

Level 3
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16 September 2022

Dear Treasury,

MYOB welcomes the opportunity to provide comments on the two recent measures designed to increase skills and technology adoption amongst Australia's small to medium enterprise (SME) community: the Technology Investment Boost and the Skills and Training Boost.

At MYOB we believe that the skilful, confident and decisive use of digital business tools is at the crux of boosting productivity and establishing a future-ready workforce.

We thank the Government for its ongoing commitment to improving the digital skills and creating meaningful future growth opportunities for all Australians.

We know that one in five SMEs – nearly half a million businesses – have no or very low engagement with digital tools and are at risk of falling into a significant productivity gap. These measures will provide a necessary safety net for these businesses and their employees.

We also know the economy stands ready to benefit from these measures, with our modelling showing that every \$25 of invested tax revenue will generate \$625 return on investment in benefit to the economy through productivity gains, including through forward job creation. These measures will generate benefits that extend beyond the SME community.

These measures come at a timely moment for SMEs. Recovering from the impacts of COVID-19, feeling the skills pipeline pinch, and reporting increased mental health pressures, we know SMEs want – and need – the support offered by these proposed laws.

To maximise benefit, encourage adoption, and start boosting productivity, we urge the Government to give SMEs certainty – legislate now, and extend both measures to EOFY 2024.

If you require any more information or have any questions, please contact Liv Monaghan at liv.monaghan@myob.com.

Yours sincerely,



Helen Lea
Chief Employee Experience Officer
MYOB

MYOB Submission Summary

Technology Investment and Skills and Training Boosts



Reality

As the Treasurer noted, productivity will stem from business' ability to adapt and adopt technology.

COVID-19 and the current skills shortages have threatened the viability of many Australian SMEs. Many of these challenges, such as responding to supply chain disruptions and managing cashflow, can be mitigated by digital business tools. With almost half a million SMEs having now or low digital engagement, those businesses – and their employees – are on the back-foot when it comes to future growth opportunities.

Our research shows that cost remains a key barrier to SME digitisation. Our latest survey data (September 2022) also shows 73% of SMEs believe improving their business processes would ease their mental health pressures.

These measures directly target support to where it is needed most by SMEs, and where it will generate the greatest return.



Opportunity

MYOB recommends the Government **implement these measures as soon as possible**. These measures will make a meaningful difference to Australia's SMEs, and the 7.4 million Australians they employ, and it is essential the Government does not miss the moment for timely, targeted reform.

These measures work best in tandem: the meaningful use of technology and digital tools will require skills, and building the skills necessary for a future-ready economy will rely on individual's ability to adapt and adopt technology. To ensure the success of both measures, we recommend the Government aligns the application of the two measures and **extends the Technology Investment Boost to 30 June 2024**.



Cost

Inaction cost: MYOB data shows there are nearly half a million (466,062) Australian SMEs with low levels of digitisation at risk of falling into the growing productivity gap. SMEs are the most trusted part of the Australian private sector, with the benefits of a thriving SME sector flowing through to employment and productivity outcomes. Not creating the foundations to support SME growth has costs to the economy extending beyond financial return.

We are also concerned that delaying implementation of these measures will result in delay in uptake and usage. SMEs need to have the clarity and certainty to invest now, so the Government can reap the full benefits.

To minimise the inaction cost, and the administrative costs associated with proposing and operationalising such measures, we **recommend the Government give SMEs clarity and implement the Technology Investment Boost and Skills and Technology Boost as soon as possible and upon receiving Royal Assent**.



Return

MYOB forecasts show these measures would generate a 25:1 return on investment for the Australian economy. Our modelling shows that **every \$25 invested through the Boosts will generate \$625 in benefit to the economy** through productivity gains, including through forward job creation.

Targeting productive growth for Australia's SMEs

Background

MYOB has been a trusted business management platform and business software provider for over 30 years, providing local solutions to 1.3 million small and medium sized businesses (SMEs) in Australia and New Zealand. Our solutions are used to pay one in five Australians and, as such, we are connected deeply into the priorities, needs and opportunities within our SME community.

As Treasurer Jim Chalmers noted at the recent Jobs and Skills Summit, productivity flows from investing in our people and their ability to adapt and adopt new technology¹. These two draft measures – the Technology Investment Boost and the Skills and Training Boost – will be essential in bridging the productivity divide currently facing Australia's SMEs.

