



**Temporarily
Closed**

BANKWEST CURTIN ECONOMICS CENTRE

BACK IN BUSINESS?

WA small businesses and the impact of COVID-19

Rebecca Cassells, Alan Duncan and Daniel Kiely

Focus on Western Australia Report Series, No.14
February 2021

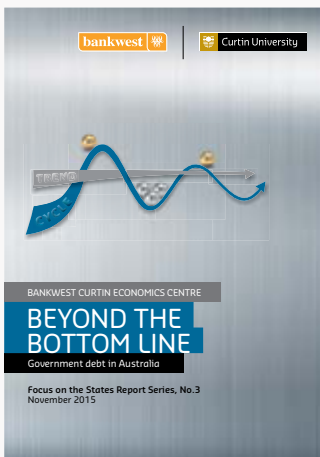
BCEC REPORT SERIES



Focus on Western Australia

This series presents a Western Australia centric approach at analysing global events and domestic policy issues

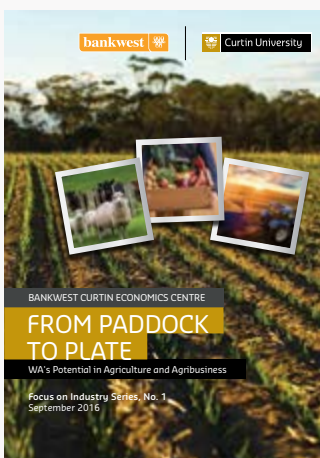
First release 2014



Focus on the States

This series presents a critical comparison of topical issues between the states and territories of Australia

First release 2014



Focus on Industry

This series examines trends in important industries and sectors within the context of the Western Australian economy

First release 2016



CONTENTS	
LIST OF FIGURES	4
LIST OF TABLES	6
EXECUTIVE SUMMARY	7
Key Insights	8
Key Findings	12
Introduction	17
BCEC Small Business Survey 2020	18
ABOUT THE BCEC SMALL BUSINESS SURVEY 2020	21
THE IMPACT OF COVID-19 ON SMALL BUSINESS ACTIVITY	23
Introduction	24
Revenue and expenditure impacts of COVID-19	25
Changes to business operations due to COVID-19	29
Challenges with sourcing capital and labour	32
Selling online: Changes pre- and post-COVID-19	34
Who do WA small businesses sell to?	37
Workforce and employment changes from COVID-19	43
Support for small businesses during COVID-19	47
DO WA SMALL BUSINESSES HAVE WHAT THEY NEED TO SUCCEED?	51
Introduction	52
Infrastructure for the small business sector	53
Business skills and supports	60
Regulation and compliance	61
Cash flow: How long can WA small businesses last?	62
Sources of funding support for small businesses	64
Health and wellbeing among small business owners	66
Are businesses getting paid on time?	69
Late payments drive stress among small business owners in WA	71
THE FUTURE OUTLOOK FOR WA SMALL BUSINESSES	75
Introduction	76
What are the future revenue expectations of WA small businesses?	77
Intention to access existing government schemes	79
Intention to access new government schemes	80
Future hiring decisions	81
Future capital investment	84
SUMMARY AND RECOMMENDATIONS	87
Introduction	88
How has COVID-19 affected small business activity?	89
Do small businesses have what they need to succeed?	90
What does the future hold for WA small businesses?	91
Policy insights and recommendations	92

LIST OF FIGURES

FIGURE 1	Changes in employment, revenue and expenses for small businesses during COVID-19	25
FIGURE 2	Changes in revenues for small businesses during COVID-19: by industry sector	27
FIGURE 3	Changes in expenses for small businesses during COVID-19: by industry sector	28
FIGURE 4	Changes to operations by WA small businesses during COVID-19: by number of employees	29
FIGURE 5	Changes to operations, WA small businesses during COVID-19: by industry sector	31
FIGURE 6	Difficulty in sourcing labour during COVID-19: by industry	32
FIGURE 7	Difficulty in sourcing capital during COVID-19: by industry	33
FIGURE 8	Share of online sales among small businesses, by region: 2017, 2020 (pre-COVID-19) and 2020 (post-March 2020)	34
FIGURE 9	Share of WA small businesses that increased or decreased online sales during COVID-19: by industry sector	36
FIGURE 10	Sales 'reach' of small businesses to different markets: Perth metro and WA regions, 2020	37
FIGURE 11	Change in sales 'reach' to different markets: Perth metro and regional WA, 2017 to 2020	38
FIGURE 12	Share of businesses that sell to international markets, by WA region: 2017 and 2020	40
FIGURE 13	Financial impact of COVID-19 on small businesses by sales 'reach' to different markets	42
FIGURE 14	Employment changes among WA small businesses during COVID-19: by size of business	44
FIGURE 15	Employment changes among WA small businesses during COVID-19: by industry sector	45
FIGURE 16	Share of workforce working remotely during COVID-19 and currently - WA and Australia	46
FIGURE 17	Which action, measure, relief or support has helped your business the most during the COVID-19 crisis?	48
FIGURE 18	Business owners' ratings of mobile phone service quality: 2020, by industry sector	55
FIGURE 19	Business owners' ratings of internet and broadband quality: 2020, by industry sector	57

LIST OF FIGURES

FIGURE 20	Business owners' ratings of physical infrastructure service quality: 2020, by industry sector	59
FIGURE 21	How long can the business's operations be supported with current cash?	62
FIGURE 22	Share of WA businesses with less than 3 months of cash to support business operations: by industry	63
FIGURE 23	Sources and change in funding support for WA small businesses: 2017 and 2020	64
FIGURE 24	Share of businesses sourcing funding support from banking institutions: by sector	65
FIGURE 25	Shares of small business owners under high or very high stress driven by different aspects of running their business	66
FIGURE 26	Stress among WA small business owners, by sources of funding	67
FIGURE 27	Combinations of stress impacts among small business owners: 2020	68
FIGURE 28	Pattern of late payments to WA small businesses: 2020 and change, 2017 to 2020	69
FIGURE 29	Prevalence of late payments to WA small businesses: by industry sector	70
FIGURE 30	The impact of improved payment terms on the health of WA small business owners	72
FIGURE 31	Future revenue expectations among WA's small businesses: selected industries	77
FIGURE 32	Share of small businesses currently, previously or intending to accessing supports	79
FIGURE 33	Share of small businesses intending on accessing new federal government supports	80
FIGURE 34	Employment intentions of WA and national small businesses	81
FIGURE 35	Employment intentions over the next 6 months: by industry sector and WA region	83
FIGURE 36	Capital expenditure intentions of small businesses: WA and Australia	85

