

## There's a fraction too much contraction

It's just more lead in the saddlebags



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SMALL BUSINESS

WITH many Australian optimists devastated, as usual, by a "shocking" result on the Melbourne Cup, many small and medium businesses had to cope with the double whammy of losing out to higher interest rates, courtesy of the Reserve Bank.

But there's a third whammy in the wings. A survey shows one in two Australian small-to-medium companies do not understand the key changes of the Fair Work Act and are not prepared for the January 1 compliance deadline.

To make matters worse the latest Commonwealth Bank-ACCI Business Expectations Survey reveals that most of the measures of business strength, while improving, are still in contraction territory.

Australian Chamber of Commerce and Industry economics and industry policy director Greg Evans, in questioning the need for the latest interest rate rise, summed it up succinctly: "At this stage in the economic cycle, economic recovery is still more forecast than real."

Evans is spot on in pondering the damage done to business and consumer confidence, when they are the best bits of the economic recovery story so far.

Even his own survey reinforced how good expectations were, with the November reading the best since March 2002 and the first positive number in two years. That's good,

but check out the other numbers. The General Business Conditions index was 47.1. A result above 50 means we're in an expansionary phase. Sales revenue was 48.1 but it was a nice rise from 43.7, even if still negative. The index of employment was up from 42.1 to 44.9 — again a negative. Then the index of profits was up 4.1 points, but still only 41.3.

The summary is negative but getting better and it poses the sensible question: has the RBA behaved like some Cup jockeys by going too hard, too early? There's a fraction too much contraction at the moment.

To add to this impost, the Rudd government now wants to add a bit more lead to the saddles of small business employers with its Fair Work Act.

Early results from a survey by corporate governance operation CompliSpace into small and medium business preparedness for the Fair Work Act, shows 47 per cent of organisations with 50-200 employees believe management does not have a good understanding of the key changes to be introduced in the final phase of the Fair Work Act.

"Having had to deal with three different industrial relations systems over the past four years, many business managers are feeling overwhelmed by the looming compliance deadline for the Fair Work Act," CompliSpace executive director David Griffith said. As of January 1, there will be 10 new National Employment Standards. On the same day, the new system of Modern Awards commences. Both the standards and the Modern Awards will apply to most Australian businesses.

Griffith says most small businesses employers don't have the resources to address the gaps.

*Peter Switzer appears on Sky News Business*  
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