We thank the Government for its commitment to supporting SME productivity growth. Ensuring Australia's 2.5 million SMEs - and the 7.4 million Australians they employ - have skilled access to digital tools will be essential to building a sustainable economy and a future ready workforce.

Summary of recommendations

We urge the Government to **implement these measures as soon as possible**. We know many will be unwilling to take the leap without **legislative certainty**. Building awareness of the benefits of these measures will be essential to encourage adoption, and we have started this process among our community of SMEs, accountants and bookkeepers. Giving certainty will help build momentum among the SME community and will help increase participation.

Further, we encourage the Government to apply the **same application period for both measures** – learning skills that advance all sectors (a key component of the Skills Boost) will not be possible without access to technology and digital platforms. The two measures are inherently linked in their application, and in their benefit to the economy. **Extending the Technology Investment Boost to 30 June 2024**, the same date as the Skills and Training Boost, will set both the measures and those who need them up with the best possible chance of success.

As this submission will demonstrate, ensuring consistency in the application of both measures will be a necessary step to closing the digital and skills divide for Australian SMEs.

The measures are a timely step towards market correction

MYOB modelling estimates that almost half a million of Australia's SMEs – one in five – have no to low levels of digitisation. These businesses, and their employees, are on the backfoot when it comes to future growth opportunities and stand ready to benefit most from the productivity gains flowing from these timely, targeted measures.

Our studies have shown that SMEs can improve their digital fluency and overall productivity by digitising the six core workflow benefits offered by digital business management tools: revenue generation, supplier management, staff management, work in progress management, cashflow and

¹ Dr Jim Chalmers, Address to the Jobs and Skills Summit, Parliament House Canberra, 1 September 2022.

compliance². Shifting these processes, or just one of them, online frees up more time for business owners and results in quicker growth than their non-digitised counterparts³.

The digital gap between SMEs and big business is not a new concept. The ABS first reported on the digital adoption lag among SMEs in 2008⁴. It is clear the market needs support in its effort to increase the level of meaningful SME digitisation, and the assistance offered by these draft measures will be essential to course correction.

In modelling the impact of these draft measures on SME productivity, MYOB found Australia's businesses stand to provide significant economic benefit and return. As currently drafted, we model that every \$25 of invested tax revenue will generate \$625 ROI in benefit to the economy through productivity gains, including through forward job creation. These measures will generate benefits that extend beyond the SME community.

We believe the draft measures embody Treasury Secretary Dr Steven Kennedy's approach to forward-looking policymaking in times of market imbalance: they protect the market from future disruptions through targeted policies that are tailored to correct a market failure⁵.

It's time to close the SME digital gap, and we thank the Government for proposing measures that seek to achieve this aim.

SMEs need – and want – these measures

Our data shows SMEs recognise the need to address this divide, and that being able to access and use digital business tools will have direct and meaningful impact on SME wellbeing. Our June 2022 Business Monitor survey of 1,000 SME owners and operators found 26% consider the cost of online technologies to be a cause of extreme or quite a lot of pressure⁶. Almost one third said Government support such as that offered in these draft measures would help them digitise⁷.

This is supported by our most recent (September 2022) survey data, which found 73% reported improving their business practices would ease feelings of stress⁸. Over half (56%) of SME owners and operators reported that running their businesses has had direct impact on feelings of anxiety or depression experienced in the last 12 months⁹. Considering these findings, it is unsurprising that measures supporting SMEs to adopt and adapt modern business tools will have benefits that extend beyond business processes and productivity gains.

As currently drafted, the measures are excellent and address growing pressures and an increased capability divide within the economy. We recommend two minor tweaks, to ensure SMEs can benefit as much as possible, as soon as possible.

1. SMEs need certainty – legislate as soon as possible

² MYOB, Driving Productivity through Digital Fluency – 2022/23 Pre-Budget Submission, January 2022.

³ MYOB, Securing Australia's Recovery Data Report, October 2021.

⁴ Australian Bureau of Statistics, Characteristics of Australian Business 2005 – 6, 01 February 2008.

⁵ Secretary to the Treasury Dr Steven Kennedy, The 2022 Sir Leslie Melville Lecture, ANU Canberra, 27 July 2022.

⁶ MYOB, MYOB Business Monitor Report, June 2022.

⁷ MYOB, MYOB Business Monitor Report, June 2022.

⁸ Data currently unpublished, returned to MYOB on 6 September 2022. Available on request.