LIST OF TABLES

TABLE 1	Combinations of revenue and expense impacts for small businesses during COVID-19	26
TABLE 2	Share of online sales among small businesses, by industry: 2020 (pre-COVID-19) and 2020 (post-March)	35
TABLE 3	Sales 'reach' of small businesses to different markets by industry sector: 2020 and change from 2017	39
TABLE 4	Share of sales volumes by market and industry sector: 2020 and change from 2017	41
TABLE 5	Access to policy supports among small businesses in WA through COVID-19	47
TABLE 6	Business owners' infrastructure ratings: Perth and WA region, 2020 and change from 2017	53
TABLE 7	Business owners' ratings of mobile phone service quality. Perth and WA region, 2020 and change, 2017 to 2020	54
TABLE 8	Business owners' ratings of internet and broadband service quality. Perth and WA region, 2020 and change, 2017 to 2020	56
TABLE 9	Business owners' ratings of physical infrastructure quality. Perth and WA region, 2020 and change, 2017 to 2020	58
TABLE 10	Share of WA small businesses that feel they have adequate understanding of business skills and supports, 2017 and 2020: by region	60
TABLE 11	Small business experiences of red tape and compliance, by firm size: 2020 and change, 2017 to 2020	61
TABLE 12	Drivers of stress for small business owners in WA: multivariate regression	71
TABLE 13	Revenue impacts on small businesses during 2020, and future revenue expectations	78

A woman with brown hair, wearing a white lab coat and a stethoscope, is smiling and talking to another person whose back is to the camera. They are in a clinical or office setting with a white shelf in the background.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Small businesses have been referred to as the 'engine room' for growth – but they are also the engine room for jobs.

More than 230,000 small businesses – those with fewer than 20 workers – are operating in Western Australia. They employ half a million workers, and play a critical role in supplying and serving customers and larger businesses across the state's cities and regions.

The impact of COVID-19 has been felt across the economy and business sector, but for small businesses these shocks can be more challenging to deal with, with fewer resources to draw from.

The Bankwest Curtin Economics Centre has captured new data to understand what impact COVID-19 has had on small businesses, whether they have the supports needed to succeed, and how they see the future outlook.

One of the strongest take-homes from the *2020 BCEC Small Business Survey* was the degree of optimism shown by the small business sector heading into 2021.

More than a quarter of small business owners expected to employ additional workers over the first six months of 2021 and only 4 per cent had intentions to apply for JobKeeper – down from almost 50 per cent previously accessing the scheme.

However, this could all be quickly unravelled if shutdowns persist, hurting business and consumer confidence and weakening WA's economic recovery trajectory.

Almost 37 per cent of WA small businesses reported revenue losses due to COVID-19 in 2020. For many the revenue impacts were severe with one in four businesses reporting revenue down by more than 25 per cent compared to the same time last year.

There are also a number of ongoing issues that small businesses continue to grapple with, including lower-quality infrastructure – especially in the regions – skills shortages, and not being paid on time for their work.

This report calls for action to be taken on late payments, with consideration given to mandatory 30-day payment terms for small businesses.

The report's findings on the link between late payments and heightened levels of financial and personal stress felt by small business owners lend further support to the case for late payments legislation currently before the Federal Parliament.

There is a compelling need to lift the quality of mobile communications and data access to support regional small businesses, especially in the agriculture, accommodation and food services sectors.

A strong case exists to simplify regulatory settings as they apply to small businesses, together with a program of skills development, training and support services to upskill micro and non-employing businesses in managing the regulatory system.

Key Insights

Late payments drive stress among small business owners in WA

Nearly six in ten small businesses experience late payments, with nearly a quarter now facing payment delays of more than 30 days. This places additional stress on small businesses owners, restricting cash flow and the ability to operate.

Businesses that face payment delays of more than 30 days are up to 11 percentage points more likely to suffer high stress than businesses who are paid on time.

Women small business owners are more likely to be experiencing high levels of stress compared to their male counterparts. This is potentially driven by the greater likelihood of women having to balance work and family commitments.

Eliminating late payments will see 13,200 fewer business owners in high or extreme stress

Using statistical modelling, we find a strong and convincing relationship between high stress levels of business owners and late payments from larger companies.

Eliminating all late payments to small businesses will lead to around 13,100 fewer business owners facing high or extreme stress.

Eliminating late payments of more than 30 days would reduce the number of small business owners in high or extreme stress by around 7,200.

Revenue outcomes and expectations

Almost 37 per cent of WA small businesses reported revenue losses due to COVID-19 in 2020. For many, the revenue impacts were severe with one in four businesses reporting revenue down by more than 25 per cent compared to the same time last year.

At the end of 2020 revenue expectations were high, with 37 per cent of small businesses expecting revenues to increase in the first half of 2021. This was especially the case for businesses in the construction and real estate sectors, but also those operating in hospitality and the arts.

However, this could all be quickly unravelled if shutdowns persist, hurting business and consumer confidence and weakening WA's economic recovery trajectory.

Small businesses were ready to hire rather than fire in 2021: Skills shortages a challenge

WA's economic and labour market recovery has been incredibly rapid and our survey shows that more small businesses have increased rather than decreased their workforce due to COVID-19.

At the end of 2020, WA small businesses reported that they were more likely to add to their workforce in the first six months of 2021 rather than let staff go. In fact 27 per cent expected to increase their workforce, while only 2 per cent said that they expected to lay workers off.

These sentiments could change rapidly if shutdowns persist, hurting business and consumer confidence and weakening WA's economic recovery trajectory.



Businesses that face payment delays of more than 30 days are up to 11ppt more likely to suffer high stress than businesses who are paid on time.

Eliminating all late payments to small businesses will lead to around 13,100 fewer business owners facing high or extreme stress.



Small businesses that trade internationally have faced significantly greater financial pressure as a result of COVID-19.

