

Academics, Rebecca Benedict and Tapen Sinha, recently interviewed more than 200 small business owners to get their views on the Superannuation Guarantee Charge (SGC). In this article they present their findings.

What small business thinks about SGC

WE have been talking to small business owners about various superannuation issues. The preliminary outcomes are illuminating for the new Superannuation Guarantee Charge (SGC) and for the new directions envisioned in the Fightback! package of the Opposition.

We have interviewed over 200 small business owners over the period of three months preceding the imposition of the SGC. Some refused to talk because they were going to take actions to pass the cost on to the employees (and they said so explicitly!).

Small business owners are expressing their concerns about the following issues:

- Is the money in the superannuation funds really safe?
- Running a fund might cost more

PAIN IN THE PROSE

ously lack the capacity to rectify fundamental defects in the Australian education system, they can still help themselves in various ways. For instance, they can:

- organise specially-designed courses for employees
- institute semi-formal on-the-job training
- produce their own in-house style manuals
- evolve approved standard word-

than the earnings in those funds due to rising fund fees. Recent position paper by the Senate Select Committee on Superannuation raised precisely this point.

- The existing and proposed Superannuation Guarantee Charge is adding more burden on their businesses, when other regulations and the economy are already making things tough. Recent survey of the Confederation of Australian Industries shows that cost to the super is overtaking the payroll tax as an on cost.
- Managing the super funds is impossible. For example, turnover of employees in small businesses were high. The small business owners found it difficult to keep track of all the past employees as the past employees moved from

ings for key letters

- provide ready access to a wide range of reference books.
- **Nick Renton is well known as the author of books on meetings procedure, voluntary associations, investments, taxation, economics and retirement issues. He has also produced two books in the language area: *Metaphors: an Annotated Dictionary* and *Elements of Style and Good Writing*.**

one job to another and from one place to another. They find it hard to believe that the employees that are moving around can keep track of their funds. And just what exactly is going to happen to unclaimed funds?

- The existing super requirements are forcing people to lay off employees and use casual labour only – they can't afford to meet the existing superannuation costs and the new Superannuation Guarantee Charge will only make things worse. In tough economic times, raising price is difficult. The remaining options are few.
- The family business owner is concerned about assets tied up in superannuation and whether the supposed benefits will be greater than if they used that money for other investments or assets.
- It is inevitable – businesses will choose to close or be forced to close due to excessive costs of compliance.
- Most small business owners do not know that they will have to contribute to their own superannuation.

We asked how difficult or easy it is to understand and comply with superannuation requirements. Over 30 per cent said that it was 'manageable'. Another 25 per cent found it too

'Most were not aware of the superannuation option in the Fightback! package...'

difficult. About 12 per cent found it to be 'impossible'.

A significant percentage (19 per cent) said they are currently not contributing superannuation for any of their employees. This means a significant group of employees are missing out on even the meagre three per cent super currently in place.

Did they need to take any action in the running of their business to meet the cost of required superannuation contributions? A whopping 44 per cent said they did not take any action whatsoever. Another 38 per cent said they did take some action. This result shows that small businesses are not taking actions on things that are completely anticipated. It could also mean that they are not paying the current three per cent.

They were also asked if they felt their business would need to take any action to meet any changes required by the Superannuation Guarantee Charge from July 1992. This time only 17 per cent said they would not have to take any action. Reported action taken or that will be taken fall into the same general areas. What kind of actions are small business taking?

Some found it was necessary to reduce employees or at least not replace any employee lost due to quits. They simply did not rehire anybody else. Others have had to reduce staff

numbers or have plans to lay off more staff. Some found it necessary to trim overtime. A few said they would stop paying wages above the award rates. Some found it necessary to keep all the employment within the family itself.

Many were simply hiring casuals instead of permanent staff to circumvent paying the extra three per cent. A number of them felt the existing super had caused them to raise their prices and or reduce their profit margin.

A few expressed more drastic actions: (1) closing their business down, (2) make the employees pay for any increase in contributions (by reducing the wages), and (3) close down the existing business and start up with family members only.

Finally, we asked them how they would compare the new SGC with the proposed new superannuation deal in the Fightback! package. Most of them (77 per cent) were not aware of the superannuation option in the Fightback! package at all. A small group of business owners found the option proposed under GST was preferable (10 per cent). Another small group found the comparison difficult (eight per cent). Nobody preferred the option on the proposed SGC!

We found ignorance about existing or proposed super legislation is mas-

sive. Clearly expensive government television commercials about superannuation have left the small business people confused. Similarly, the Opposition too, has failed to convey its message about super to the general public.

A much more cost effective way to communicate with the small business would have been to mail out to small businesses with the help of the Australian Taxation Office to inform them of the impending changes. There was a brochure sent out in the mail in April this year, but many did not seem to get it.

We found that there is widespread belief among small businesses that they have avoided the existing three per cent superannuation payment. They believe that they can do the same with the proposed charge as well. They might end up spending resources trying to do that and at the end gain nothing. As the Bill stands, the business owners have until August 14, 1993 to comply for 1992-1993 fiscal year. But, from 1993 fiscal year, the rules will become more stringent and money has to be paid quarterly (otherwise, additional charges will apply along with the loss of deductibility of the Charge).

- **Dr Sinha is Associate Professor of Finance, School of Business, Bond University, Gold Coast, Queensland, and Rebecca Benedict is a PhD candidate, Commerce and Administration Division, Griffith University, Nathan, Queensland.**



McKenzie & Sutton
BUSINESS INTERRUPTION
CONSULTANTS

Specialising in consequential loss services to brokers, insureds
and loss adjusters nationally.

Partners: **John McKenzie** B.Com., A.C.A.
Greg Sutton B.Ec., A.C.A., A.I.L.A.

Level 1, 86 The Grand Parade
P.O. Box 512
BRIGHTON-LE-SANDS 2216
Telephone: (02) 597 3327
Facsimile: (02) 597 7945