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Australian business groups warn of coming cliff when free childcare and jobkeeper end [1]

Small businesses are 'hugely stressed' trying to get back up and running as coronavirus restrictions ease
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EXCERPTS

The small business ombudsman and employer groups have warned of the coming cliff in economic supports including free childcare ending and called on the government not to reduce jobseeker unemployment benefits to $40 a day.

The ombudsman, Kate Carnell, told the Senate Covid-19 committee on Wednesday that the government's plan to reintroduce childcare fees from 13 July would have a "significant impact" on small business owners struggling to get "back up and running" as restrictions ease.

In a chorus representing businesses large and small the Australian Industry Group, Business Council of Australia and Council of Small Business Organisations called on the government to retain higher unemployment benefits and not to scrap jobkeeper wage subsidies without further industry assistance.

Carnell told the committee that small businesses were "hugely stressed" by the cliff when the $1,500 fortnightly jobkeeper wage subsidy scheme ends in September.

Carnell noted that businesses also had to pay utility bills, existing and new bank loans, and rent, which had "not been forgiven, but half or more than half of rent has been deferred".

Even with generous repayment terms allowing two years to pay back deferred rent, payments would "still go up" relative to pre-Covid levels.

Without jobkeeper, unless businesses were "trading at least as well or better" than before Covid-19 then "your capacity to afford … increased costs is going to be incredibly difficult", she said.

Carnell said the reintroduction of childcare fees would "have a significant impact on a range of people – particularly small business owners desperately trying to get their businesses up and running".

She noted 40% of small businesses were owned by women. "Free childcare was a godsend for them – without it, they will struggle significantly."

Alexandra Hordern, a director of the Australian Small Business and Family Enterprise Ombudsman, said that for small business people working full time – or more – and paid only the $1,500 jobkeeper rate, "the only affordable childcare is free childcare".

In addition to the debate over childcare, the government is under pressure from within its own ranks over jobseeker, which it temporarily doubled to $1,100 a fortnight.

Carnell said it was "important for jobseeker not to go back to its previous level" of $40 a day, because "the more money that circulates in the economy the better for business".

That call was backed by Business Council of Australia president, Tim Reed, who said that economic recovery would require the government to "ensure our welfare system is adequate".

"Our longstanding call to review the rate of jobseeker is now more urgent than ever," he said.

Reed said that under the old rate of $40 a day, Newstart had shrunk to 65% of the aged pension, and suggested the range of 75-90% of the pension would be more appropriate.

The AiGroup chief executive, Innes Willox, agreed that "jobseeker is going to have to continue" because Australia would have high unemployment for three years and a higher payment would "undoubtedly" be required.

Cosboa's chief executive, Peter Strong, agreed Newstart should be "a lot higher than before" to help jobseekers survive and look for work.

Employers' reaction to the jobkeeper payment was also consistent – with all agreeing the wage subsidy had helped save jobs but could give way to more targeted assistance.

The Australian Chamber of Commerce and Industry chief executive, James Pearson, said it was an "essential program preventing widespread job losses and business closures" and called for ongoing support of some form for industries that would continue to suffer including tourism, industry and events.

Willox warned that withdrawing the payment would cause "significant stress" on business balance sheets. "To have that rug or support pulled from under them will be quite devastating."

Reed said the program, while an "enormous success", was also "enormously expensive", prompting praise from Liberal deputy chair, James Paterson, for acknowledging that $70bn of "borrowed money will have to be paid back"

Reed called for a "targeted stepping down" of the program by forcing businesses to have to "requalify" by demonstrating they still meet the required downturn in revenue, and a "careful examination" of employees paid more under jobkeeper than their usual wages.

Carnell raised issues with the coverage of jobkeeper, including that only one partner in a partnership can claim the payment.

Willox said that "not every program or measure is perfectly designed", acknowledging there were "legitimate gripes about who was missing out and who got too much" under the program.

In terms of reforms to help boost the economy, most employer groups agreed that award simplification would help and called for an increased investment in skills education.

Reed also called on the government to "consider policies that help stimulate demand" including tax settings that encourage investment and options to boost consumer demand such as bringing forward the second stage of income tax cuts.

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