comparable cohorts that did not attend the program.

*Back on track* calls on governments to provide specific support to young people affected by the economic impacts of COVID-19. Young people should be supported by investments aimed at upskilling and improving the employability of young people. This includes programs like Productivity Bootcamp, but also greater financial support for employers so they can continue to take on apprentices during a time of weak demand.

A particular need at this time is to broaden the current program of apprentice subsidies to extend support to employers taking on new apprentices. To date, new apprentices have largely been ineligible for Government support. Our [Skilling Australia report](#) found that COVID-19 has significantly reduced new commencements and forecast that the number of apprentices in training in 2021 would be reduced to 1998 levels. Given the ongoing uncertainty in the economy, the Commonwealth Government should introduce a significant wage subsidy for businesses employing new apprentices thereby providing greater surety to employers to invest in new staff and prompt an immediate uplift in commencements.

Investments in skills and work readiness should be backstopped by a Youth Jobs Guarantee modelled on the UK's *Kickstart* program. The *Kickstart* program provides six-monthly work placements paid at the minimum wage for young people on social security payments.

Experience in the workplace is a highly effective way to build human capital. It helps young people build the soft skills they need to be effective in the workplace and positions them to secure ongoing employment.

A youth jobs guarantee is not only an important instrument of human capital formation, but would also serve as an automatic stabiliser. This is because the cost of the program would reduce as private demand recovers. By ensuring young people are employed, fiscal stimulus would be targeted to a cohort that is more likely to spend providing space to wind back other temporary support initiatives such as the expanded JobSeeker allowance.

### 4. JobKeeper 2.0

*Back on track* called on the Commonwealth to extend JobKeeper and consider what policy support could eventually be implemented in its place. *Business NSW* is pleased the Government subsequently announced JobKeeper 2.0 which extended the program, albeit with new eligibility criteria and tapered payments. *Business NSW* welcomes the flexibility demonstrated by the Government in re-examining eligibility requirements and removing the requirement to meet turnover tests in both the June and September quarters.

The nature of the pandemic means that policies need to adapt according to the prevailing circumstances. Further changes to eligibility may need to be made in the event of further lockdowns. For example, if a jurisdiction were to enter a six-week lockdown commencing October then many businesses may fail to qualify even though their need is critical.

*Back on track* presents survey evidence suggesting a lack of private demand will persist for some time. *Business NSW* notes that JobKeeper 2.0 represents a significant downgrade in the level of fiscal support provided to the economy. The economy needs more fiscal support than what JobKeeper can alone provide.

Making progress towards full employment may require more active fiscal policy than Australia is accustomed to. To this end it is preferable to rely on policies that will eventually support a private sector recovery (such as JobKeeper) than for governments to pick winners or develop wasteful programs that risk being poorly executed.

## **5. Supporting our regions through a seamless state economy**

The pandemic has tested Australia's telecommunications systems in unanticipated ways. Working practices have changed, with many employees working from home. Fortunately we have not seen widespread emergence of new acute problems caused by these changes. However, the longer-standing chronic issues facing our members using the NBN – including slow speeds and unreliable connectivity – continue to cause problems. As the NBN completes its deployment phase and moves towards a more steady-state operational pattern, we would expect management of NBN Co to focus on these problems more intently.

Part of the NBN's success in coping with the additional demands imposed by the pandemic has been offering additional capacity at discounted or no additional cost to retailers and ultimately end users. While these measures are intended to be temporary, withdrawing them in September while lockdowns are still in effect could be disruptive. These offers should be extended and a clear set of conditions for their withdrawal put in place so that businesses are not suddenly exposed to price rises or capacity constraints.

NBN Co has also made a \$50 million relief fund available for businesses affected by the pandemic. Our outreach suggests there is low awareness of this offer while access to funding is obstructed by complex application processes administered by retailers. This money may be more effectively deployed in other ways to support business users in a manner that does not require a cumbersome application process at a time when businesses face a range of other challenges.

A further issue affecting our regions is access to labour usually satisfied by overseas workers. Following the closure of the international border, businesses ability to recruit overseas skilled workers has significantly diminished.

Businesses, particularly in rural NSW and specifically in agriculture, have received significant contributions from overseas workers. They now have significant concerns they will be unable to fill positions for this year's harvest – particularly of grain and fruit – which is anticipated to be one of the biggest in last 10 years. Ensuring businesses are able to take advantage of this bumper crop will be essential to the economic recovery of rural NSW from the drought, bushfires and COVID-19.

Accordingly, it is recommended that the Government create a pathway for skilled workers from overseas to migrate to Australia while complying with COVID-19 quarantine restrictions.

Please find enclosed a copy of our *Back on track* report. If you have any questions about this submission or would like to discuss in more detail, please feel free to contact me at [mark.frost@businessnsw.com](mailto:mark.frost@businessnsw.com).

Yours sincerely

**Mark Frost**  
Chief Economist



# Back on track

What businesses need to recover from the economic impacts of COVID-19

July 2020

**BUSINESS  
NSW**



# Foreword by Business NSW CEO

COVID-19 presents a once in a generation challenge for our business community.

Businesses have had to make enormous sacrifices to keep all of us safe during this global health crisis. Unfortunately, this has come at great cost, with many businesses having to close their doors or lay-off staff.

Governments have taken decisive action to protect citizens against COVID-19 and limit the economic damage resulting from restrictions on large parts of our economy.

While Australia has performed well compared to other countries, outbreaks in Victoria and the subsequent risks presented to NSW underscore the persistent threat posed by COVID-19.

**Business NSW** conducted a **Business Recovery Survey** of more than a thousand businesses in June 2020 to understand the operating environment and identify what needs to be done to navigate the crisis through to the other side.

Our survey suggests there are significant challenges ahead. Governments must delicately balance the need to get back to normal while containing the risk of instability when support measures, such as JobKeeper, are wound back later this year.

Our research suggests average revenue has fallen 43 per cent, while around one in three recipient businesses have not planned for when JobKeeper payments stop. One in two indicated they will be unable to maintain current hours and headcount after JobKeeper.

Based on our survey results, we've identified ten key priorities for business recovery. These **Business Recovery Drivers** will protect and steady the economy in the short term and, in the longer-term, lay the foundation for our future success.

The onus now rests on our political leaders to work together to get businesses and our economy back on track.

**Stephen Cartwright**  
Chief Executive Officer

- Our **Business Recovery Survey** suggests there are significant challenges ahead for businesses.
- We have identified **ten key priorities for business recovery**.
- These **Business Recovery Drivers** will protect and steady the economy in the short term and, in the longer-term, lay the foundation for our future success.

## How to read this report

The Business Recovery Report is presented in three parts.

**Part I** sets out the current challenges experienced by NSW businesses, as told to us by 1,085 NSW businesses through our **Business Recovery Survey** in June 2020.

**Part II** explores what is needed to steady the economy and ensure an orderly transition away from the business support measures due to conclude by the end of 2020. In this section we discuss the recovery drivers that will boost confidence and allow the economy to operate closer to its potential.

**Part III** examines what we need to do to lift our living standards by boosting the longer-term performance of the economy. This section outlines the recovery drivers that will boost productivity growth and underpin our future economic success.

Further information about Business NSW's advocacy agenda and COVID-19 recovery plan can be found at [www.businessnsw.com](http://www.businessnsw.com).

# Business recovery drivers

Our 10 drivers of business recovery

## 1. Sign a compact to return unemployment to below 6 per cent (p3)

The Commonwealth and state governments should boost confidence by signing a compact to return the unemployment rate to below 6 per cent.

## 2. Think beyond 'step three' (p16)

The Commonwealth and state governments should provide businesses greater certainty about when and under what conditions remaining restrictions will be lifted.

## 3. Establish a Youth Jobs Guarantee (p19)

The Commonwealth Government should introduce a range of measures to invest in our youth, with their futures backstopped by a Youth Jobs Guarantee.

## 4. Implement JobKeeper 2.0 (p20)

The Commonwealth Government should replace JobKeeper with a new rebate to protect vulnerable jobs.

## 5. Regulatory reform for growth (p24)

The NSW Government should deliver a five-point regulatory reform plan to drive business growth.

## 6. Provide affordable, reliable energy (p25)

The NSW Government should expand the energy supply market and remove unnecessary costs on business.

## 7. Fix the Federation (p27)

The Commonwealth and state governments should work better together to deliver better government and improvements in key areas such as tax.

## 8. Solve payroll tax (p30)

The NSW Government, in partnership with the Commonwealth and other state governments, should ensure payroll tax does not deter employers from hiring staff.

## 9. Improve workplace relations (p31)

The Commonwealth Government should create a workplace relations system that cuts red tape, creates jobs and boosts living standards through improved productivity.

## 10. Build a seamless state economy (p33)

The NSW Government should build a seamless state economy to connect regional NSW and deepen labour markets.

**Immediate priorities**  
Protect and steady the economy

**Longer-term initiatives**  
Go for growth

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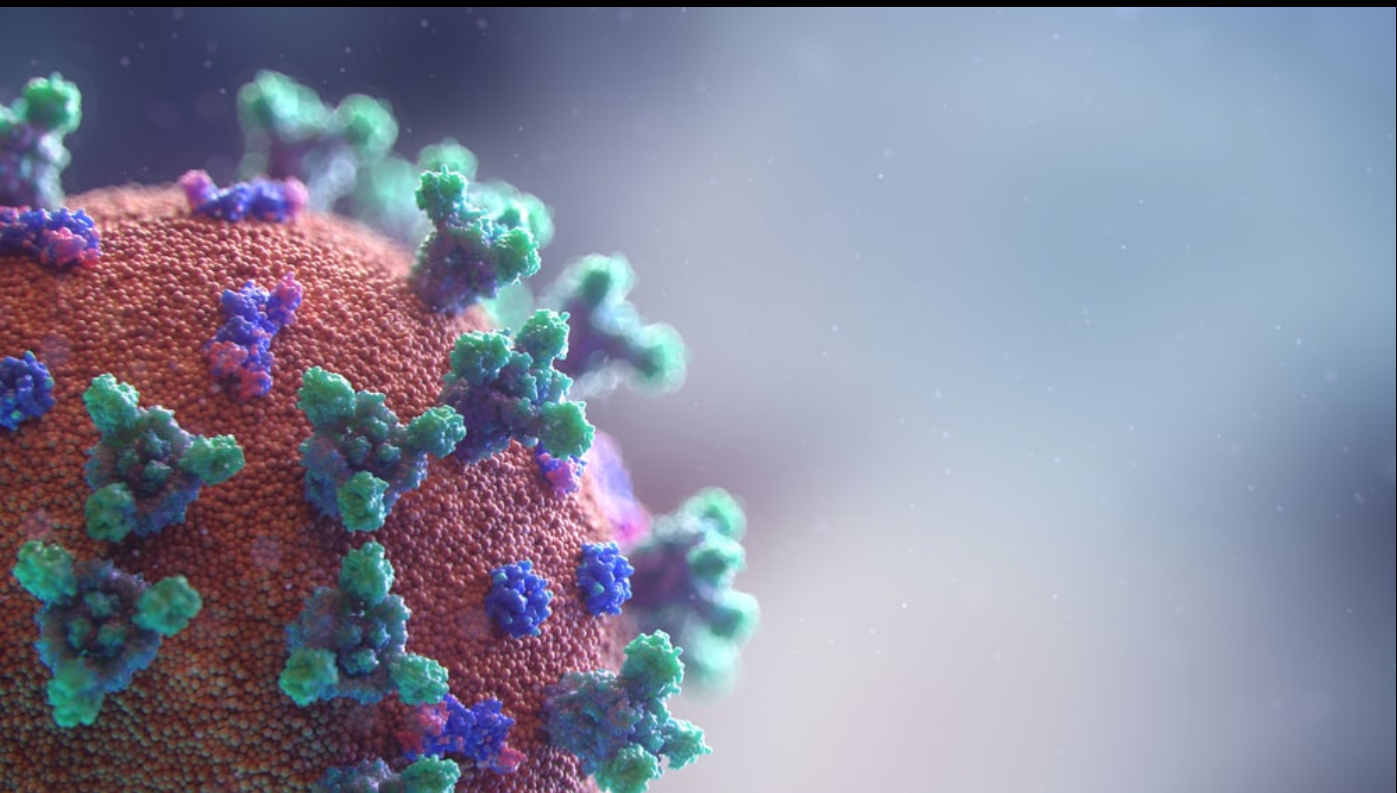
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Part I

# Protecting the economy

The emergency response to coronavirus



# The economic impacts of coronavirus

## Impact of initial lockdown

Lockdown measures and general caution exercised in the community in response to the coronavirus (COVID-19) pandemic has caused significant harm to our economy. Employers are fighting to keep staff employed and businesses are working hard to stay afloat.

The impacts of COVID-19 escalated in March as stricter lockdown measures became necessary to reduce the rate of virus transmission.

Our March *Business Conditions Survey*<sup>1</sup> showed that revenue impacts relating to COVID-19 doubled over the second half of March, with revenue 28 per cent lower than expectations in the final week (compared to 14 per cent lower the week before).

Average revenue losses have since increased to 43 per cent as reported in our *Business Recovery Survey* which closed in June.

The March quarter national accounts all but confirmed Australia is in recession with the first two weeks of lockdowns and early phase impacts resulting in a 0.3 per cent decline in quarterly GDP. Much larger impacts are expected in the June quarter.

Business and consumer confidence have taken a massive hit. Even though official lockdown measures had a major impact, so too did the caution voluntarily exercised by businesses and their customers.