⁹ MYOB, MYOB Business Monitor Report, June 2022.

The SME sector is ready and willing to adopt these measures. Addressing the uncertainty around implementation dates will ensure SMEs and their employees can start to benefit now.

As currently drafted, the measures are due to come into effect on either 1 October or 1 January, whichever date follows Royal Assent. This, however, adds to the lack of certainty for SMEs and, despite backdating, makes it seem the laws are only in effect for short periods of time.

As we understand from conversations with Treasury and Government, the aim of these laws is to boost productivity and skills opportunities by enabling more SMEs to access necessary technology. The lack of certainty on the commencement of these rules risks undermining this aim by deterring adoption. SMEs need to know they can invest now – to achieve this, we need to legislate now and have the laws come into effect as soon as possible.

Industry has a part to play in generating awareness of these opportunities, and we encourage Government to partner with Digital Service Providers to deliver targeted messaging on the benefits of these laws. We have been using our community reach of over 3 million to prime SMEs, accountants and bookkeepers for the measures since they were first proposed in March, but the lack of implementation certainty has created education speedbumps.

To validate the education efforts already underway, we support backdating the draft measures to 29 March 2022. To achieve the aims of these draft measures – that being, to support SMEs to grow their digital adoption and digital skills – we believe the Government needs to give greater certainty, and to legislate as soon as possible.

To that end, rather than apply an implementation timeline of 1 October or 1 January, **we recommend these draft measures be modified to come into effect upon receiving Royal Assent.**

2. Boost success through consistency – future-ready skills require technology

As currently drafted, there is a difference in application between the Technology Investment Boost and Skills and Training Boost, with the Technology Investment Boost set to expire on 30 June 2023 – one year before the Skills and Training Boost.

We see these two measures as being inherently linked: the meaningful use of technology and digital tools will require skills, and building the skills necessary for a future ready economy will rely on individuals' ability to adapt and adopt technology. We also note it will be important to be able to track and measure the success of these measures and having an in-force timeframe of six months will lessen the ability to quantitatively measure the Technology Investment Boost's success.

Further, we understand from conversation with the ATO and our accountants and bookkeeper experts that the short application of the Technology Investment Boost creates significant productivity and cost impacts. With legislative certainty not guaranteed until potentially the fourth quarter of 2022, the 30 June 2023 expiration date for the Technology Investment Boost creates a risk the ATO, accountants and bookkeepers will have to build and then dismantle the supporting frameworks for the claims process within a six-month window. This is a significant time and monetary cost that could yield greater return by extending the shelf life of the products.

We are keen to ensure the success of these Boosts, to generate return for both Government and the SME community. At MYOB we are turning our minds to how we can support the Government quantify the success of these measures, including whether a technology solution could make it easier for SMEs to claim, and easier for Government to measure success. We would be happy to share the outcomes of these considerations, once measures are in place.

We note, however, that change takes time. Encouraging uptake, building awareness, investing in solutions and training, and tracking success will all take time that the measures – in particular the Technology Investment Boost – do not allow for.

Further, **it is essential that the Skills and Training Boost accounts for a modern-day skills delivery framework.** Increasingly, skills and training programs are being designed and delivered to address specific industry concerns. With people seeking to upskill also often juggling existing work commitments, these are made available online and in the form of a micro-credential. We see this as a forward-looking, accessible form of training delivery – it removes much of the financial and time costs associated with typical education pathways and enables all Australians regardless of location access to the same quality of education.

A core component of these modern skills programs is an individual's ability to access and use technology and cutting short the lifespan of the Technology Investment Boost risks undermining the Government's ability to deliver on its future-focused skills agenda.

To ensure the aims of both measures are fully realised, **we recommend the Government extends the Technology Investment Boost so both measures run until 30 June 2024.** This change will set both measures and those who need them up with the best chance possible for success.

Summary

MYOB thanks the Government for the opportunity to provide feedback on the Technology Investment Boost and the Skills and Training Boost. We also welcome the opportunity to continue our engagement with Treasury and share any data or modelling outlined in this submission that may be helpful as the Government progresses these two important measures.

These measures signal welcome relief for many of Australia's SMEs, and provide meaningful levers for improving the future growth, resilience and opportunities for the SME sector and the 7.4 million Australians it employs.

We are enthused by the Government's focus on improving pathways to adopt and adapt technology, and look forward to continuing to work with the Government to advance the possibilities for Australia's SMEs.