Labour shortages were becoming more of a problem, with 38 per cent of small businesses reporting that it is now harder to access labour compared to the pre-COVID-19 economic climate. This was as high as 51 per cent for businesses in the accommodation and food services and manufacturing industries, and 44 per cent in the construction sector – one of the state’s biggest employers.

Small businesses facing greater exposure to export markets and greater financial pressure

WA small businesses are more likely to sell within their own region, but exposure to international markets has increased especially for businesses operating in the agricultural sector.

Nearly four in ten (38.2%) agricultural small businesses were selling to international markets at the end of 2020, a share that has risen by 17.7 percentage points since 2017.

Small businesses that trade internationally have faced significantly greater financial pressure as a result of COVID-19.

Over half of small businesses that sell to international markets are in worse financial shape due to COVID-19 both in metropolitan Perth (56.4%) and in regional WA (53.8%). In contrast, 47 per cent of metropolitan and 37.6 per cent of regional small businesses who sell only within WA report worse financial performance through COVID-19.

Trade tensions with China and the global slowdown in demand are also likely to be playing a role, with the agriculture sector in particular under pressure.

Selling online has increased

Forced closures and more stringent regulations regarding social distancing in commercial settings have meant that businesses have had to look for alternative ways to engage with customers and sell their products and services, with many turning to online sales.

The share of small businesses selling online in Perth increased by 6ppt over four years to March 2020, but online sales increased by a further 3.2ppt to 19.4 per cent between March 2020 and December 2020 as a direct result of the COVID-19 pandemic.

Almost 26 per cent of sales in arts and recreation services are now transacted online - an 8.2ppt increase to pre-COVID-19 levels.

Three of the market sectors commonly reported as being most impacted by the COVID-19 pandemic also saw the largest share of businesses increasing online sales, namely, arts and recreation (28.6%), accommodation and food (28.1%) and retail trade (22.4%).

JobKeeper, ATO cash-flow and payroll tax relief the most important supports during 2020

Which action, measure, relief or support helped WA small business owners the most during the 2020 COVID-19 crisis? JobKeeper, the ATO cash-flow boost and payroll tax relief were the most frequently reported by small business owners as being the most help. Over half of WA small businesses have accessed or planned to access JobKeeper.

Other measures that received frequent mentions included the WA state government's one-off \$2,500 electricity bill credit for small businesses.

These supports gave WA businesses the ability to continue to maintain operations, pay workers and meet other costs despite having low or no revenues coming in.

There was little appetite from small businesses to continue with these supports at the end of 2020, but this may change rapidly if shutdowns persist for extended periods.

This information tells us what policies will provide the greatest support for small businesses, and clearly being able to continue to pay workers was one of their top priorities. An emergency temporary wage subsidy that offers protection against future shutdowns is likely to be one of the most sought after supports from the small business community.

More businesses have capital investment plans than usual

There is an increased likelihood for small businesses both within WA and across Australia to invest in capital over the next three months compared to their usual capital expenditure plans.

And over half of WA and Australian small businesses with capital expenditure plans for 2021 report that their planned expenditure is higher than usual.

This suggests significant optimism among small businesses, with policy settings including the temporary full expensing scheme, low interest rate environment and the federal government SME loan guarantees also playing a role.

Infrastructure quality has improved but gaps remain – especially in the regions

There has been an overall improvement in the quality of infrastructure including mobile phone and internet service and roads and rail across WA's regions, but significant gaps between metropolitan and regional areas remain.

The Wheatbelt, Great Southern, Gascoyne and Goldfields-Esperance all report lower levels of satisfaction with infrastructure, particularly mobile phone coverage.

Just under 37 per cent of small businesses in the Wheatbelt rate their mobile phone service as high quality, compared to 67.1 per cent of Perth.



JobKeeper, the ATO cash-flow boost and payroll tax relief were the most frequently reported by small business owners as being the most help.

Over half of WA and Australian small businesses with capital expenditure plans for 2021 report that their planned expenditure is higher than usual.

Key Findings

The impact of COVID-19 on small business activity

Revenue and expenditure impacts of COVID-19

- 36% of small businesses saw a decline in revenue due to COVID-19 but only 8.4% of businesses decreased employees.
- Almost 25% of businesses stated that revenues declined by more than 25%.
- 27% of businesses reported a decline in revenue coupled by either an increase or no change in expenses.
- For retail trade over 50% of businesses reported an increase in revenue in 2020 relative to the previous year.
- Half of businesses in accommodation and food services reported declines in revenue relative to 2019.
- Agriculture displays the greatest share of businesses (62%) seeing no change to revenue as a result of COVID-19.
- Over half of businesses reported no change to expenses over the year to December 2020.
- A high share of businesses across the education and training and health care sectors also reported increased expenses.

Changes to business operations due to COVID-19

- 54% of small businesses reported to have made at least one operational change due to COVID-19.
- Close to 26% of businesses employing 5 to 9 employees changed their operating hours.

- Some 51% of businesses in the accommodation sector reported changing staff roles, with a similar share of businesses reporting changes to service provision.
- Almost 52% of businesses in the real estate sector reported changes to service provision, with 34% reporting changes to operating hours.

Challenges with sourcing capital and labour

- Overall, 38% of owners reported that it was harder to access labour compared to a pre-COVID-19 economic climate.
- The agriculture sector relies heavily on seasonal workers, with 43% of businesses in this sector finding it harder to source workers.
- 25% of businesses found it harder to source capital after the onset of COVID-19.

Selling online: Impact of the COVID-19 pandemic

- With the exception of the Gascoyne, there was an increase in the share of online sales across all regions in the year to December 2020.
- Almost 26% of sales in arts and recreation services are now transacted online - an 8.2ppt increase to pre-COVID-19 levels.
- Across all industries, 12% of businesses increased online sales since March 2020, compared to 2.1% that reduced online sale transactions.
- Three of the market sectors commonly reported as being most impacted by the crisis saw the largest share of businesses increasing online sales, namely, arts and recreation (+28.6%), accommodation and food (+28.1%) and retail trade (+22.4%).

Who do WA's small businesses sell to?