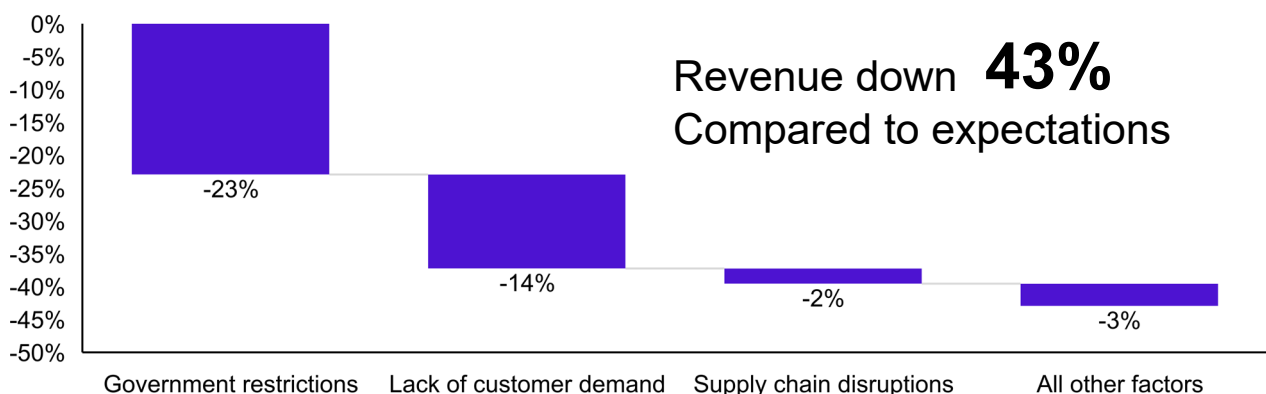
Our *Business Recovery Survey* suggests around half of revenue losses experienced by business were the result of government restrictions. Lack of customer demand, supply chain disruptions and other factors are also weighing on business (see Chart 1).

Business and consumer surveys confirm this decline in confidence.

Our March *Business Conditions Survey* showed an unprecedented drop in business confidence, most evident in businesses' expectations for the June quarter (see Chart 2).

Consumer confidence fell to record lows, reaching levels not seen even during the Global Financial Crisis. Some surveys recorded close to a 50 per cent fall in consumer confidence over a two-week period. This was echoed in real-time credit card spend data which indicated a 40 per cent decline in spending on services and a 20 per cent decline overall.

**Chart 1 – COVID-19 impact on business revenue**

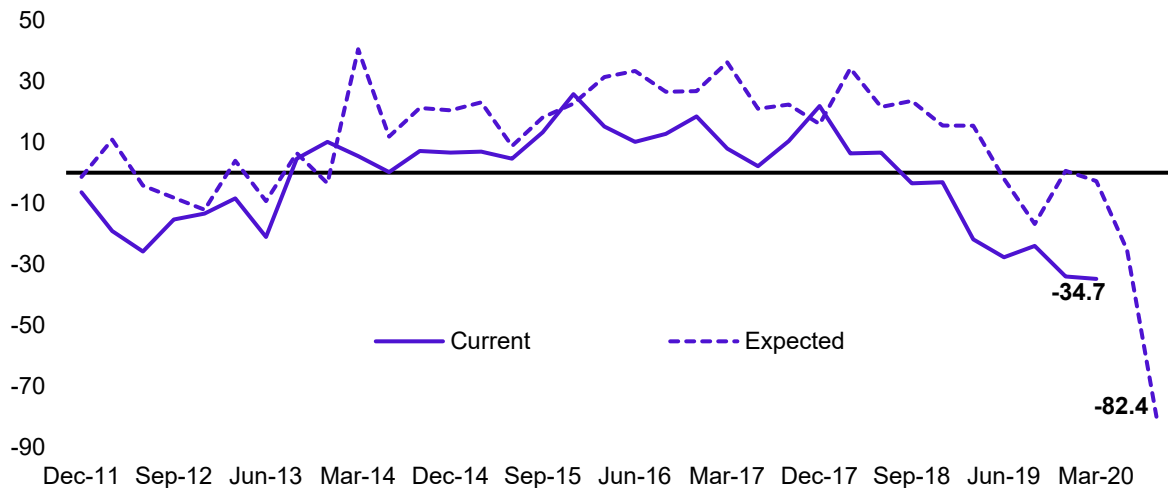


Source: Business Recovery Survey, Business NSW.

Note: Calculated as average weighted losses based on questions about current revenue compared to expected revenue.

<sup>1</sup> Available on the [Business NSW website](http://www.businessnsw.com), www.businessnsw.com.

**Chart 2 – Business confidence (March 2020)**



Source: Business Conditions Survey, Business NSW, March 2020.  
 Note: 'Expected' refers to expectations for the June quarter. See full report for details on index values.

## Jobs hit hard

The economic costs of COVID-19 have been most evident through its impact on jobs.

Employers have had to make tough decisions about their workforce. With many businesses forced to shut their doors, drastic steps have been needed.

Unemployment reached 7.4 per cent in June, though this hides the full extent of COVID-19 impacts given significant falls in participation and reduced hours among employed workers (see Chart 3). The unemployment rate would have been higher if not for government interventions such as JobKeeper.

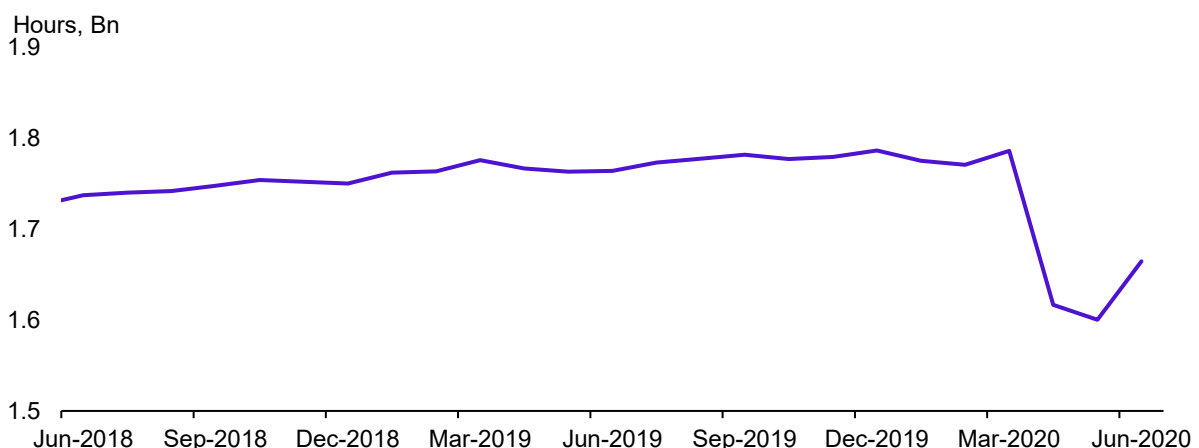
There were 664,000 fewer employed persons in June compared with February. Underemployment also rose sharply reaching a peak of 13.8 per cent in April, compared with 8.7 per cent in February.

Data collected through the Single Touch Payroll system showed sharp falls in jobs and wages in March before commencing a modest recovery from the middle of April.

Compared with the middle of March, employee jobs were down by 5.7 per cent and total wages down by 3.2 per cent by the end of June.

The Commonwealth Treasurer recently noted Australia's effective unemployment rate sits at 13.3 per cent when factoring in falls in participation and hours worked. This underscores the need for policies to focus on getting people back into work. That is why Business NSW is calling for a compact between the Commonwealth and state governments to return unemployment to below 6 per cent (see *recovery driver #1*).

**Chart 3 – Hours worked**



Source: ABS, Labour Force Survey, June.

# Sign a compact to return unemployment to below 6 per cent

The Commonwealth and state governments should boost confidence by signing a compact to return the unemployment rate to below 6 per cent.

It took more than a decade for unemployment to recover following Australia's last recession. It is essential that we maintain effective policies that will support existing and new jobs. While the policy instruments to deliver on job creation are paramount, an ambitious but credible jobs target will demonstrate a commitment to ensure we get our economy back on track. This commitment, and the policies needed to achieve the target, will support business and consumer confidence enabling a faster recovery.

Employment is vital to the wellbeing of individuals and the health of the economy. That is why Business NSW's early advocacy efforts focussed on making it easier for employers to retain staff through the crisis.

Even before there was a deterioration of economic circumstances, our pre-Budget submission to the NSW Government noted the importance of limiting the impact of government taxes, fees and charges to support jobs. Payroll tax waivers and relief from government fees and charges were important policy responses. Our *Business Recovery Survey* indicates these measures were among the most beneficial. More than 78 per cent indicated relief from government fees and charges was helpful and 75 per cent of larger employers<sup>2</sup> indicated payroll tax relief was helpful.

The Commonwealth and State governments should sign a compact aiming to achieve a national unemployment rate below 6 per cent by June 2022 with substantial progress made towards returning the participation rate to its pre-crisis level. The Reserve Bank of Australia forecasted an unemployment rate of 6½ per cent for June 2022 in its May Statement on Monetary Policy.

The target will be a focal point for policymakers when developing policy responses to address the economic impacts of COVID-19. This report identifies further recovery drivers that will each contribute to the recovery in our labour market. Policies particularly crucial to meeting the target include:

- Establish a Youth Jobs Guarantee (recovery driver #3)
- Implement JobKeeper 2.0 (recovery driver #4)
- Solve payroll tax (recovery driver #8), and
- Improve workplace relations (recovery driver #9).

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<sup>2</sup> Excluding micro businesses.

# Australia and NSW are relatively well-positioned

Despite the gravity of the situation, Australia and NSW are better-placed than many other economies. Slowing down the spread of COVID-19 has enabled us to reopen the economy sooner than first thought.

Australia’s relatively low levels of public debt has supported comprehensive policy responses to save jobs and protect livelihoods through programs such as JobKeeper. Meanwhile, the NSW Government’s \$100 billion infrastructure pipeline means there are projects capable of supporting our economic recovery.

Despite significant challenges, businesses are optimistic about their future. Most respondents to our *Business Recovery Survey* (93 per cent) expected to be open by 1 July 2020. Only 3 per cent expect to remain closed by October. Only half a per cent indicated they expected to be closed permanently by the end of the year, though businesses that have

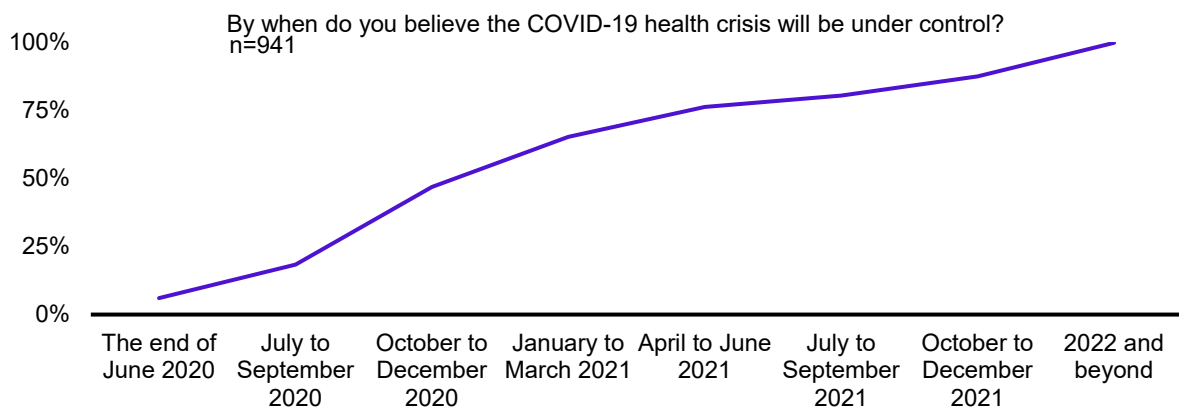
already closed may be underrepresented in the survey.

Just under half expect the health crisis to be under control by the end of 2020, though around a quarter indicated they believed the crisis may drag on to July 2021 or beyond (see Chart 4).

When asked about how Australia’s performance will compare over the next two years, the vast majority of businesses indicated Australia would perform better than comparable countries (Chart 5). Strong policy responses and a faster reopening of the economy has given a boost to confidence.

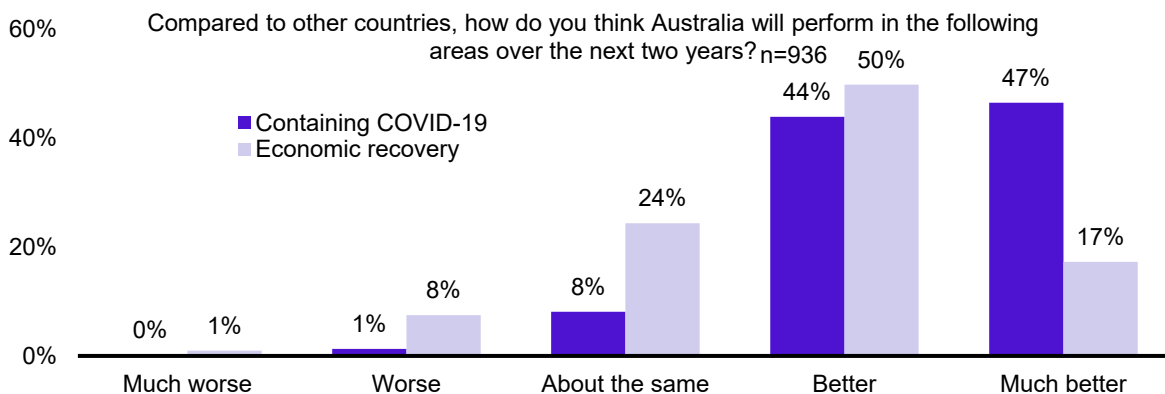
Improving sentiment will provide a steadier foundation for our economic recovery than some other economies may experience.

**Chart 4 – When is COVID-19 expected to end: Cumulative**



Source: Business Recovery Survey, Business NSW.  
Note: Cumulative share of responses indicating it will be under control by indicated period.

**Chart 5 – Fighting COVID-19: Australia’s performance**



Source: Business Recovery Survey, Business NSW.

# Narrative economics

Economic narratives have shaped the dimensions of previous economic crises such as the Great Depression and the Global Financial Crisis. Business and consumer expectations about the future play a critical role in influencing important economic decisions.

Weak sentiment may mean businesses are reluctant to hire staff and invest, with consumer spending slowing down as households engage in precautionary saving.

Ensuring employees are confident about their jobs can give rise to a virtuous cycle as they feel they can go out and spend without fear their financial position is at threat.

This boosts business activity giving employers the confidence they need to hire staff and invest. That is why policies such as JobKeeper are crucial to supporting our economy through the crisis.

Surveys show consumer confidence has rebounded, even though it remains well below pre-COVID levels.

Already we have seen a strong bounce-back in consumer spending when examining credit card expenditure. Credit card spending dropped by around 20 per cent immediately following government lockdowns but has since recovered. Expenditure on goods has been more resilient than services.

