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Dear Investment NSW Team

Thank you for the opportunity to provide feedback on the *Securing Future Innovation and Global Competitiveness in NSW* Green Paper, examining structural changes over the next 10 to 15 years that will underpin industry policy reform in NSW.

The NSW Small Business Commissioner (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The Commission's role includes:

- encouraging government agencies and larger businesses to enter productive working relationships with small businesses
- facilitating and encouraging the fair treatment of small businesses
- promoting a fair operating environment in which small businesses can flourish.

The importance and role of small business

Small businesses represent a significant component of the NSW economy. According to 2020-21 data from the Australian Bureau of Statistics, small businesses in NSW:

- comprise 800,000 entities, which is about 98 per cent of all NSW businesses
- employ 1.8 million people, or around 45 per cent of the private sector workforce
- pay more than \$63.7 billion in annual wages and salaries
- contribute more than \$424.9 billion to annual sales and service income.

Given the economic contribution of small business, it is essential that NSW industry policy considers the perspectives and needs of small business owners and operators. Small businesses often have difficulty navigating government programs because they have fewer resources dedicated to administration and management, with operators performing multiple roles and functions within the business.

The Commission observes that NSW Government agencies do not always follow accepted best-practice when consulting with and addressing the impact of policies affecting small business. The Commission is particularly concerned that stakeholder engagement often occurs too late in the policy development process, or is too narrow in scope. Where proposals are of a regulatory nature, the Commission strongly supports compliance with the NSW Government's Guide to Better Regulation ([TPP 19-01](#)) be applied to policy proposals affecting small business.

The Commission also encourages the adoption of initiatives to ensure small businesses are front of mind on Government decision-making, including regular attestations by agency and department heads confirming small business procurement policies, faster payment targets and other commitments to small business are being met.

Alignment with the NSW Small Business Strategy

There is an opportunity for NSW industry policy to be aligned and complementary to the NSW Government's Small Business Strategy. On 20 May 2022, the NSW Government launched a public consultation on a revised Small Business Strategy (the Strategy) for 2022-2025.

The Strategy is being developed around seven pillars:

- A small business value statement.
- Removing regulatory barriers and supporting entrepreneurship.
- Boosting and empowering resilience.
- Reducing costs on business.
- Improving digital and e-commerce literacy.
- Making it easier to supply to government.
- Ensuring small business needs are at the forefront of government decisions.

The Strategy is intended to outline how the NSW Government can best support and facilitate small businesses, and to set a vision for the future. Given that both this Green Paper and the Strategy are focused on the role of Government in supporting industries into the future, the Commission would support any opportunities for cross-collaboration, including measures that may potentially meet both small business and industry policy objectives.

Skills and labour shortages

The Green Paper rightly identifies workforce skills as a major factor in determining economic performance. The Commission has found this is a particular concern for small businesses.

The Commission regularly consults with small businesses and their industry associations to identify current challenges and opportunities. Their feedback highlights two economy-wide critical constraints that are relevant to the considerations of this Green Paper: a lack of skilled labour and the inability to attract workers to regional areas.

The most recent Commission survey indicated that around a third of small businesses find attracting or retaining appropriately skilled staff was a challenge for their business. Skills shortages are particularly acute for industries that traditionally rely on migrant labour, including hospitality, hair dressing, the visitor economy and agriculture. Health restrictions in response to COVID-19 have severely impacted Australia's access to overseas talent, but even before the pandemic, small businesses found it more difficult to identify, attract and sponsor skilled migrant labour.

Small businesses are responding to these skills shortages by being more flexible about who they hire, often taking on workers lacking the needed skills then offering on-the-job training. They are also increasingly allowing greater staff flexibility in hours, work location and job sharing to attract talent. This increasingly flexible approach needs to be matched by flexibility in policies for enabling services. For example, training must be offered at a range of times and through different delivery channels. Childcare and school hours should likewise be as

flexible as possible to allow greater workforce participation. There is also a potential role for the NSW Government to play in helping small businesses understand when and how to target skilled migration to meet their labour needs.

Regional businesses have reported additional challenges affecting our regions. Regional communities are often affected by more shallow labour markets, making it hard to attract certain types of skills needed to operate a business. They have also been particularly impacted by border restrictions as overseas workers have traditionally been an important source of skills for regional communities. Other constraints such as changes in housing availability and affordability, have impacted regional communities. These trends have been exacerbated during COVID-19 as remote workers and short-term accommodation trends have displaced residents that would have otherwise contributed to regional labour supply.

This Green Paper represents an opportunity to explore a multifaceted approach to addressing the skills and labour challenges NSW is facing. Consideration should be given for direct means to address these challenges, such as funding and innovative delivery methods for training, cost of workers compensation for those over 65, as well as broader enabling factors such as regional housing and infrastructure, encouraging skilled migration and greater access to childcare.

The Green Paper could also consider how to facilitate more part-time or secondary employment by removing disincentives stopping more mature Australians, those on part, single parent and disability support pensions as well as secondary job holders (who pay higher marginal tax rates on their second job) from contributing their labour.

Other issues of interest to the Commission

As the voice for small business in Government, the Commission has oversight of a variety of issues that may be of relevance to the Green Paper. These include:

- **Ensuring small businesses have opportunities to supply to government –** Government is a significant buyer and it is important that small businesses are not excluded from these opportunities. The Green Paper could explore ways to leverage government procurement to build capacity/capability and support small businesses. Potential solutions could include reducing the insurance coverage required for small projects, allowing small businesses to tender for projects before obtaining insurance, or breaking down major projects (e.g. civil works and construction packages) into small pieces to encourage participation by smaller firms.
- **Making it easier for small businesses to participate in industry programs, grants and support –** Government grants and supports are often planned and targeted with larger businesses in mind and may not adequately meet the needs of small businesses. The Commission's view is that programs should be designed around the needs and capacity constraints of small businesses so they are not arbitrarily or accidentally excluded. Such supports should not be overly complex or difficult to apply. For example, small businesses were excluded from programs such as the Jobs Plus Program while they may miss out on other programs because larger firms are targeted.



- **Industry and business enablers** – Other major challenges small business face include access to insurance and digital/ecommerce literacy. The Commission encourages Investment NSW to consider the potential for this Green Paper to address these challenges.
- **Insurance** – many small businesses are facing contemporary challenges in obtaining insurance needed in their business. Challenges associated with the availability and affordability of insurance have the potential to impede business development and industry growth. In addition, having a state-based or national database of insurance policies would allow decision-makers greater visibility over insurance coverage and allow better-targeted Government intervention when businesses are unable to get appropriate coverage and act as an integrity measure when assessing the eligibility for disaster assistance payments.

Thank you for the opportunity to make a submission. If you require further information, please contact Megan Bennett, at either megan.bennett@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Chris Lamont
Commissioner
NSW Small Business Commission

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