- Nearly half of small businesses in both metropolitan Perth and regional areas of WA sell products and services only within their own locality.
- A greater share of small businesses in WA's regions sell state-wide, at around 31%, while just over one in eight regional small businesses (12.9%) sell into markets outside Australia.
- A greater share of small businesses in Perth metro are trading locally, with a 9.8ppt increase in 2020 compared to 2017.
- Small businesses in the agriculture sector are most exposed to fluctuations in external markets and global demand.
- The share of businesses selling only within WA but outside their own locality has risen by 15ppt to 22.8% since BCEC's 2017 survey.
- A far greater share of small businesses in Great Southern (22.9%) and the Wheatbelt (18.7%) sell to international markets.
- Small businesses in the Pilbara and Peel are far more likely to trade only within WA, with many providing services to larger enterprises.
- Around 27.5% of the total sales volumes of small businesses in agriculture, forestry and fishing are international – an increase of 14.9ppt since 2017.
- WA's mining small businesses tend to share the majority of sales volumes between their local region (69.7%) and the rest of the state (24.4%).
- Small businesses that trade internationally have faced significantly greater financial pressure as a result of COVID-19.

Workforce and employment changes from COVID-19

- A slightly greater share of businesses increased rather than decreased their workforce due to COVID-19 – 10.4% compared to 8.4%.
- Around one in five small businesses who currently have 15-19 employees reported hiring additional workers due to COVID-19, whereas one in ten reported having to let workers go.
- The arts and recreation sector has the highest proportion of small businesses reporting an overall decrease in the number of employees due to COVID-19; 18.2%.
- Around 28% of WA small businesses moved their workforce to working from home due to COVID-19.
- Around 87% of small businesses now have no workers working remotely, compared to 73% previously.
- 60% of WA small businesses moved all or some of their workforce to remote working at some point between March and December 2020. This stood at 30% of businesses as of December 2020.
- As of December 2020, there was a demonstrable move back to pre-pandemic working arrangements in WA.

Support for small businesses during COVID-19

- Over half of WA small businesses have accessed JobKeeper.
- Almost 13% of WA small businesses renegotiated property leases due to COVID-19, and 10.9% accessed the WA state government business grant.
- JobKeeper, ATO cash-flow boost and Payroll tax relief provided by the state government were the most helpful during COVID-19.

Do WA small businesses have the support to succeed?

Infrastructure for the small business sector

- High quality local infrastructure is a critical element in supporting the success of WA small businesses.
- Small businesses across the majority of WA's regions regard the quality of infrastructure to have improved significantly in the four years since the first BCEC Small Business Survey in 2017.
- Small businesses in the Wheatbelt give their mobile phone services an average rating of 5.9 out of 10, which compares to an average score of 6.7 for businesses across regional WA and 7.6 for those in Perth metro.
- Internet and broadband services are regarded as especially poor among small businesses in Gascoyne, at an average of 4.9 – down 0.6 points since 2017.
- Just under 37% of small businesses in the Wheatbelt rate their mobile phone service as high quality.
- Over 30% of agriculture small businesses regard their mobile phone service to be of poor quality.
- Just over one in five accommodation and food businesses report excellent internet service quality.
- The share of small businesses in WA's regions who rate their internet service as high quality has increased 7.8ppts to 43.3% in 2020.
- 16% of small businesses in WA's regions rate the quality of their internet and broadband as poor, compared to 8.7% in Perth.
- More than a quarter of small businesses in agriculture (27.8%) and accommodation and food services (25%) regard their internet and broadband service to be poor.

- Just 9.3% of small businesses in regional WA, and only 3.5% of their counterparts in Perth metro, rate the local physical infrastructure as poor.

Business skills and supports

- 94% of small business owners felt that they had an adequate understanding of general accountancy, marketing and human resource skills required to support their business.
- Between 2017 and 2020, there was a 30ppt increase in the share of businesses reporting an adequate understanding of government funding and supports to help with their business.

Regulation and compliance

- Around one in four WA small businesses experience excessive burden from regulation and compliance.
- Only 16% of small businesses rate trading hours as burdensome. This is slightly higher in the retail sector at 18%, and highest among small businesses operating in agriculture.
- The share of non-employing businesses experiencing high burden in human resources increased by 16.1ppts between 2017 and 2020.

Cash flow: How long can WA small businesses last?

- Currently, around half of WA small businesses have cash to support more than six months of business operations.
- Some 20% of small businesses only have cash to survive three months or less.
- Over two-thirds of small business owners with cash support of less than one month report high or very high stress.

Sources of funding support for small businesses

- Over the year to December 2020, almost 70% of WA small businesses accessed funding to help maintain and/or grow their business.
- Cashflow as a funding source for small businesses fell from 77% in 2017 to 32% in 2020.
- The most common source of funding support for WA small businesses in 2020 was government grant schemes.
- 53% of agricultural businesses source funding from banking institutions to maintain or grow their business – twice the rate observed across all industries.

Health and wellbeing among small business owners

- Almost half of small business owners with high or very high stress levels reported having multiple responsibilities as the key driver.
- Nearly 40% of business owners feel an obligation to work when sick, with broadly the same share reporting high or very high levels of stress from the responsibilities they feel for their employees.
- A higher share of small business owners seeking bank finance are often under high or very high stress (62.2%) compared to those who seek funding from other sources.
- More than four in five (81.3%) businesses seeking funding from five or more sources exhibit high or very high levels of stress.
- More than half (51%) of small business owners suffer adverse mental and physical health challenges due to the stress from running their business.

Are businesses getting paid on time?

- 59% of small businesses have to manage late payments from larger businesses, with 24% now facing payment delays of more than 30 days.
- Fewer small businesses (41%) are currently being paid on time compared to 2017 (46%), a drop of 5.2ppt.
- More than a half of small businesses in the arts and recreation sector (53.3%), and nearly a half of those in health care and social assistance (46.7%) face payment delays of more than 30 days.
- Two-thirds of businesses in the mining sector regularly face late payments, and just over a quarter (26.7%) receive payments more than 30 days late.
- Payments from larger enterprises to businesses in agriculture are more likely to be on time.
- Around a fifth of retail small businesses face payment delays of more than a month.

Late payments drive stress among small business owners in WA

- Late payments from large firms increase the incidence of high stress among small business owners.
- Businesses that face payment delays of more than 30 days are up to 11ppts more likely to suffer high stress than businesses who are paid on time.
- Women small business owners are more likely to be under higher levels of stress compared to their male counterparts, with balancing work and family likely to be driving these outcomes.