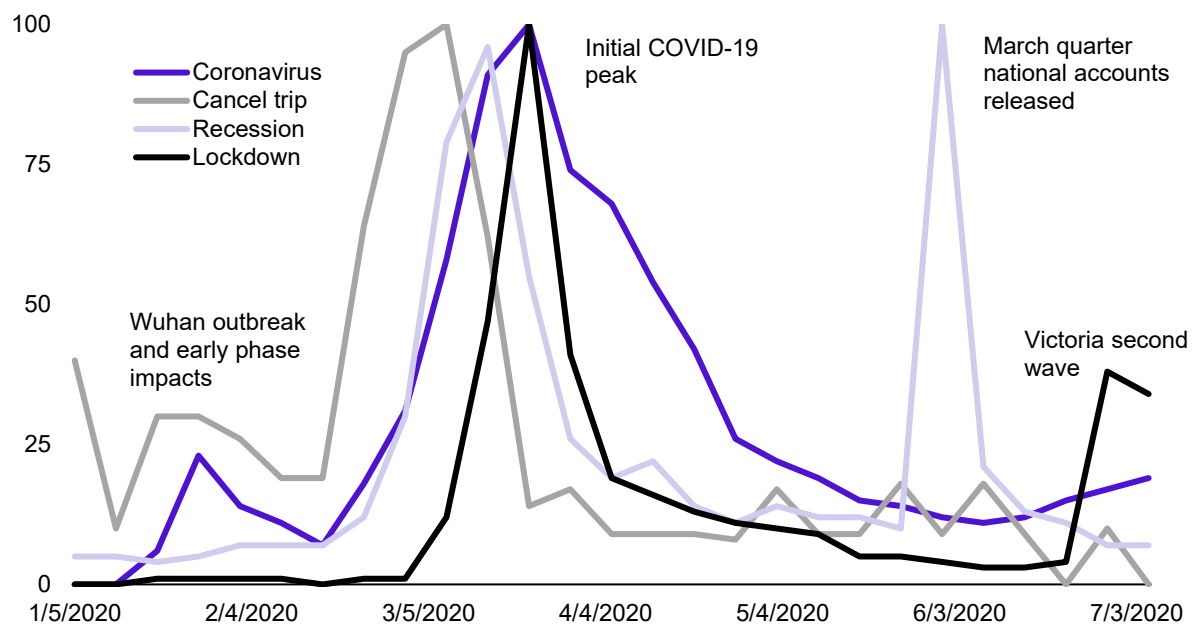
The recovery in spending was supported by Commonwealth stimulus payments with data showing they have exceeded falls in salary and wages paid to employees during the crisis.

The initial shock factor of COVID-19 has subsided but the potential for further peaks in negative sentiment remains. This risk is underscored by further lockdowns implemented in response to outbreaks in Victoria. Outbreaks such as these diminish business optimism (including in unaffected areas) and have the potential to delay investment and spending decisions. This is evident in our June *Business Conditions Survey* (unreleased) with the number of businesses expecting a stronger economy falling from 24 per cent in early July to 19 per cent for responses received in mid-July.

Google searches for 'cancel trip' and 'coronavirus' are well past their peak though searches relating to economic topics such as 'recession' and 'lockdown' are ongoing reflecting contemporary developments (see Chart 6).

Governments can play an important role in establishing the foundations for business and consumer confidence. An orderly transition away from JobKeeper and other policies which currently underpin business and consumer spending will be essential.

**Chart 6 – Google search terms: Australia**



Source: Google Trends.

Note: Searches in given week. Index of 100 given to peak search period for each search term. Series are not directly comparable.

# Policy responses

## Which policy responses have worked?

A range of NSW and Commonwealth Government policy measures have supported jobs and businesses through the crisis. Our survey asked which of these were the most helpful and we calculated a score for each policy measure.

The extent of positive feedback received depended on both the degree of benefit for individual businesses and the extent of support, that is, the number of businesses that meaningfully benefit from the measure.

Unsurprisingly, the measures most widely regarded as helpful were also those that assisted a broader range of businesses.

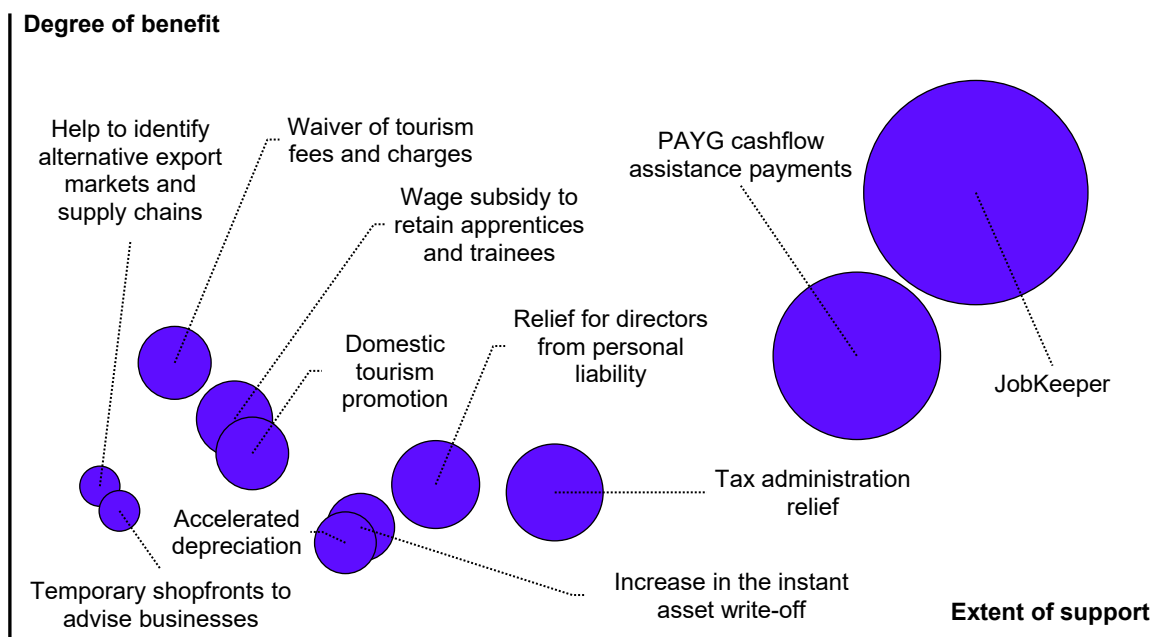
Some targeted measures had a more meaningful impact with more businesses rating them as 'very

helpful', such as payroll tax relief and the NSW Government's \$10,000 grant.

JobKeeper was regarded as the most helpful among the measures implemented by the Commonwealth (see Chart 7).<sup>3</sup>

Other measures regarded as helpful included cashflow assistance payments delivered through the PAYG withholding system and administrative relief for some tax obligations. Lower-scoring measures were likely regarded as less helpful because they have been targeted to support a narrower group of businesses, though they may have had significant benefits for eligible businesses.

**Chart 7 – Impact of Commonwealth policy measures**



Source: COVID-19 Business Conditions Survey, Australian Chamber; Business NSW calculations.

Note: 'Degree of benefit' calculated as the ratio of responses indicating 'Extremely helpful' to 'Very helpful'; 'Extent of support' calculated as the share of responses indicating the measure to be either extremely or very helpful. Bubble size indicates 'degree of benefit' x 'extent of support'.

<sup>3</sup> Policy ratings for Commonwealth policies were calculated using NSW business responses to the [COVID-19 Business Conditions Survey](#) conducted by the Australian Chamber of Commerce and Industry.

Relief from government fees and charges had the highest number of respondents rating it as helpful among measures introduced by the NSW Government (see Chart 8).

The \$10,000 grant for operational costs was also popular and had the highest number of respondents indicating it was very helpful, reflecting its high degree of benefit.<sup>4</sup> While popular overall, some respondents commented they were disappointed at being unable to access the grant due to eligibility restrictions.

Payroll tax relief was also highly regarded, though it was less popular for smaller businesses that did not have access to this measure (and instead could apply for the \$10,000 grant).

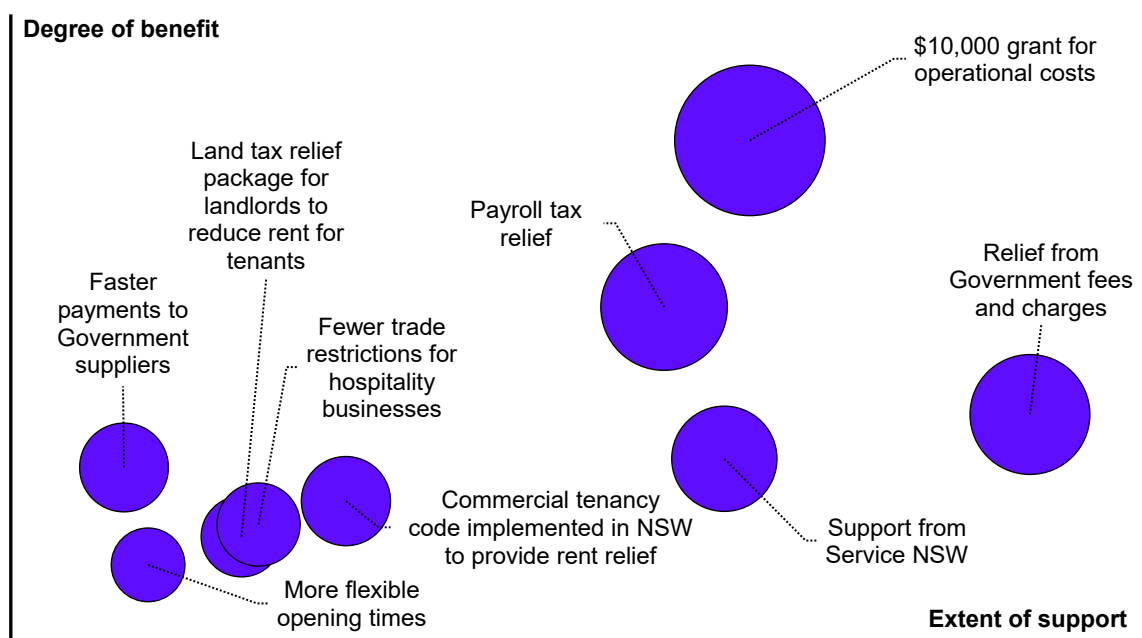
Service NSW was also widely regarded as being helpful, reflecting its vital role in making it easier for

businesses to engage with the NSW Government. Despite this, some respondents indicated they had encountered some delays, particularly when applying for the \$10,000 grant.

While the commercial tenancy code was regarded as helpful by most respondents, many commented it was unclear how some aspects operated in practice.

More generally, some businesses reported confusion as to how Commonwealth policies such as JobKeeper interacted with state-based policies such as payroll tax and workers compensation. These details were not resolved prior to announcement and caused some confusion. Businesses indicated there was often conflicting or unclear information coming from different tiers of government or between agencies.

**Chart 8 – Impact of NSW policy measures**



Source: Business Recovery Survey, Business NSW; Business NSW calculations.

Note: 'Degree of benefit' calculated as the ratio of responses indicating 'Very helpful' to 'Helpful';

'Extent of support' calculated as the share of responses indicating the measure to be either extremely or very helpful.

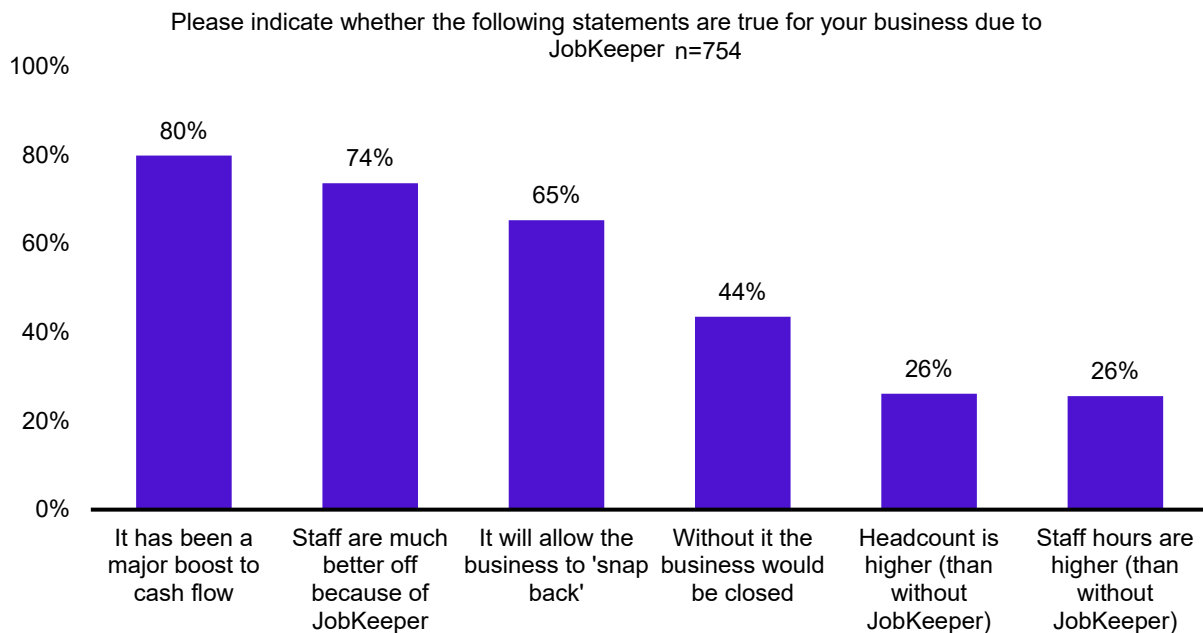
Bubble size indicates 'degree of benefit' x 'extent of support'.

<sup>4</sup> Policy ratings for NSW policies were calculated using responses to the Business Recovery Survey.



# JobKeeper has been crucial

## Chart 9 – Impact of JobKeeper



Source: Business Recovery Survey, Business NSW.

JobKeeper is widely regarded as the most helpful of the policy measures introduced by the Commonwealth in response to COVID-19.

JobKeeper has enabled employees and employers to remain engaged, even if a business has been unable to remain open. Australian businesses are now in a much better place to reopen with a workforce ready to hit the ground running.

For employees, JobKeeper has protected livelihoods and ensured they have a job to go back to.

Retaining human and organisational capital is critical to ensuring our economy can 'snap back' as the threat of COVID-19 subsides.

JobKeeper has many other appealing attributes, including that it has reduced the number of unemployed people whom would otherwise need to receive a comparable payment through Centrelink.

Nonetheless, the costs of JobKeeper are considerable despite being lower than initially projected. The wind-back of JobKeeper will be the first step in what will be a long process of Budget repair. Despite this there

must be an orderly transition to minimise the risk of a second phase of economic instability towards the end of 2020 or beyond.

Three-quarters of respondents to our Business Recovery Survey applied for JobKeeper. The vast majority of those that didn't were ineligible due to turnover requirements or other reasons. Of those that did not apply, only 3 per cent indicated it was because they didn't think it wasn't worth the trouble.

Our survey found that one of the main benefits of JobKeeper is that it has been a major boost to cash flow with 80 per cent of recipients indicating as such (see Chart 9). Businesses also believe their staff are much better off because of JobKeeper and that it will allow their business to 'snap back' to normal operations. Just under half of businesses (44 per cent) indicated they would have closed without JobKeeper.

Business NSW received anecdotal feedback indicating JobKeeper and JobSeeker have made it harder to attract staff or encourage existing staff to work more hours.

# Cash flow and access to finance still a concern

Cash flow and access to finance are important financial health indicators when considering business readiness for when government support ends.

Our *Business Recovery Survey* reveals businesses remain concerned about a range of issues relating to cash flow and access to finance. Businesses are concerned about covering expenses when government support ends, with 77 per cent either somewhat or very concerned. Businesses are also worried about the risk of not being paid for work, with 73 per cent either somewhat or very concerned.

Further measures critical to the policy mix included the Reserve Bank of Australia and Commonwealth Government policies to support lending to business.

Our survey reveals that while many businesses indicated an improvement in their ability to access finance, a majority have observed either no improvement (42 per cent) or only a negligible improvement (25 per cent). Similarly, some businesses noticed an improvement to the cost of finance but a majority did not, with 36 per cent indicating no improvement and a further 24 per cent indicating only a negligible improvement (see Chart 10).

Interest rates for small business loans have fallen however we continue to hear anecdotal feedback that for some businesses it remains difficult to secure loans. There also appears to be a degree of disappointment with many businesses expecting to be able to obtain finance through the SME loan

guarantee scheme only to face difficulties in meeting requirements not immediately apparent to the business.

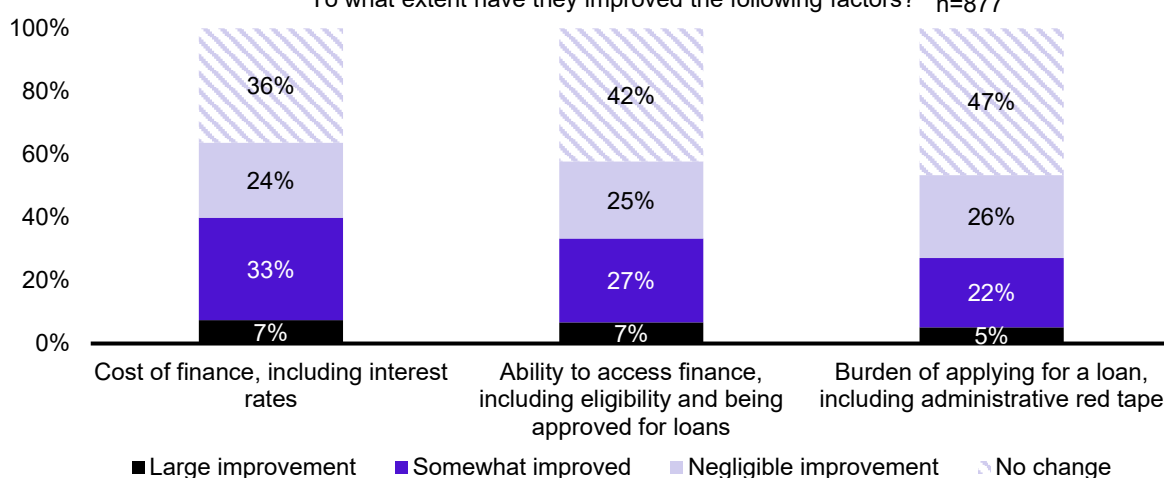
Almost one in three respondents who sought additional finance indicated they were dissatisfied with their experience. Many respondents commented there was considerable red tape and processing delays associated with securing their loan. When asked about whether the burden of applying for a loan (including red tape) had improved, only 27 per cent perceived there to be a larger than negligible improvement, the least improved among the considered dimensions.

Businesses that didn't apply for loans had a broad range of reasons for their decision (see Chart 11). Just under half indicated it was because they didn't have a need. While not having a need was the most likely among the factors considered, many indicated it was because they didn't think their business qualified or because they preferred other assistance.

Taking out debt was generally an unpopular response among businesses reporting a revenue loss (17 per cent). This compared with downsizing operations (60 per cent), reducing staff expenses (56 per cent) and using owners personal funds or drawing down cash reserves (49 per cent). This suggests many businesses are reluctant to take on debt given uncertainties about the future, as well as potential inability to access debt finance on favourable terms.

**Chart 10 – Impact of lending support measures**

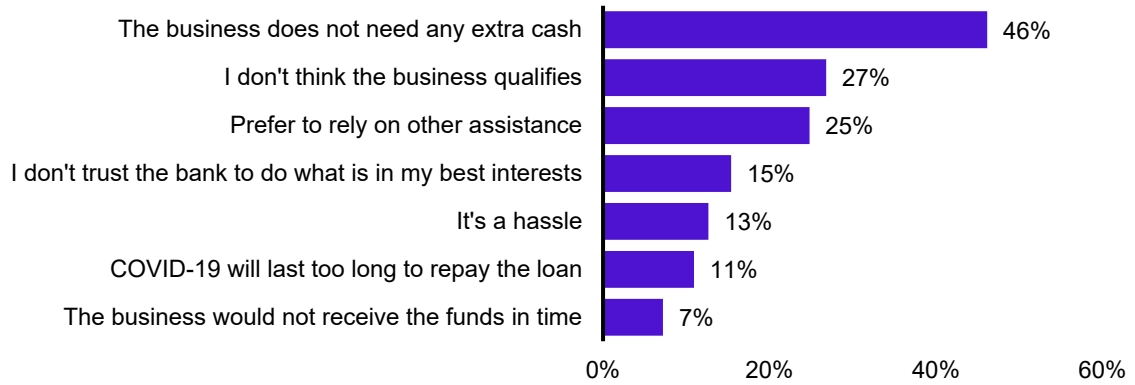
A range of lending support measures have been announced in response to COVID-19. To what extent have they improved the following factors? n=877



Source: Business Recovery Survey, Business NSW.

## Chart 11 – Reasons for not applying for a loan

Please select any of the following factors that account for why your business has not applied for a loan n=639



Source: Business Recovery Survey, Business NSW.

Note: Multiple options could be selected so percentages do not sum to 100%.

## **What else needs to be done to boost the economy?**

1. The economy needs support until private demand recovers. The Commonwealth Government should fast-track personal income tax cuts and encourage consumption through changes to fringe benefits tax. The Commonwealth and state governments should bring forward investments in productive infrastructure. The NSW Government should target stamp duty relief to boost construction.
2. The Commonwealth and state governments should lay out a clear and credible recovery plan so businesses and households have the certainty they need to spend and invest in their futures. Bipartisanship is needed now more than ever.
3. Australia should promote its success in responding to the crisis and seize its reputation as a safe and reliable place to invest, work and study. This includes ensuring our tax system and other restrictions do not discourage international investors, skilled migrants and international students. The Commonwealth Government should work collaboratively with our key international partners.

## **What else needs to be done to coordinate?**

4. Building on the success of National Cabinet, the Commonwealth and state governments should continue to work collaboratively to coordinate and maximise outcomes where government policies interact. This includes where policy changes impact state-based policies and ensuring consistent messaging.

## **What else needs to be done to keep JobKeeper effective?**

5. JobKeeper has been and continues to be critical to enabling businesses to maintain their organisational capital while enabling individuals to feel more secure about their future. These crucial aspects should be retained in future policies aimed at protecting our economy.
6. Policies should be kept under review to ensure they do not have a detrimental effect on workforce participation, such as where the relative attractiveness of government support programs make it difficult to attract staff within particular pay ranges.
7. The focus of JobKeeper should be on minimising the economic and human costs of the crisis. Eligibility should be expanded to business units that meet the revenue criteria but are ineligible due to their ownership structure. JobKeeper should be also expanded to ineligible visa categories and casual workers that meet Centrelink's test of independence. This should form part of the Commonwealth Government's strategy to support private demand in the near term.

## **What else needs to be done to improve access to finance?**

8. Businesses are encountering challenges associated with obtaining debt finance. A service standard should be developed to clearly establish what small businesses can expect when applying for loans facilitated through Commonwealth Government or RBA support. Particular attention is needed to ensure timely approval periods, reasonable lending criteria and improved customer experiences.
9. Government should issue vouchers for small businesses to obtain professional advice from trusted advisers such as their accountant. This will support businesses in gaining ongoing access to professional advice in the crucial period when lending support measures and other programs are wound back.

Part II

# Steadying the ship

Ensuring an orderly transition to our new normal



# Tapering support: Financial resilience in the medium term

## Returning to normal operations

The vast majority of businesses that responded to our *Business Recovery Survey* are either already open or expect to be open by 1 October 2020. Despite this, around 3 per cent of businesses expect to remain closed while a further 19 per cent expect to be open with an altered business model (see Chart 12).

Our survey asked businesses a range of questions about what they expect their operating environment will look like from 1 October 2020.

This date is critical because policy measures such as JobKeeper will have ended by this time. More than one in three indicated customer demand was unlikely to have returned to normal. Similarly, more than one

in three indicated it was unlikely that staffing levels would return to normal.

While most businesses believe they will be operating close to normal, the economic costs will be concentrated in those that are not (see Table 1).

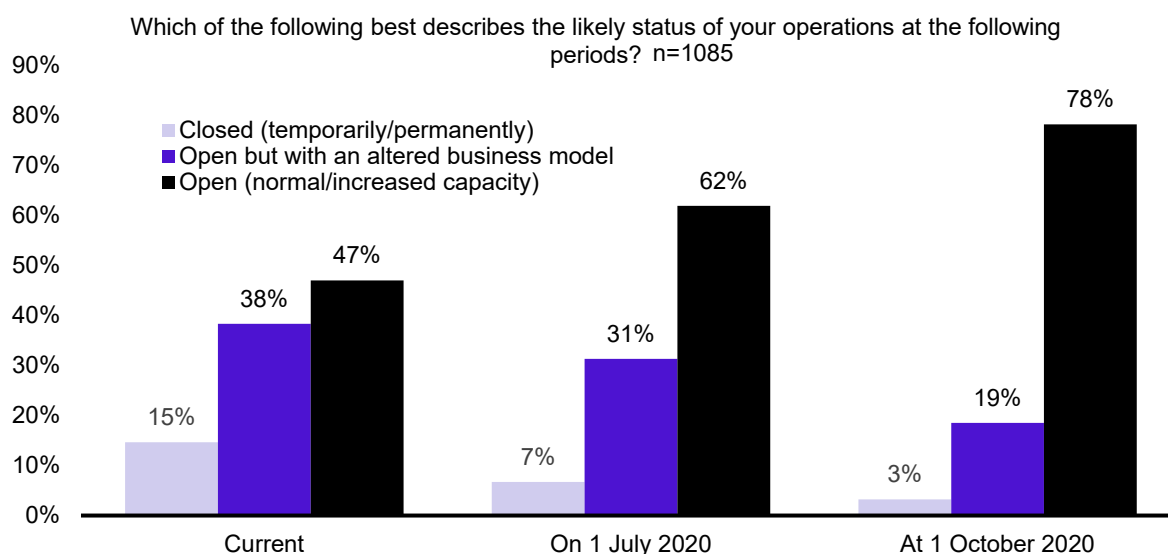
Arts and recreation (including tourism), transport, education, personal services, accommodation and food services, and construction are among the industry sectors most likely to be operating under restricted conditions in October 2020. Meanwhile the potential for further outbreaks, such as those seen in Victoria, remains a persistent threat which would contribute further pressures.

**Table 1 – Top 6 industries least likely to be back to normal by October 2020**

Industry	Not fully open
Arts and Recreation services (incl. Tourism) (n=92)	51.1%
Transport, Postal and Warehousing (n=19)	36.8%
Education and Training (n=45)	28.9%
Other services (n=147)	28.6%
Accommodation and Food services (n=134)	24.6%
Construction (n=50)	24.0%

Source: Business Recovery Survey, Business NSW.

**Chart 12 – Business reopening timeframe**



Source: Business Recovery Survey, Business NSW.

For businesses reporting a loss of revenue, the most commonly cited response was to downsize operations or defer payments/expenses (60 per cent). This included reducing staff expenses with 56 per cent indicating this as a response (see Chart 13).

In the absence of alternative policy support mechanisms, widespread revenue losses that persist after JobKeeper ceases are likely to challenge firm viability and create further volatility in the labour market.

Many businesses may need to transition to a new normal characterised by reduced customer demand and leaner operations. While these businesses may see COVID-19 through to the other side, conditions could be depressed for some time.

The potential for prolonged weakness in the Australian economy is evident in how businesses responded when asked whether they are likely to be ready to hire staff and invest by October 2020.

A majority of businesses indicated they were well away from getting back to normal with 71 per cent unlikely to be in a position to hire new staff and 65 per

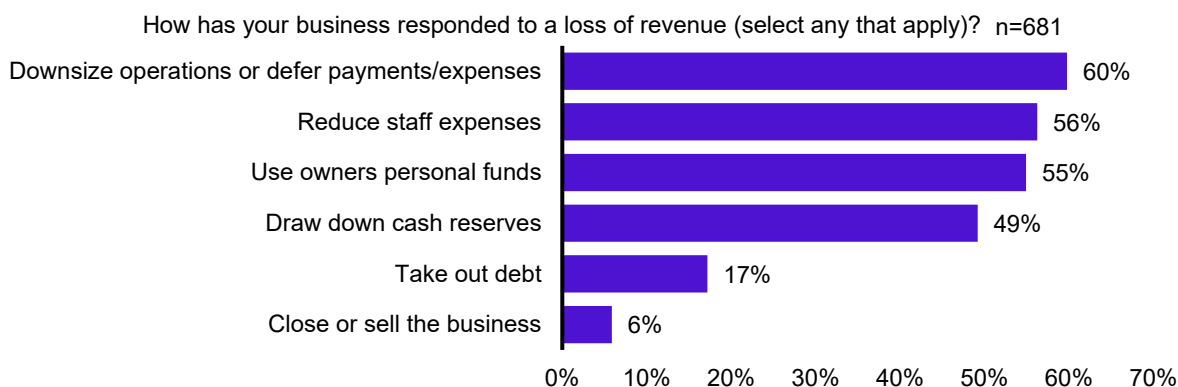
cent unlikely to be back to normal levels of capital spending (Chart 14).