- Eliminating late payments of more than 30 days would reduce the number of WA small businesses in high or extreme stress by around 7,200.
- If all late payments to small businesses were eliminated, around 13,100 fewer business owners would be facing high or extreme stress in WA.

Future outlook for WA small businesses Intention to access existing government schemes

- As of December 2020, only 4% of WA small businesses intend on accessing JobKeeper in 2021.
- Small businesses that intend on accessing JobKeeper in 2021 are concentrated in the construction sector (28%), agriculture (16%) and professional, scientific and technical sectors.
- Similar patterns can be seen for those small businesses who secured loan deferral and renegotiated property leases. Businesses gained access to these when needed but very few are currently accessing or intend to access these types of arrangements.

Intention to access new government schemes

- Very few WA small businesses have concrete plans to access the new government supports announced in the 2020-21 Federal Budget.
- Only 9.5% intend to access the JobMaker Hiring Credit, 4.6% the temporary loss carry-back and just over 7% the federal government's temporary full expensing scheme.
- Uncertainty about accessing the new supports does exist, particularly for the temporary full expensing scheme and firmer decisions are likely as business owners take stock and gather more information.

Future hiring decisions

- 27% of small businesses intend on hiring more workers in the next 6 months and only 2% say they will decrease their workforce.
- More than one-third of small businesses in the Gascoyne and Goldfields-Esperance are all looking to hire.
- Over half of small businesses operating in the Pilbara reported intentions to increase their workforce in the next six months.
- Only 14.8% of small businesses in the Wheatbelt have intentions to employ – the lowest across all WA regions.
- One in five WA small businesses that plan to hire more workers also plan to access the JobMaker Hiring Credit.

Future capital investment

- There is an increased likelihood of small businesses both within WA and across Australia to have capital investment plans in the next three months.
- Over half of WA and Australian small businesses with capital expenditure plans report these plans being higher than usual for this time of year.
- There are some businesses who do not have capital expenditure plans but would typically be spending at this time of the year; 18.3% for WA and 7% nationally.

INTRODUCTION

There is no doubt that small businesses are critical to the Western Australian economy.

Small businesses account for 97 per cent of all businesses in WA, employing some 38 per cent of workers across the state, and generating more than \$50bn in economic value¹.

The 233,100 businesses operating in WA contribute close to \$16 billion in wages and salaries, just over 21 per cent of all wages and salaries generated by businesses in the state².

These figures are impressive, but do not do justice to the overall contribution of the small business sector to the economy and the critical role they play in supporting local communities across Western Australia's regions.

The public facing nature of many small businesses means that they are particularly vulnerable to restrictions resulting from the COVID-19 pandemic, with a very real threat to employment and livelihoods across the sector.

This was recognised at an early stage of the pandemic in Australia, with various measures to support small businesses rolled out as early as March 2020 by both federal and state governments, with supports too from financial institutions.

So how did small businesses in WA fare during the COVID-19 pandemic to December 2020? How have they adapted their business models to survive the headwinds faced? What support measures have they accessed during the crisis and up to the New Year?

To what extent has the pandemic impacted the mental health and wellbeing of small business owners? And, what outlook do small business owners have for the year ahead?

In order to answer these and other questions BCEC has surveyed almost 1,500 small businesses across Western Australia, with support from the WA Department of Jobs, Tourism, Science and Innovation recovery fund.

Together with the *2017 BCEC Small Business Survey*, these data provide a richness of information enabling comparisons pre- and post- initial outbreaks of the virus in the WA community.

This latest *Focus on Western Australia* report reveals important insights into how small businesses and their owners have been affected by COVID-19, how effective policy measures at state and federal level have been in supporting the small business sector during the crisis, and how small business owners view the future as WA continues to adjust to a world with COVID-19.



Small businesses account for 97% of all businesses in WA, employing some 38% of workers across the state, and generating more than \$50bn in economic value.

BCEC has surveyed almost 1,500 small businesses across Western Australia.

¹ ABS 8155.0 customised data, 2018-19.

² *ibid.*

BCEC SMALL BUSINESS SURVEY 2020

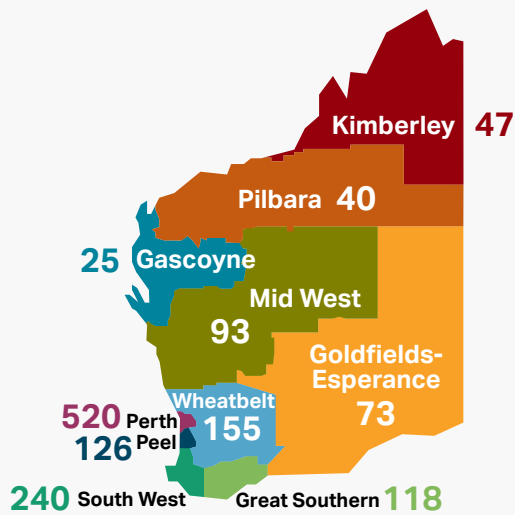


Profile

A representative sample of small business owners and managers in WA were surveyed as part of the 2020 BCEC Small Business Survey. BCEC oversampled the regions to ensure meaningful insights could be drawn at both the regional and industry levels. This is a snapshot of the characteristics of the WA small businesses surveyed.

1

Where does your business operate?

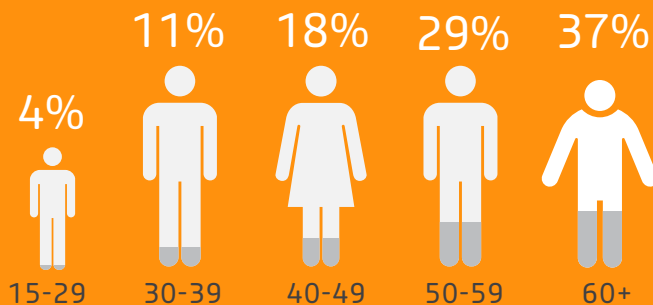


2

n = 1,437

3

What is your current age range?