Businesses subject to ongoing restrictions (including reintroduced lockdown measures) require greater certainty to support their future hiring and investment decisions. That is why Business NSW is calling for greater certainty as to the conditions upon which remaining restrictions will be lifted (see *recovery driver #2*).

Already we have seen business sentiment hurt by the second wave in Victoria and emerging risks in NSW. Our June Business Conditions Survey reveals businesses that completed the survey after Victorian lockdown measures were announced were less optimistic about the next three months compared to those that completed the survey prior (see Chart 15).

Economic stagnation will see the Australian economy operate below its potential. This suggests a potential role for Commonwealth and state governments in supporting the economy until private demand recovers.

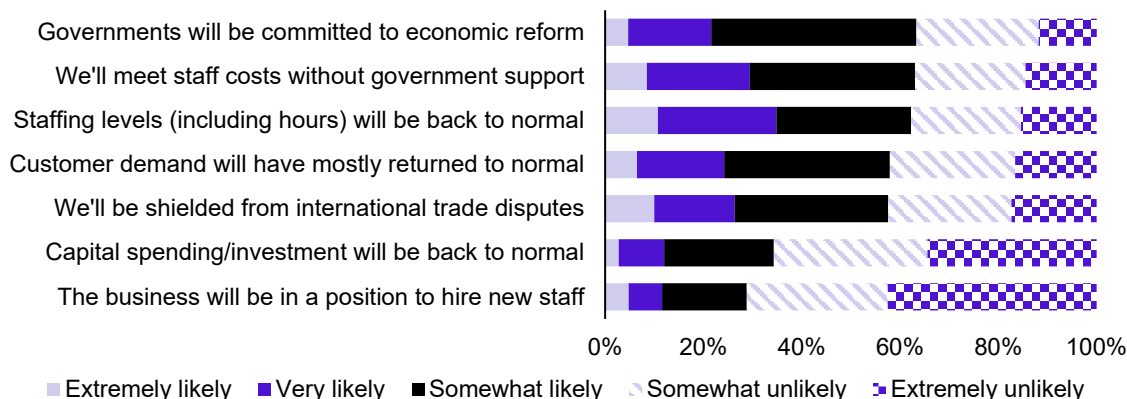
### Chart 13 – Business responses to revenue loss



Source: Business Recovery Survey, Business NSW.

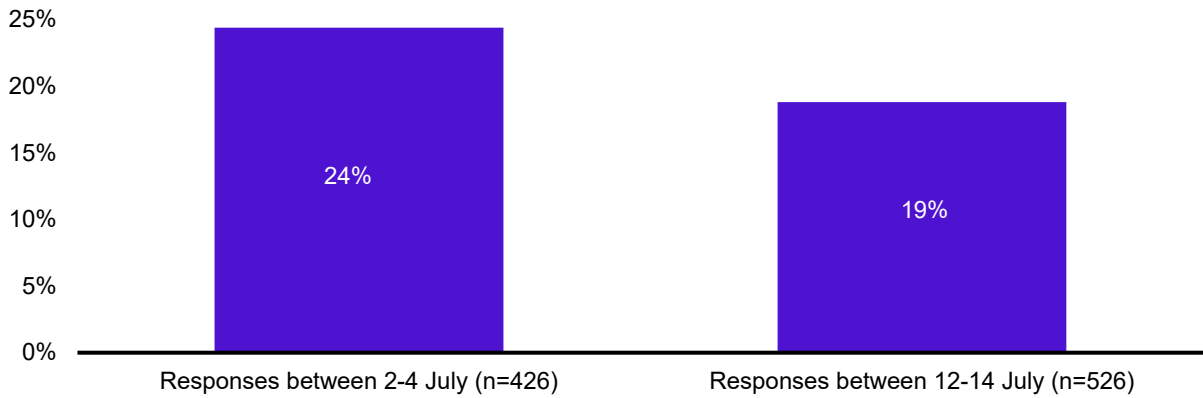
### Chart 14 – Getting back to normal: October 2020

By October 2020 (after JobKeeper and other measures have ended), what is the likelihood of the following statements being true for your business?



Source: Business Recovery Survey, Business NSW

**Chart 15 – Businesses expecting a stronger economy**



Source: Business Conditions Survey, Business NSW, June 2020 (unreleased).

## Winding back policy support

Our *Business Recovery Survey* raises concerns as to whether businesses will be ready ahead of JobKeeper’s planned September end date. While most businesses are getting ready for when this happens, many are not.

For example, 60 per cent indicated they had a plan to manage when payments stop while 54 per cent indicated they were building financial buffers (see Chart 16).

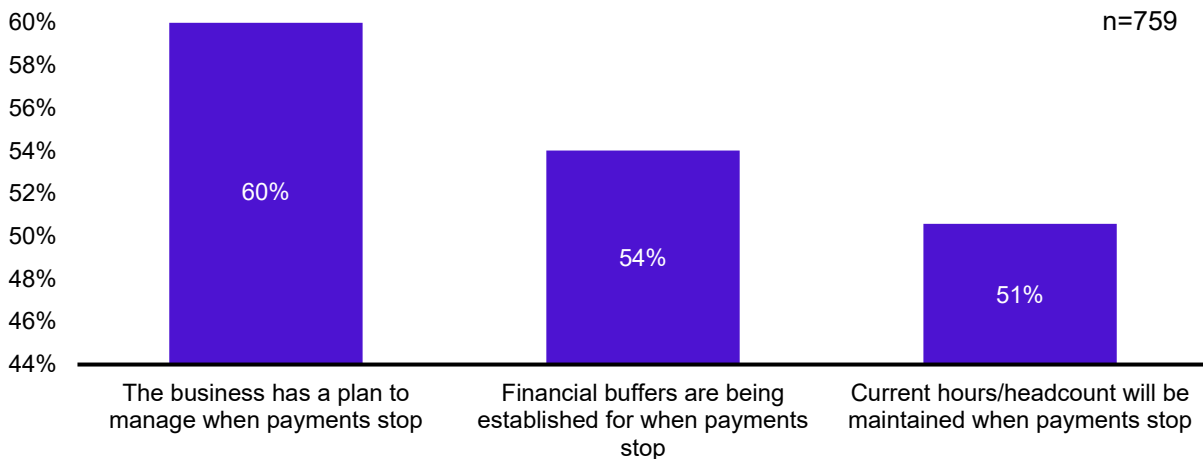
Many businesses will be unable to maintain operations in their current form. Half of respondents indicated they would be able to maintain current hours and headcount when payments stop and 37 per cent indicated it was unlikely that current staff costs will be able to be met without government support.

Failing to protect vulnerable cohorts of the labour market has the potential to have lasting consequences for Australia’s economic potential.

Younger Australians are particularly vulnerable if they do not have access to early career opportunities that contribute vital skills and human capital. That is why Business NSW is calling for a Youth Jobs Guarantee to ensure our young people continue to have access to meaningful employment and learning opportunities (see *recovery driver #3*).

More generally a rapid scaling back of JobKeeper may result in a second wave of instability as businesses are forced to re-examine the viability of their current operations. That is why Business NSW is calling for JobKeeper 2.0 to ensure an orderly transition (see *recovery driver #4*).

**Chart 16 – Business preparation ahead of the end of JobKeeper**



Source: Business Recovery Survey, Business NSW.



## Think beyond 'step three'

The Commonwealth and state governments should provide businesses greater certainty about when and under what conditions remaining restrictions will be lifted.

The Commonwealth and state governments have agreed to and are implementing a three-step plan to gradually remove baseline restrictions and make Australia COVID-safe. Yet the final step, step three, is far from a normal operating environment for business.

Businesses facing restrictions in step three and beyond face considerable uncertainty as to when they will be able to get back to normal. The international border is likely to remain closed for some time and even where businesses have been able to reopen, requirements such as the 4 square metre rule have meant that many venues are operating at reduced capacity.

While lockdown measures were essential to prevent the spread of COVID-19, the likelihood of ongoing restrictions, including the potential for additional measures to respond to outbreaks such as those seen in Victoria, creates a highly uncertain operating environment for business. This makes it difficult for businesses to plan, continue to engage staff and invest. It also makes it harder to identify what steps they can take to ensure their long-term viability if restrictions are in place longer than first thought. This includes pivoting products to a domestic market and making investments to adapt to a prolonged period of restrictions.

Now is the time to extend the three-step plan to provide greater certainty for affected businesses in key industries such as aviation, accommodation and food services, arts and recreation services, retail trade and tourism.

The extended plan should include the conditions upon which restrictions, such as those applied to the international border, will be lifted and indicative timeframes (where possible).

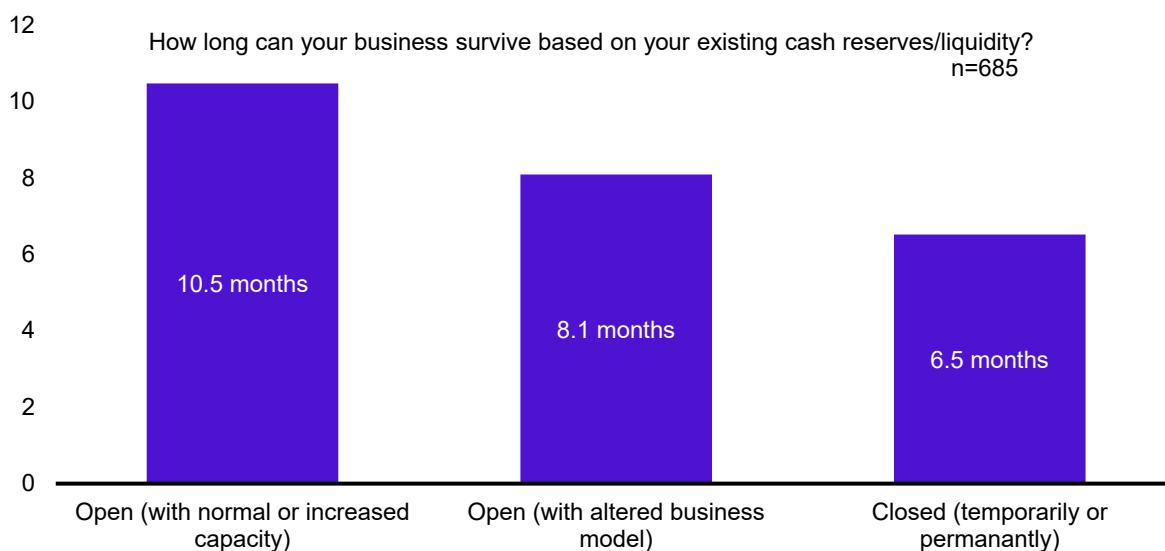
JobKeeper is not the only form of support scheduled to conclude by 1 October 2020. Many other forms of support including payroll tax deferral arrangements, loan repayment holidays and other key support mechanisms are at this stage scheduled to conclude by this time.

A concern is that if support measures are withdrawn too early, many businesses will be insufficiently prepared to absorb any future shocks or even generally weak customer demand. A majority (64 per cent) of businesses reported having less than six

months of cash reserves (see Chart 17). This includes 30 per cent that indicated they had less than three months of reserves.

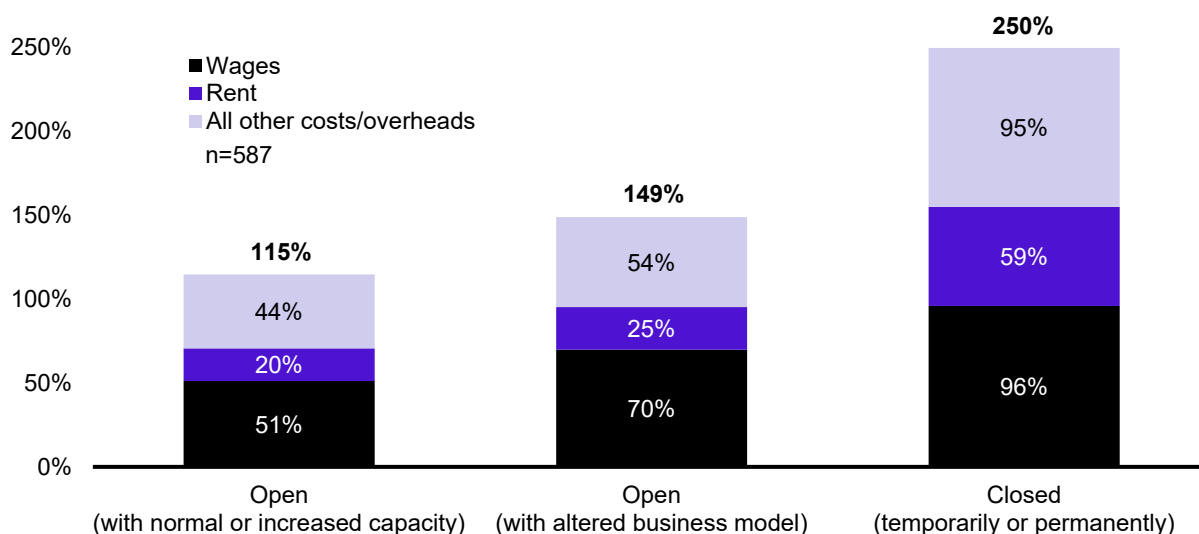
Wages are the most significant cost for business representing 96 per cent of revenue for businesses currently closed and 70 per cent of revenue for those open with an altered business model. Businesses currently closed have total costs representing 250 per cent of revenue while those operating with an altered business model have costs equivalent to 149 per cent of revenue (see Chart 18).

**Chart 17 – Business cash reserves: Current mode of operation**



Source: Business Recovery Survey, Business NSW.  
Note: Average values calculated.

**Chart 18 – Wages, rent and costs as a share of revenue: Current mode of operation**



Source: Business Recovery Survey, Business NSW.  
Note: Average values calculated, outliers removed.

With some industries affected more than others, policy support will be needed to address specific challenges.

This includes ongoing risks to sectors that remain affected by restrictions or that are still recovering from severe financial impacts associated with earlier restrictions, even if they have since been lifted (see Chart 19).

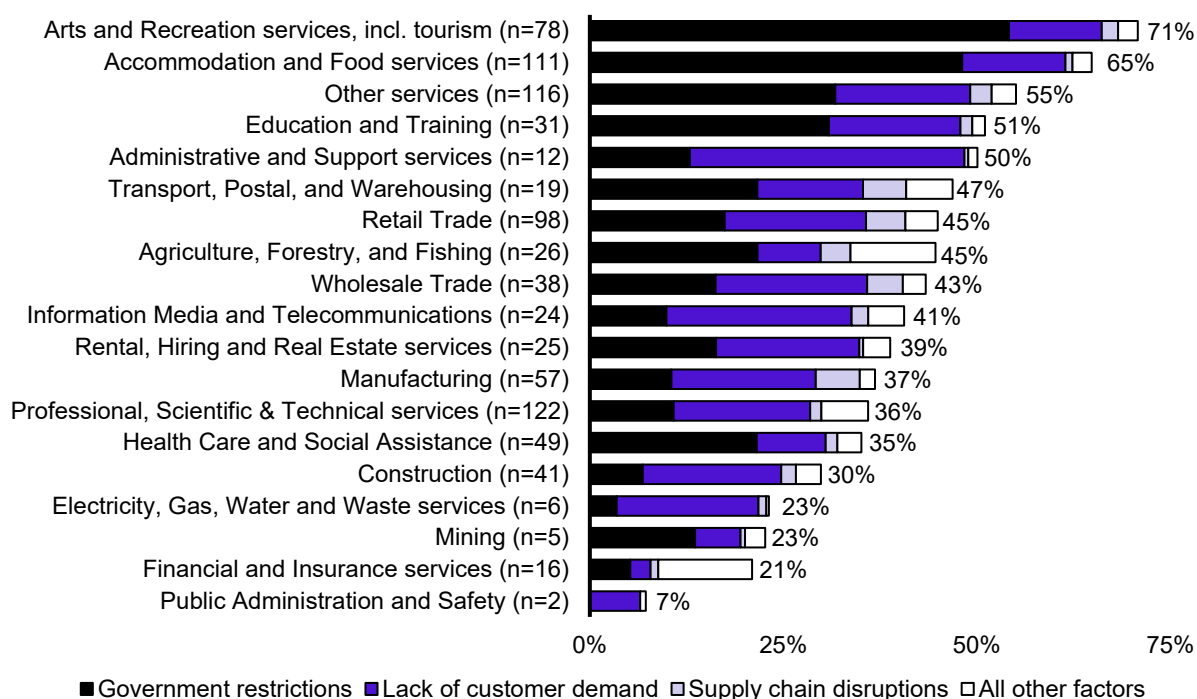
There is an opportunity to refocus support to where it can make the biggest difference.

Resources should be reallocated from measures that no longer protect jobs or encourage additional

economic activity. Governments will eventually need to wind back support in parts of the economy that will never recover. Protracted support for unsustainable activity will impede the movement of capital and labour to more productive parts of the economy and exacerbate the fragility of government finances.

As the economy reopens, lack of demand will eventually overtake government restrictions as the primary cause of business vulnerability. The challenge may then become broad-based affecting parts of the economy more uniformly. Sound macroeconomic management will be crucial.

**Chart 19 – Revenue impact by industry and cause**



Source: Business Recovery Survey, Business NSW.

Note: Calculated as average weighted losses based on questions about current revenue compared to expected revenue.

# Establish a Youth Jobs Guarantee

The Commonwealth Government should introduce a range of measures to invest in our youth, with their futures backstopped by a Youth Jobs Guarantee.

Jobs data confirms that young people are among the hardest hit by the COVID-19 pandemic. For young people unable to find work, programs such as the JobSeeker allowance can have a material impact on incentives to actively look for work or engage in training or further study. A Youth Jobs Guarantee is needed to ensure we have a robust social safety net while supporting future economic inclusion. The Youth Jobs Guarantee would consist of two components.

- investments aimed at upskilling and improving the employability of young people, and
- arrangements to guarantee the availability of paid work for job-ready young people.

COVID-19 has significantly reduced the number of apprentice and trainee commencements and those in-training. Business NSW forecasts indicate that Australia's skilled workforce training pipeline is likely to fall to levels not seen since 1998. Part of the challenge relates to the inability of employers to take on apprentices in what is currently a highly uncertain economic environment. To address this, Business NSW's *Skilling Australia for a better future* report advocated for the Commonwealth Government to offer employers a wage subsidy of up to 90 per cent of new apprentice wages for the first year of training to support apprentice commencements.

Pre-employment programs such as Productivity Bootcamp are highly beneficial in giving young people the practical skills needed to be successful in the workplace. In many cases it has given young people the foot in the door they have needed to secure their first job. That is why Business NSW is calling on the Commonwealth Government to dramatically increase its investment in programs such as Productivity Bootcamp, which have a proven track record in improving youth engagement in the workforce.

A backstop is needed for young people who have already completed post-school training but are unable to find work. The Commonwealth Government should establish a program to ensure young people can access paid employment. This could be modelled on the recently announced *Kickstart* scheme in the UK which subsidises work placements for young people on social security.

Importantly, the Youth Jobs Guarantee would support macroeconomic management as it acts as an automatic stabiliser which would boost public demand while private demand is weak.

## Implement JobKeeper 2.0

The Commonwealth Government should replace JobKeeper with a new rebate to protect vulnerable jobs.

A majority of respondents to our Business Recovery Survey thought Australia would do better or much better than comparable countries in recovering from the economic impacts of the crisis. Australia should aspire to lead the world when it comes to our economic and labour market recovery.

JobKeeper has been a critical pillar underpinning Australia's success in responding to the economic impacts of the crisis. It has enabled businesses to keep their workforce employed and stay afloat. When JobKeeper ends, many businesses will face difficult choices unless additional support is available. For this reason Business NSW supports the extension of JobKeeper until at least the end of 2020.

Recognising that JobKeeper cannot continue forever, the Commonwealth should work to develop a suite of policies aimed at targeting additional support to industries affected by significantly reduced demand, ongoing restrictions or financial instability due to being severely impacted by earlier lockdowns.

JobKeeper could be replaced with a reduced and more narrowly targeted wage subsidy which will help Australia reach its 6 per cent unemployment target (see recovery driver #1). It should be developed to interact seamlessly with other policies such as Business NSW's proposed Youth Jobs Guarantee (see recovery driver #3)

Importantly, the rebate should include features to ensure funds are spent in areas where economic activity is expected to recover. It should also target jobs at the margin. For example, the rebate could be calculated on the final 50 per cent of an employers' salary and wages relative to the benchmark established during the JobKeeper period such that employers only receive the full amount of the rebate if they maintain their workforce. The value of the rebate would be scalable depending on the funding envelope available. Business NSW believes considerable resources should be directed to protecting jobs in our post COVID-19 economy.

Based on responses to our Business Recovery Survey, *Arts and recreation services; Accommodation and food services; Other services; Education and training; Administrative and support services; Transport, postal and warehousing; and Construction* should be priority areas of focus. Support via the new rebate should continue until these and other industries affected can recover and stand on their own two feet.

### What else needs to be done to reach the new normal?

10. The Commonwealth and state governments should extend relief packages and gradually wind back support, coordinated through National Cabinet.
11. While considerable support is needed in the short term, a credible pathway towards Budget repair is essential to Australia's readiness to deal with future crises.
12. The Commonwealth and the NSW Government should be clear and transparent about the impact of the COVID-19 crisis on government revenue and expenditure beyond the forward estimates period. This should include best available estimates of key Budget parameters over the next decade to inform policy planning and to improve accountability.

Part III

# Go for growth

Boost our living standards by improving the performance of the economy



# A reform roadmap

## Getting NSW firing again

Improvements in many of the key success factors we care about depend on our ability to become more productive and grow our economy.

For example, the ability of governments to respond so comprehensively to COVID-19 has depended on the ability of the private sector to create the economic value from which government taxes are collected. This economic value is needed to generate the taxes governments rely on to support people in their time of need.

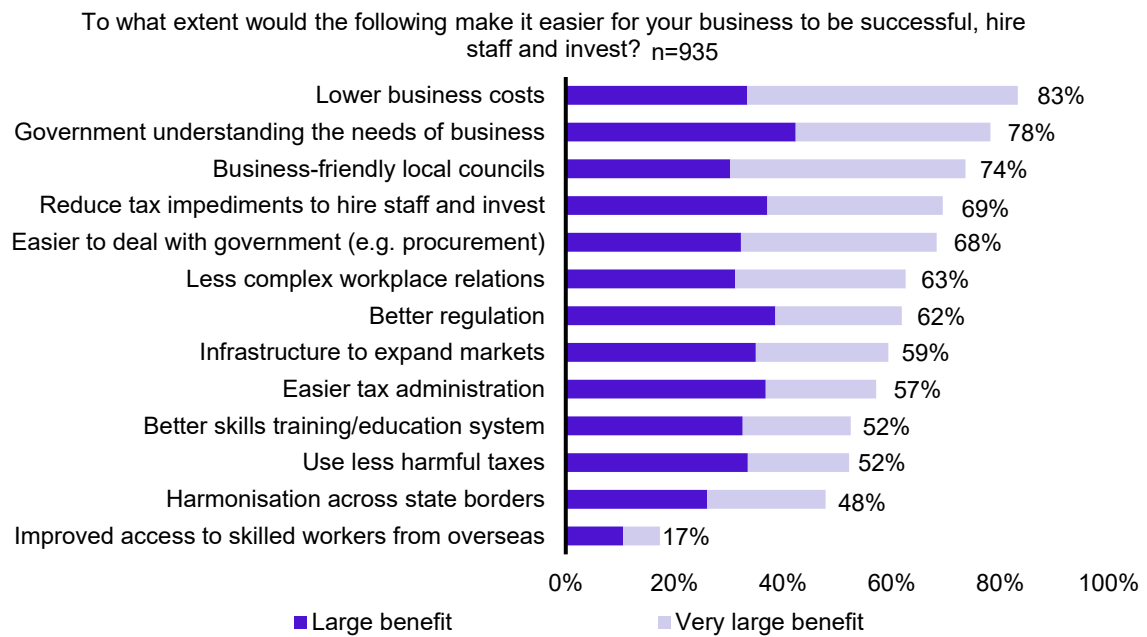
But we are on borrowed time with the Commonwealth and NSW budgets now in significant deficit. We need to ensure our economy recovers so we can prepare for future economic shocks and deliver services to the standard the community expects.

The success of business is critical to ensuring our economic recovery. Businesses need the right policy settings in place so they can deliver jobs and improved living standards. With Australia's productivity growth waning over the past decade, now is the right time to draw a line in the sand and get rid of the barriers to business success and economic opportunity.

Business NSW asked NSW businesses which areas of reform would make the biggest difference to them (see Chart 20).

Businesses are optimistic that governments will be committed to economic reform. Businesses rightly have high expectations of government with 64 per cent indicating they expect governments to be on a reform journey by October 2020.

### Chart 20 – Business priorities for reform



Source: Business Recovery Survey, Business NSW.

# Reducing business costs

Australia is a high cost country. Business respondents to our Business Recovery Survey reported they would benefit from reforms aimed at reducing the cost of doing business with 83 per cent indicating reforms would have either a large or very large benefit for their business.

Regulation is a cost barrier for business with 62 per cent indicating better regulation that is less costly and smarter would have a large or very large benefit.

To reduce costs, policymakers must closely consider the cost impact of market interventions such as red tape and other restrictions on business. These impediments mean businesses must spend more of their resources ensuring compliance than getting on with the job of running a business. That is why Business NSW is calling for the NSW Government to

implement a regulatory reform agenda that prioritises business growth (see *recovery driver #5*).

Policymakers must also create the right conditions so resource markets operate efficiently to reduce costs and improve the productivity of key inputs used by business.

Australia's experience with energy policy is an example of where successive policy failures and a lack of willingness to unlock vital energy supply has contributed to unnecessary business costs. That is why Business NSW is calling on the NSW Government to take steps to provide for affordable and reliable energy (see *recovery driver #6*).

## Business needs: what businesses told us about business costs

<p>"Review the cost of workers compensation - we would definitely put more staff on if our workers compensation was not as high"</p>	<p>"Abolish NSW duty on land transfers and reduce the red tape and paperwork burden on small business"</p>	<p>"Less government red tape including less complex workplace health and safety laws"</p>	<p>"Red tape and local council ridiculous regulations stifle sustainable businesses"</p>	
<p>"Lower business costs such as energy and fewer constraints to trading hours imposed by local councils"</p>	<p>"Fewer regulations and red tape: employing people is one of the biggest costs and time consumers"</p>	<p>"Need to keep it simple for small businesses - less paperwork, more help"</p>	<p>"Reduce all three tiers of government and wasteful expenditures"</p>	<p>"Lower our overhead costs including energy and insurance"</p>
		<p>"Reduce energy costs, industrial relations reforms, and lower taxes"</p>	<p>"Work to reduce electricity costs"</p>	



# Regulatory reform for growth

The NSW Government should deliver a five-point regulatory reform plan to drive business growth.

New and existing regulatory interventions can only be justified if their benefits outweigh their cost. Given our economy is likely to run below its potential for some time, growth objectives should be a much higher priority when calibrating regulatory settings. Given the high human costs of unemployment and economic hardship, new and existing regulation should be revised to remove barriers to economic recovery.

Our five-point regulatory reform plan is underpinned by previous recommendations and analysis that Business NSW has developed to reduce the impact of regulation. More detail on Business NSW proposals can be found in our reference list below or on our website: [www.businessnsw.com/advocacy/submissions](http://www.businessnsw.com/advocacy/submissions).