4

Responses via:



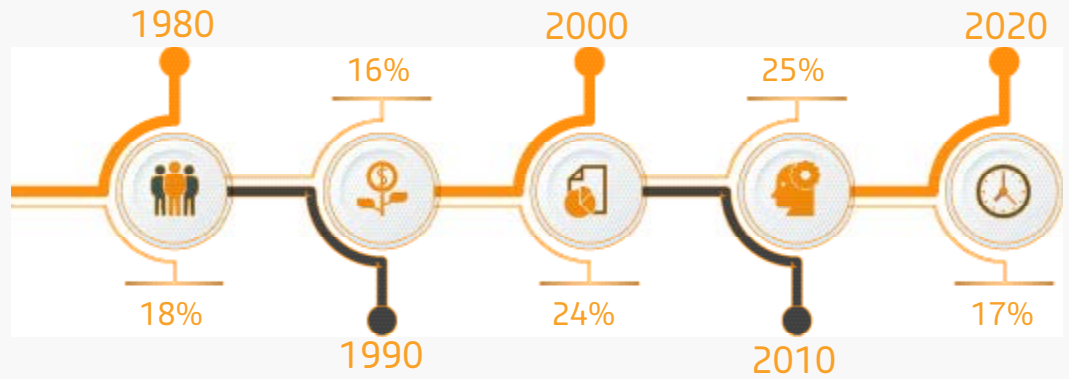
82%



18%

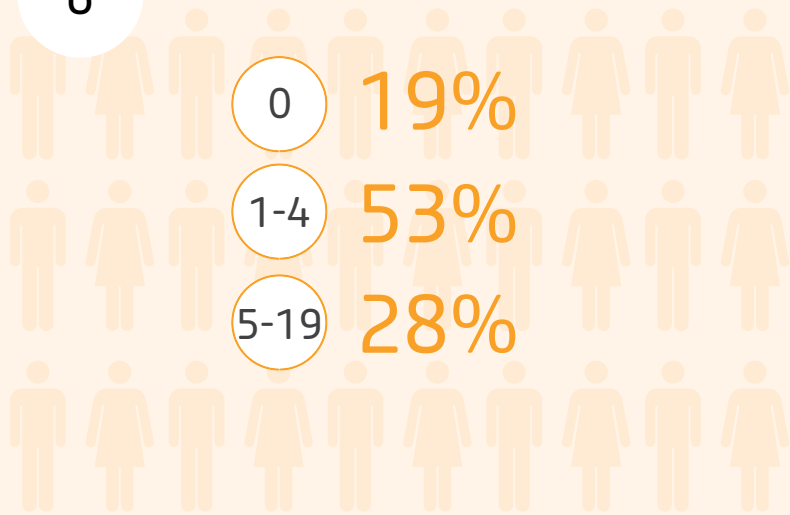
5

When was your business established?



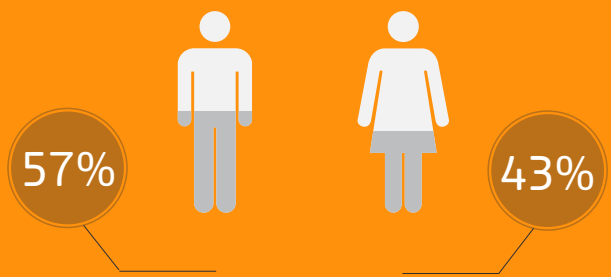
6

How many employees?



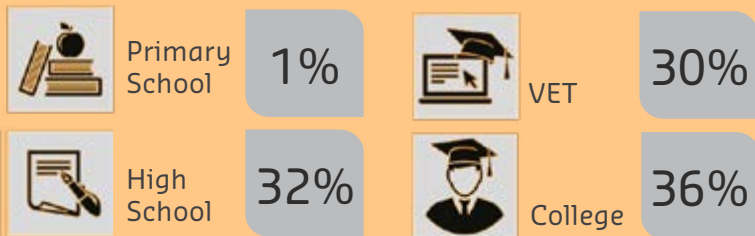
7

Male Female



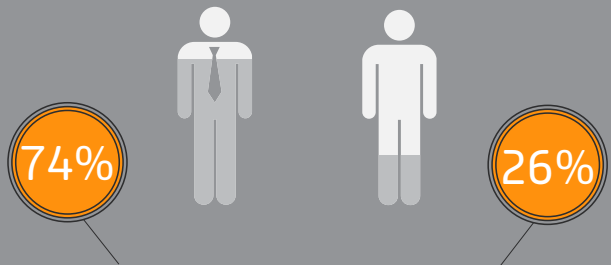
8

What is your highest level of education?



9

Owner Manager



"THE BANKWEST CURTIN ECONOMICS CENTRE HAS DESIGNED AND IMPLEMENTED A **NEW SURVEY OF WEST AUSTRALIAN SMALL BUSINESSES**, SUPPORTED BY FUNDING FROM THE WA DEPARTMENT OF JOBS, TOURISM, SCIENCE AND INNOVATION AND ENRICHED BY INSIGHTS FROM A RANGE OF STAKEHOLDERS."



ABOUT THE BCEC SMALL BUSINESS SURVEY 2020

ABOUT THE BCEC SMALL BUSINESS SURVEY 2020

The Bankwest Curtin Economics Centre has designed and implemented a new survey of West Australian small businesses, supported by funding from the WA Department of Jobs, Tourism, Science and Innovation and enriched by insights from a range of stakeholders.

The 2020 survey builds on the Centre's 2017 BCEC Small Business Survey, but with significant additional modules and questions that explore the experiences of WA small business owners during the COVID-19 crisis and their outlook over the next six months.

BCEC commissioned WA-based **Thinkfield** to undertake the survey, which was mainly conducted through telephone interviews with small business owners and managers, with some completing the survey online.

A representative sample of WA small businesses, stratified by industry and WA regions, was randomly selected. To ensure that the diverse nature of WA's nine regions was captured, an important aspect of the survey design involved oversampling businesses in WA's major regions. A total of 1,437 small businesses were surveyed from 16th November 2020 to 11th December 2020.

Just over one-third of these businesses were also surveyed in 2017, adding longitudinal capabilities to our analysis.