1. Resource allocation	2. Business costs	3. Innovation and scale	4. Better regulation	5. Government capacity
<ul style="list-style-type: none"> <li>• Fast-track planning approvals (a)</li> <li>• More competitive markets achieved by implementing outstanding <i>Harper review</i> and <i>Shifting the Dial</i> recommendations (b)</li> <li>• Remove restrictions on how land and buildings are used, including minimum dwelling sizes (c)</li> <li>• Re-examine recommendations from Zonal Taxation Inquiry (d)</li> <li>• Review occupational licensing and mutual recognition (e)</li> <li>• Reduce financial disincentives for delivering vocational education and training in schools (f)</li> </ul>	<ul style="list-style-type: none"> <li>• Improve return to work outcomes in the workers compensations system (g)</li> <li>• Make greater use of technology to reduce compliance costs (h)</li> <li>• Reintroduce a revised FESL that makes insurance more affordable (i)</li> <li>• Make CPD requirements learner-centred, flexible and affordable (j)</li> <li>• Expand the easy to do business program with financial incentives for local councils that participate (k)</li> </ul>	<ul style="list-style-type: none"> <li>• Extend the NSW Government commitment to make NSW the easiest place to start a business.</li> <li>• Facilitate cooperation between landlords and tenants where upgrades require landlord approval (l)</li> <li>• Make it easier to access grants through a consolidated and streamlined grants program (m)</li> <li>• Support business access to grants that promote innovation and develop new markets (n)</li> <li>• Fast-track approvals for low-impact tourism projects (o)</li> <li>• Reduce regulatory impediments to the night-time economy (p)</li> </ul>	<ul style="list-style-type: none"> <li>• Include cross-border impact statements as part of any new regulatory proposals (q)</li> <li>• Maintain temporary regulatory changes made during the COVID-19 response period</li> <li>• Ensure principles of better regulation are applied when designing and developing regulatory proposals (r)</li> <li>• Ensure best practice regulation by implementing the Greiner Review recommendations (s)</li> <li>• Take a commissioning approach so businesses do not have to compete with government (t)</li> </ul>	<ul style="list-style-type: none"> <li>• Develop an unsolicited proposal framework so start-ups and RegTech firms can develop solutions to regulatory challenges (u)</li> <li>• Support efforts to build a seamless national economy by promoting national solutions (v)</li> <li>• Establish Business Events Western Sydney (w)</li> <li>• Consider how the procurement system needs to evolve to ensure we are less vulnerable to international supply shocks and have sufficient domestic manufacturing capability in critical areas (x)</li> </ul>

(a) [Page 38, BNSW Productivity White Paper submission](#)  
 (b) [Page 55, BNSW Productivity White Paper submission](#)  
 (c) [Page 39, BNSW Productivity White Paper submission](#)  
 (d) [Page 52, BNSW Productivity White Paper submission](#)  
 (e) [Page 10, BNSW Easy and transparent trading submission](#)  
 (f) [Page 20, BNSW 2020-21 Pre-Budget Submission](#)  
 (g) [Page 5, BNSW Submission to the Review of the Nominal Insurer](#)  
 (h) [Page 11, BNSW Small Business Strategy submission](#)  
 (i) [Page 25, BNSW FFR Review submission](#)  
 (j) [Page 24, BNSW Productivity White Paper submission](#)  
 (k) [Page 56, BNSW Productivity White Paper submission](#)  
 (l) [Page 28, BNSW Productivity White Paper submission](#)

(m) [Page 27, BNSW Small Business Strategy Submission](#)  
 (n) [Page 3, BNSW Accelerating R&D in NSW submission](#)  
 (o) [Page 14, BNSW 2020-21 Pre-Budget Submission](#)  
 (p) [Page 15, BNSW 2020-21 Pre-Budget Submission](#)  
 (q) [Page 29, BNSW FFR Review submission](#)  
 (r) [Page 8, BNSW Easy and transparent trading submission](#)  
 (s) [BNSW Greiner review submission](#)  
 (t) [Diversity and Contestability in the Public Service Economy](#)  
 (u) [Page 11, BNSW Small Business Strategy submission](#)  
 (v) [Page 28, BNSW FFR Review submission](#)  
 (w) [Page 15, BNSW Pre-Budget Submission](#)  
 (x) [Page 3, BNSW Accelerating R&D in NSW submission](#)

## Provide affordable, reliable energy

The NSW Government should expand the energy supply market and remove unnecessary costs on business.

Energy costs have been among the leading concerns for businesses in NSW for the past few years, and the energy sector is in the middle of a major process of reform. Managed well, reforms will help direct the energy system towards lower costs and a lower environmental footprint. Managed poorly, those same reforms could introduce further complexity and unreliability.

The NSW Government's proposed business energy efficiency scheme should be made more ambitious. Current proposals to cut businesses' energy use by 13 per cent by 2030 should be extended. For every dollar spent in capital improvements, \$2.60 is saved from businesses' energy bills and the costs of running the electricity system.

State taxes and levies should be removed from energy bills. Historical surpluses from the Climate Change Fund should be spent on measures to improve business energy efficiency or returned to users through rebates on their bills.

To reduce the impact of energy costs on businesses, the NSW Small Business Commissioner should be empowered to act as a dispute resolution service between landlords and tenants on energy matters to better align incentives between the users of energy with those empowered to make site-specific investment decisions. Proposals to give more rights to users on embedded networks (such as individual stores in shopping malls) so they would be able to negotiate better deals should be legislated.

Governments need to initiate steps to secure NSW's gas supply. NSW faces a gas supply shortfall by the middle of the decade. Improving NSW's gas outlook requires the NSW Government to approve the Narrabri gas field and infrastructure upgrades to expand pipeline capacity by next year. The NSW Government should also greenlight at least one LNG import terminal for construction to begin by 2022.

Looking further ahead, government should be looking at the prospects for new technologies which could reshape the energy system. Hydrogen is central to this vision as a means of storing up surplus solar power or exporting it to countries with limited renewable resources.

Government should also review the prospect for small modular nuclear reactors to provide carbon-free electricity without many of the issues associated with traditional nuclear power. Batteries could become as widespread next decade as solar panels are in this one. Bringing these technologies into Australia's energy mix will help secure our long-term energy future.

### What else needs to be done to reduce business costs?

13. The NSW Workers Compensation system needs to be fixed. Considerable inefficiency exists while NSW employers are confused by key aspects of the system.
14. Remove costly taxes on insurance to enable households and businesses to better protect against risk. This includes the NSW Emergency Services Levy (ESL) which punishes those that take out insurance while giving a free ride to those that don't. Given significant increases seen in recent years, at a minimum, insurers should be able to smooth ESL rates to reduce extreme peaks.
15. Defer increases in the superannuation guarantee, particularly in light of the potential for the increase to prevent re-hiring and research indicating employees will ultimately bear the cost through slower wages growth.<sup>5</sup>

<sup>5</sup> B. Coates, M. Cowgill and W. Mackey (2020), *No free lunch: higher super means lower wages*, Grattan Institute <https://grattan.edu.au/report/no-free-lunch/>.

# Business-friendly government

The Commonwealth and NSW Governments have made significant strides towards improving the way they interact with business. Better use of technology and taking a customer-centred approach has improved business engagement with government.

But NSW businesses don't feel understood by government with 78 per cent indicating an improved understanding of the needs of business would have a large or very large benefit, and among the highest priorities for change, recorded in our survey. Similarly, 74 per cent indicated business-friendly local councils would also have a large or very large benefit.

Governments often fail to recognise the breadth of issues that businesses face and the insurmountable nature of various government requirements and restrictions. While an individual piece of red tape may be justifiable in isolation, the cumulative impact of these requirements has a significant chilling effect on the ability of a business to grow, invest and create jobs.

At the same time, there is the potential for NSW businesses to benefit from capable governments that

understand the needs of business. The ability to collect taxes, establish property rights and provide public goods without harming entrepreneurial spirit is crucial.

Similarly, some state-based taxes are confusing and difficult to administer in practice. Easier tax compliance and administration was cited by 57 per cent of respondents as an improvement that would have a large or very large benefit.

Our Federation presents many of the most confusing aspects of dealing with governments. Convoluted funding arrangements, a suboptimal tax mix and a patchwork of regulatory approaches create unnecessary complexity for business. That is why Business NSW is calling for the Commonwealth and state governments to fix the federation and improve our tax system (see *recovery driver #7*).

The Commonwealth and NSW Governments should play an active role in building state capacity and knowledge of business so it can achieve policy objectives with fewer costs to business and improved outcomes.

## Business needs: what businesses told us about government

"National licencing system for commercial or professional drivers to better enable them to work and move across different state jurisdictions including New Zealand"	"Get councils to spend capex now - this will generate confidence which will see developers move and the chain flows on"	"Government services which are part of the payment supply chain (e.g. Centrelink) are a major constraint on cashflow"	"Cooperation across state lines - single industry legislation instead of differences across states"
"We get inundated with emails about grants and loans - by the time we wade through duplications, then those that we don't qualify for and those that are just impossible to understand, we miss any opportunities"	"Make it easier for professional services businesses to be accredited to secure government work"	"Local Council be more connected with the community and respond to outstanding issues"	"I am looking at manufacturing but can't get through the red tape to commence"
"Remove local council members from the process of determining approval for development applications that meet agreed compliance or eligibility requirements"	"Local planning laws are too slow - 3 months in council for a standard build is ridiculous"	"Get Government workers to respond in a timely fashion to emails and enquiries"	"Easier red tape to obtain liquor licence - current process takes 6 months"
		"Grants available were just too cumbersome with paperwork to apply"	"Frankly, government does not understand business"
		"It would be good to be able to work in other states easily"	"Business applications processed quicker"

# Fix the Federation

The Commonwealth and state governments should work better together to deliver better government and improvements in key areas such as tax.

The NSW Government-commissioned Federal Financial Relations Review chaired by David Thodey AO (the Thodey Review) provides an opportunity to consider how governments can work better together, including in important areas such as tax reform.

Our submission to the Thodey Review noted the most fruitful reform opportunities would necessitate close collaboration between all tiers of government in Australia.<sup>6</sup> The Commonwealth can play an important role in opening up reform options that may be impractical for states to implement in isolation. Key priorities from a business perspective are to:

- facilitate comprehensive tax reform (including elimination of highly inefficient taxes such as stamp duty)
- ensure more effective, efficient and stable funding arrangements in key areas such as skills
- and leverage the core competencies of each tier of government to improve outcomes for the community in key areas such as tax administration (including inconsistencies in definitions used).

National Cabinet has been a gamechanger in facilitating effective collaboration between the Commonwealth and the states and territories. With this new model in place, one of the first tasks of National Cabinet should be to consider how to implement key recommendations and address areas for improvement identified by the Thodey review.

Skills funding is a further area where our Federation has led to suboptimal outcomes. Investment in Vocational Education and Training (VET) has been falling to its lowest level for some time, with government funding in 2019 lower in real terms than 2009. This is despite strong growth in schools and higher education funding. Investment levels in VET vary between states, as do course costs and student outcomes.

It is clear that shared funding arrangements with the states and territories are failing young people, with a lack of clarity and accountability. The new National Agreement for Skills and Workforce Development must streamline and clarify funding mechanisms between the Commonwealth and states, potentially transferring more responsibility to the Commonwealth while supporting an increase in funding tied to job outcomes, stronger regulatory arrangements, faster development of qualifications and access to better marketing of the sector and the job outcomes that can be achieved. Any reforms must be supported by an increase in overall funding available to all Registered Training Organisations to deliver the training needed by employers.

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<sup>6</sup> Business NSW [submission to the Thodey Review](#).

## What else needs to be done to improve government?

16. Key policy agencies and departments should ensure they maintain sufficient capability and expertise to ensure they understand business, including greater use of secondments and recruitment strategies that properly value commercial experience. Considering a business perspective should be vital to all key decisions of the NSW Government. Agencies should report on their current capabilities and immediately address deficiencies.
17. An independently prepared 'Business Impact Statement' should accompany any significant issue considered by NSW Cabinet, whether as part of broader regulatory impact analysis or as a standalone document. It should be prepared at arm's length and informed by consultation. This is a function that could be fulfilled by the NSW Small Business Commissioner's office.
18. Work towards establishing a single commerce regulator in NSW to offer a more streamlined and improved experience for NSW businesses. The single regulator model should be focused on improving the user experience and establishing a best-practice regulatory approach across the NSW Government.
19. In 2016 the NSW Audit Office found NSW Government processes to prevent and reduce red tape were not effective. The Greiner Review was commissioned to provide a roadmap for reform. Three years later its most important recommendations are yet to be implemented. NSW urgently needs proper regulatory development processes backed by evidence, consultation and an assessment of impacts, costs and benefits.
20. Significant changes should be made to NSW Government grants to make it easier for businesses to plan and identify opportunities.

## What else needs to be done to improve local government?

21. Local governments should match the NSW Government's commitment to faster payment terms for small business suppliers, including immediate payment where possible, 5 days wherever practicable and within 20 calendar days for all other transactions between \$10,000 and \$1 million.
22. The NSW Government should implement a local government Performance Measurement Framework including business indicators. The framework should be informed by surveys of business constituents and reporting on key performance criteria that impact small business (such as application processing times). In the absence of more comprehensive reform, NSW Audit Office Reports on local government should include separate reporting on small business dimensions.
23. The Planning System Acceleration Program including fast-track assessments and an expanded list of works that can be carried out without the need for planning approval will be essential to our economic recovery. These changes should be implemented by all local government areas, continue beyond COVID-19 recovery period and be the first step as part of ongoing reforms to improve the planning system.
24. With the NSW Government recently rejecting IPART's recommendation relating to use of the capital improved valuation method, further work needs to be undertaken to ensure the sustainability of local government finances. Importantly, the NSW Government should ensure local governments are financially independent so they do not increase pressure on NSW Government finances, and in turn, harmful taxes such as stamp duty and payroll tax.

# Letting businesses grow

Businesses face a range of new challenges as they start to grow. Employers face increasingly complex requirements as they expand their workforce while entering new markets gives rise to new learning curves and obstacles that need to be overcome. This can include getting across the different requirements imposed by local or state governments.

Businesses encounter new taxes as they grow and expand. These taxes punish business growth. For example, businesses that expand and create new jobs in their communities must pay payroll tax for every additional dollar of wages they pay. This makes it more expensive for business to employ people and create economic opportunity in their communities.

That is why Business NSW is calling on governments to work together to fix payroll tax by ensuring it does not get in the way of employers' ability to hire new staff (see *recovery driver #8*).

Business investment is also discouraged through high company taxes that punishes all Australians, including employees who share in the productivity gains and investment returns earned through compulsory

superannuation. Modelling demonstrates that labour incomes would be higher under more competitive company tax arrangements.

An efficient tax system is crucial. Reduced taxes on jobs and investment was identified by 69 per cent of respondents as having either a large or very large benefit. Businesses indicated they will benefit even if new taxes are needed to replace revenue from taxes that inhibit jobs and investment.<sup>7</sup>

An overly complex regulatory system serves to encourage our entrepreneurial talent to consider whether they are better off doing business elsewhere. For example, Australia has a complex workplace relations system highlighted by the 63 per cent of respondents indicating a less complex workplace relations system would have a large or very large benefit. That is why Business NSW is calling on the Commonwealth Government to improve our workplace relations system (see *recovery driver #9*).

In a post-COVID-19 economy, there is great impetus to make it easier for businesses to hire staff and invest. This will be crucial to our economic recovery.

## Business needs: what businesses told us about impediments to growth

"Changes to workers compensation premiums please make it less expensive, especially for businesses that have not claimed, not based just on the industry they are in"	"Easier to reach flexible working conditions with staff for small businesses, remove pointless regulation and monitoring especially at council level"	"Change to FBT exemption laws to assist us employ more staff or existing staff with comparable corporate wages"	"Workplace relations laws are (in my opinion) the main reason small business is scared to employ staff"	"Empower the owners of small business in industrial relations and compliance"
		"Abolish payroll tax, reduce company taxes and maintain the superannuation guarantee at its current rate"	"Simplification of Modern Awards"	"Eliminate payroll tax and undertake a complete overhaul of workplace relations policies"
"More flexible industrial relations to enable workers to be brought in enabling the business to grow without the long term commitment until conditions stabilise"	"Less regulation, less small business taxes and more consideration that as a small business we are having a go and supporting Australians in jobs"	"Provide employers with much more flexibility when it comes to industrial relations"	"Change in government incentives to reduce stamp duty for property purchases"	"Reduce taxes related to running a business - payroll tax and company tax"
				"Reduced red tape on business, removing stamp duty and other taxes on construction"
				"Less complex industrial relations system"
				"We need a flexible fair work system"

<sup>7</sup> 52 per cent indicated replacing taxes that inhibit jobs and investment with those that don't will have a large or very large benefit.

## Solve payroll tax

The NSW Government, in partnership with the Commonwealth and other state governments, should ensure payroll tax does not deter employers from hiring staff.

Payroll tax is regularly reported as one of employers' most despised taxes because it inhibits their ability to create jobs and economic opportunity in their communities.

Payroll tax is a tax on jobs and wage increases and comes with considerable headaches for employers who must deal with complex definitions that are not aligned with other taxes they must collect on behalf of governments. Business NSW has previously argued that the complexity of the contractor and employment agent provisions of the *Payroll Tax Act 2007* create significant uncertainty and administrative burden for businesses in determining their payroll tax obligations. This includes ambiguity in chain of on-hire arrangements (where an employment agent on-hires a service provider to another employment agent who in turn on-hires the service provider to its client).

Our members report that small and medium enterprises incur around \$10,000 a year in tax administration costs alone. Not only is payroll tax a growth tax, it also distracts employers from their main task of successfully running a business.

Recent initiatives to increase the payroll tax threshold in NSW to \$1 million have been effective at reducing the number of businesses caught in the payroll tax net. This has saved businesses millions in tax and administration costs. These are savings that can ultimately be passed on to employees through more jobs and higher wages.

Despite there being a strong case for even more substantial reform, payroll tax accounts for around a third of NSW's own-source revenue. State governments rely on payroll tax to deliver services and alternative revenue sources must be found. Alternative state-based taxes such as stamp duty fare even worse when judged against efficiency criteria and are unsuitable to replace foregone payroll tax revenue.

The Commonwealth and state governments should come together to set themselves the challenge of ensuring payroll tax does not get in the way of employers' ability to hire staff during our economic recovery. There are a range of options available, some of which were considered in Australia's Future Tax System Review (the Henry Review), though most would require a degree of partnership with the Commonwealth. Options include (but are not limited to):

- a cash flow tax
- giving states and territories a share of income tax
- a broad-based labour value-added tax, and
- collecting payroll tax through the PAYG withholding system.

Each of these options requires further detail including analysis of costs, benefits and SME impacts. But all can reduce the tax administration costs associated with the current payroll tax system. There is no reason why the states and territories together with the Commonwealth shouldn't be exploring the merits of these proposals so we can get rid of a tax that will obstruct our economic recovery.

# Improve workplace relations

The Commonwealth Government should create a workplace relations system that cuts red tape, creates jobs and boosts living standards through improved productivity.

Australian businesses need a more streamlined workplace relations system that is easier to navigate and that is compatible with reaching win-win outcomes underpinned by higher productivity.

The workplace relations system is complex and time consuming. Smaller businesses in particular must spend considerable resources understanding and ensuring compliance with their obligations, time better spent ensuring business success.

The workplace relations system has also become a less powerful driver of productivity growth in Australia. In previous decades reforms were targeted to make it easier for employers and employees to come together and negotiate outcomes that deliver higher incomes and higher productivity. The impact of these earlier reforms has dissipated with enterprise and individual bargaining displaced by an increasing reliance on awards.

Fixing the workplace relations system was announced as a core component of the Prime Minister's recent JobMaker announcement. Australian employers will want to ensure these overdue changes are implemented so they can get back to the task of creating jobs and boosting Australians' living standards.

## What else needs to be done to let businesses grow?

25. To make it easier for businesses to start hiring again, the NSW Government should implement a 'Jobs Recovery Rebate' modelled on the former Jobs Action Plan rebate. This rebate should cover additional government-related charges (such as payroll tax and workers compensation) incurred for newly created jobs. Where possible it should be integrated into existing business and tax systems so businesses do not need to apply for the rebate but receive it automatically.
26. As a no-regrets measure, the Commonwealth should expand investment allowances and offsets such as the R&D tax incentive to make Australia a more attractive place to invest and do business.
27. Australia's high rate of company tax discourages job creation and results in lower wages for working Australians. Australia should endeavour to move towards a uniform rate of company tax with all companies subject to a corporate tax rate of 25 per cent or below.
28. NSW should work to abolish stamp duty which is the most harmful major tax collected by any government in Australia. Stamp duty is a tax on investment and discourages vital resources from reallocating to their most productive use. It is also an impediment to regional development as it is a relocation tax on businesses that want to move to regional NSW.



# Capacity building

Governments possess critical levers that can boost capacity in our post-COVID economy. Businesses can see the opportunities, with 59 per cent of respondents indicating that additional infrastructure to improve access and expand markets would have a large or very large benefit.

Governments can invest in infrastructure and social capital to expand markets, boost capacity and better connect our metro and regional centres. These investments can deepen markets, ensure businesses have access to the right skills and open up new opportunities for regional NSW. That is why Business NSW is calling for the NSW Government to build a seamless state economy to better connect regional NSW (see *recovery driver #10*).

Equally, governments can play a role at building our brand and business networks in international markets. Programs such as the Export Market Development Grant have benefits that are significantly larger than their cost.

A further policy lever is to ensure local suppliers have a reasonable opportunity to participate in procurement processes. The Commonwealth and state governments are very large purchasers and can be a major economic driver in some industry sectors. Yet many small or local suppliers find it difficult to participate in procurement processes as government requirements can be cumbersome and difficult to understand.

More than 68 per cent of respondents indicated they would experience a large or very large benefit if it was easier to deal with government (such as during procurement processes or when applying for a grant).

Improving SME and local access to procurement processes will help boost capacity and capability in the event of supply chain disruptions. It is also appropriate to review the critical areas Australia should have a sufficient level of capacity to protect against future supply chain vulnerabilities such as those seen during COVID-19.

## Business needs: what businesses told us about economic capacity

"Reduce red tape on state government tenders for services - too many good small businesses are cut out by the behemoths who are great with paperwork"	"State or local government should establish local facilities to co-house government workers with business"	"Access to a suitable commercial space to allow us to fully restart our business"	"Workplace relations changes to deal with 'work from home' changes"	"Boost manufacturing in Australia so we are less reliant on overseas suppliers"	"Facilitate growth of regional centres as people move away from the cities"
"Encourage growth to our region through payroll tax waivers and wages tax refunds for businesses that move businesses here"	"Easier access to grants for small business and level the playing field with multi-nationals who always seem to get support"	"We should embrace working from home to help with productivity, retention and to save on office space costs"	"A commitment to purchase domestically for all governments"	"Infrastructure spend with emphasis on local suppliers"	"Access to capital to hire additional resources"
				"High speed broadband everywhere"	"Engaging SMEs as suppliers to government"

## **Build a seamless state economy**

The NSW Government should build a seamless state economy to connect regional NSW and deepen labour markets.

An ongoing commitment is needed to ensure regional NSW receives a fair share of Commonwealth and NSW Government investments in infrastructure. A focus on infrastructure that improves regional connectivity is vital to unlocking economic capacity in our regions. This includes continuing to invest in road and highway upgrades and exploring faster rail.

COVID-19 has presented both challenges and opportunities in the way organisations work. While not all jobs can be performed remotely, COVID-19 has demonstrated the enabling power of new technology. Many knowledge workers have successfully transitioned to working from home.

These new working arrangements have the potential to unlock new economic capacity and improve economic inclusion for regional NSW. The way businesses have adapted to COVID-19 demonstrates that regional economies no longer need to be viewed as discrete labour markets. Instead, it is possible to view NSW as a seamless state economy where resources such as skills are combined into much deeper markets. Expanding markets offers potential for greater specialisation, access to skilled workers and to realise gains from a more productive allocation of resources.

While working from home arrangements appear to have been successful, we are yet to fully understand how these arrangements affect productivity, human capital formation (on-the-job learning) and other aspects such as employee wellbeing.

The NSW Government should take a leadership role in piloting programs that support remote work arrangements. This may include establishing remote worker hubs for the NSW public service and investing in the social and physical infrastructure necessary to support these arrangements. Importantly, by leading as an employer, the NSW Government can identify regulatory barriers and other impediments to success.

More generally the NSW Government should identify policy barriers to business relocation, including revisiting recommendations made in the Legislative Assembly's Inquiry into Zonal Taxation. This includes removing tax barriers to business relocation.

## What else needs to be done to build economic capacity?

29. Investments need to be made to ensure regional NSW has a voice. A changing media landscape is making it harder for regional issues to receive the attention they deserve. To build social capital and local advocacy, the Commonwealth and NSW Governments need to support and engage closely with community organisations such as local chambers of commerce.
30. Despite a challenging fiscal environment, the Commonwealth and NSW Governments must continue to invest in capacity building infrastructure to expand markets and ensure economic inclusion. Procedures for discounting benefits should be reviewed in light of low interest rates with a renewed focus to properly value projects capable of delivering benefits over its full lifespan.
31. Further work should be undertaken by all governments to open procurement opportunities for local SMEs. Reform initiatives should consider the principles set out in Business NSW's Small Business Strategy submission, including addressing issues relating to risk aversion, state capacity, perceptions/knowledge, red tape, market access, industry participation and delegations.<sup>8</sup>
32. The Commonwealth should commission a Productivity Commission review to consider supply chain vulnerabilities and the need for Australia to retain domestic supply capacity in critical areas such as medical equipment. The review should identify where procurement policies or otherwise are needed to build scale, while examining the merits of alternative approaches such as stockpiling.
33. Australia and NSW should work to build our reputation as an attractive, stable and safe place to do business. The Export Market Development Grant should be expanded while the NSW Government should leverage its new network of overseas Trade Commissioners to build stronger business links abroad, particularly in markets where foreign governments expect our governments to play a facilitative role.

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<sup>8</sup> Pages 19-23, Business NSW [submission to the NSW Government's Small Business Strategy](#).

# Skills and human capital

More than half of respondents to our Business Recovery Survey indicated better skills training would benefit their business.

However, the vocational education and training (VET) sector is currently underfunded. Increased public investment in skills and education is needed to deliver on the significant public benefits they generate.

Investment in education and training improves economic inclusion for our young people, allowing them to secure a pathway to secure employment and providing much needed skills for businesses and the economy.

With employment opportunities expected to be limited post-COVID-19, additional funding for skills should focus on areas that will most effectively build the human capital base.

The apprenticeship model has proven effective at contributing to the availability of skills that are in demand. There is a strong case to increase and guarantee reliable funding to support the apprenticeship model.

The movement of skilled labour, particularly from overseas, will be limited for the foreseeable future. It is crucial that we build the stock of human capital locally, particularly in industries that will be critical to rebuilding the economy.

## Business needs: what businesses told us about skills and human capital

"Access to training soft skills from places like TAFE to assist in areas of knowledge and skills that I don't have to become more successful"	"Overhaul and fully fund the TAFE system - it was once the envy of the world, successive governments have shredded it"	"Put incentives in place to employ apprenticeships"	"Incentivise businesses to take on apprentices and trainees"
"More financial assistance for traineeships in the IT industry - current support negligible and discouraging us taking on a trainee"	"Allowing itinerant workers on working holiday visas to do volunteer work in regions"	"Affordable access to agile and relevant skills training"	"Investment in training and development"
			"Funding for staff training"
			"Government funding for training"
			"Further apprentice support"

## **What else needs to be done to boost human capital?**

34. Transfer policy and funding responsibility for the VET sector to the Commonwealth Government while safeguarding state and territory operations of TAFE providers.
35. Expand access to the VET Student Loans scheme, simplifying arrangements and aligning with HECS Help loans to support students' lifetime learning.
36. Improve integration between senior secondary, vocational and university education and develop more clearly articulated transfer and credit arrangements between school, VET and university education.
37. Provide additional funding under school funding arrangements to incentivise delivery of VET in Schools and School-Based Apprenticeships and Traineeships.
38. Introduce a nationally consistent and industry led pre-apprenticeships program
39. Provide a significant wage subsidy to apprentice commencements in the short term to support an increase in numbers.
40. Build pathways for skilled workers from overseas to continue to migrate to Australia while complying with COVID-19 quarantine restrictions.