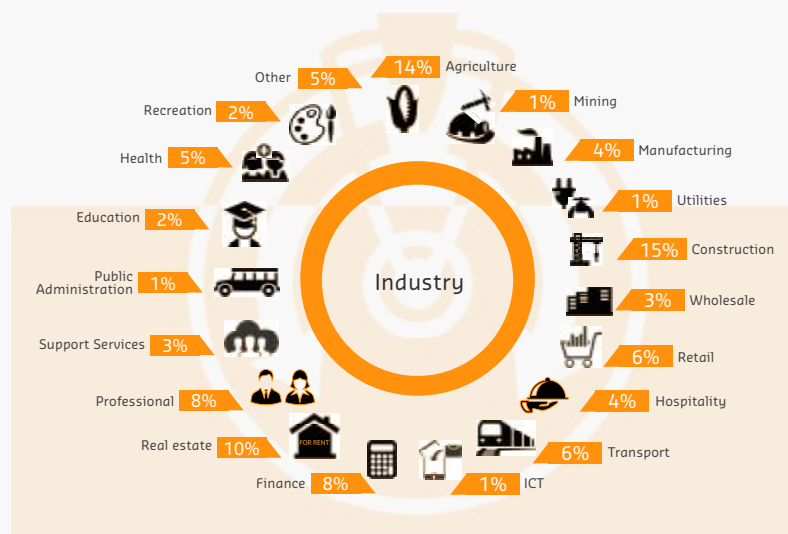
BCEC is sincere in developing research partnerships - one where stakeholders are engaged at all stages of the process, from the framing and conceptualisation of research questions, through the conduct of research, to the communication and implementation of research findings. The survey was formulated by capturing the views of key stakeholders in the small business sector.

This led to a survey consisting of 35 questions, which has provided an extensive and unique dataset on the small business sector in WA. Some additional questions and modules were sourced from the Australian Bureau of Statistics Business Impacts of COVID-19 surveys, which allows for national comparisons of findings.

The survey received ethics approval from Curtin University's Research Integrity Office and all data collected is de-identified.

Findings from the survey reveal some important insights on how small business owners have been affected by COVID-19, how effective policy measures at states and federal level have been in supporting the small business sector during the crisis, and how small business owners view the future as WA continues to navigate the pandemic.

The 2020 survey builds on the Centre's 2017 BCEC Small Business Survey, but with significant additional modules and questions that explore the experiences of WA small business owners during the COVID-19 crisis and their outlook over the next six months.





THE IMPACT OF COVID-19 ON SMALL BUSINESS ACTIVITY



Trading restrictions due to COVID-19 forced businesses to look for alternative ways to reach customers, source critical inputs and seek support.

INTRODUCTION

COVID-19 had a significant impact on businesses and workers in 2020, with most business predictions reported back in March playing out across the sectors. Businesses have had to make big changes to their workforce and their operations.

In this section we examine how WA small businesses have been impacted by COVID-19, including changes to revenue and expenditure and through operational and employment changes.

Trading restrictions due to COVID-19 re-defined traditional goods and services markets as well as capital and labour

markets, forcing businesses to look for alternative ways to reach customers, source critical inputs and seek support. Have more small businesses in WA turned to online trade to adapt? And how has small businesses exposure to local, national and international markets changed over time?

We also ask small business owners about the degree of difficulty in sourcing capital and labour relative to pre-COVID-19. Importantly, we ask about previous and current reliance on support measures directed towards businesses including JobKeeper and payroll tax relief.

REVENUE AND EXPENDITURE IMPACTS OF COVID-19

While more than 36 per cent of small businesses reported that their revenue had decreased over the last calendar year, the vast majority of businesses surveyed (around 81%) reported no change in the number of employees over the year.

These results are a testament to the strength of the JobKeeper package and additional business supports provided by federal and state governments in keeping businesses afloat and workers employed.

However for many businesses, the impacts on revenue and expenditure were severe. Almost 25 per cent of businesses stated that revenues declined by more than 25 per cent, with a further 8.4 per cent reporting declines between 10 and 25 per cent.

Of the 25 per cent of businesses reporting an increase in revenue the majority fell into the 10 per cent or less category, with just 4 per cent reporting revenue increases greater than 25 per cent.



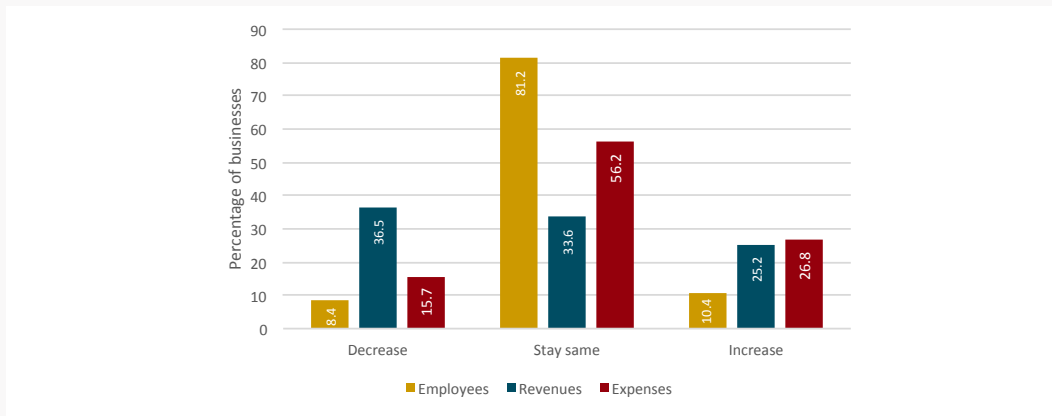
36% of small businesses saw a decline in revenue due to COVID-19 but only 8.4% decreased employees.

Almost 25% of businesses stated that revenues declined by more than 25%.

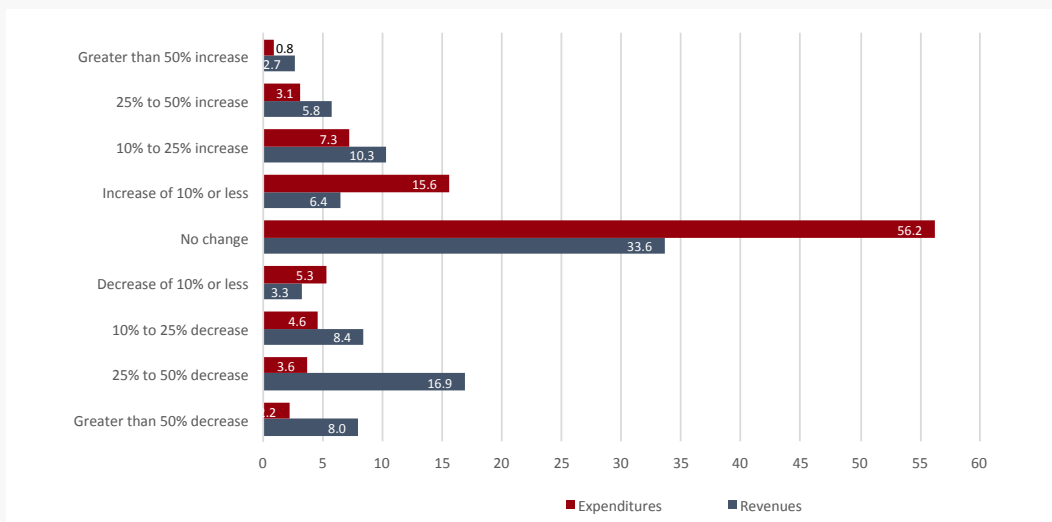
FIGURE 1

Changes in employment, revenue and expenses for small businesses during COVID-19

(a) Share of businesses with changed employment, revenue or expenses



(b) Distribution of revenue and expenses changes during COVID-19



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



For retail trade over 50% of businesses reported an increase in revenue in 2020 relative to the previous year.

While downward pressure on revenue was observed for many businesses, this was accompanied by a decrease in expenses for 10 per cent of business owners.

However, 27 per cent of businesses reported a decline in revenue coupled by either an increase or no change in expenses, illustrating the potential for substantial financial pressures for these businesses.

In comparison, 18 per cent of businesses saw an increase in revenue going hand in hand with a decrease or no change in expenses.

TABLE 1

Combinations of revenue and expense impacts for small businesses during COVID-19

		Expenses		
		Reduced	No change	Increased
Revenues	Reduced	10.4%	17.2%	9.4%
	No change	2.3%	24.8%	8.2%
	Increased	3.4%	14.3%	9.9%

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

Looking at revenue and expenses both within and across industry highlights the complexity of the impact of COVID-19, with winners and losers across all sectors.

For retail trade over 50 per cent of businesses reported an increase in revenue in 2020 relative to the previous year, while 29 per cent reported a decline in revenue. Retailers operating in supermarkets and groceries, along with homewares and hardware and other recreational goods have all seen a significant increase in business activity during COVID-19 as households turned to expenditure within and on their homes rather than external activities. Growth in retail trade has been the strongest in WA and stands above pre-COVID-19 levels³.

The figures reported for the construction sector are also of interest, with almost an equal amount of businesses reporting a decline in revenue as seeing an increase in revenue relative to the same period in 2019, with similar shares too for those construction businesses experiencing no change in revenue.

³ BCEC Quarterly Economic Commentary November 2020.

As expected, some of the largest declines in revenue are observed in accommodation and food services, with almost half of respondents reporting declines in revenue relative to 2019.

However, 30 per cent of businesses in this sector saw an increase in revenue, indicating that some accommodation and food services in WA have been less exposed to international and interstate demand. It's also likely that increased local demand driven by state and self-mandated isolation has also played a role in boosting revenues for these businesses.

A large share of businesses in the public administration and support services (70%), arts and recreation services (59%) and information, media and telecommunications (59%) also report reductions in revenue.

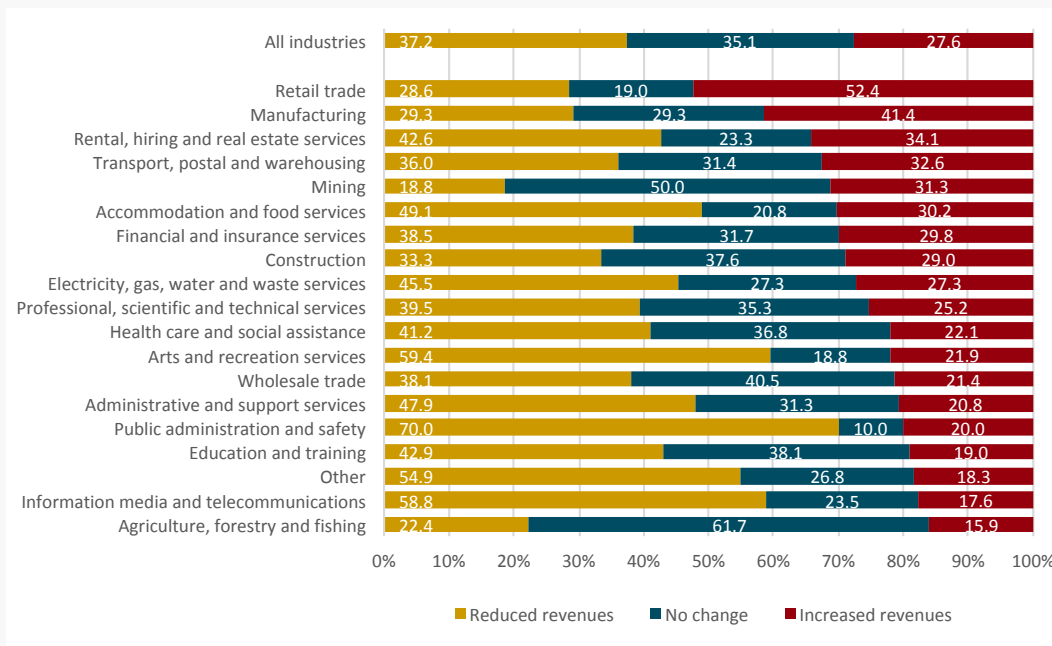
Agriculture displays the greatest share of businesses (62%) seeing no change to revenue as a result of COVID-19, followed by mining (50%), wholesale trade (41%) and education and training (38%).



Half of businesses in accommodation and food services reported declines in revenue relative to 2019.

Agriculture displays the greatest share of businesses (62%) seeing no change to revenue as a result of COVID-19.

FIGURE 2
Changes in revenues for small businesses during COVID-19: by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Over half of businesses reported no change to expenses over the 12 months to December 2020.

A high share of businesses across the education and training and health care sectors reported increased expenses.

With the exception of accommodation and food services, transport, postal and warehousing, and health care and social assistance, over half of businesses across all other industries reported no change to expenses over the 12 months to December 2020.

The accommodation and food services sector reported the largest share of businesses with increased expenses, with greater health and safety requirements and adaptation towards new ways of reaching customers likely to have driven much of this.

A high share of businesses across the education and training and health care sectors also reported increased expenses, with the need to find novel ways to service

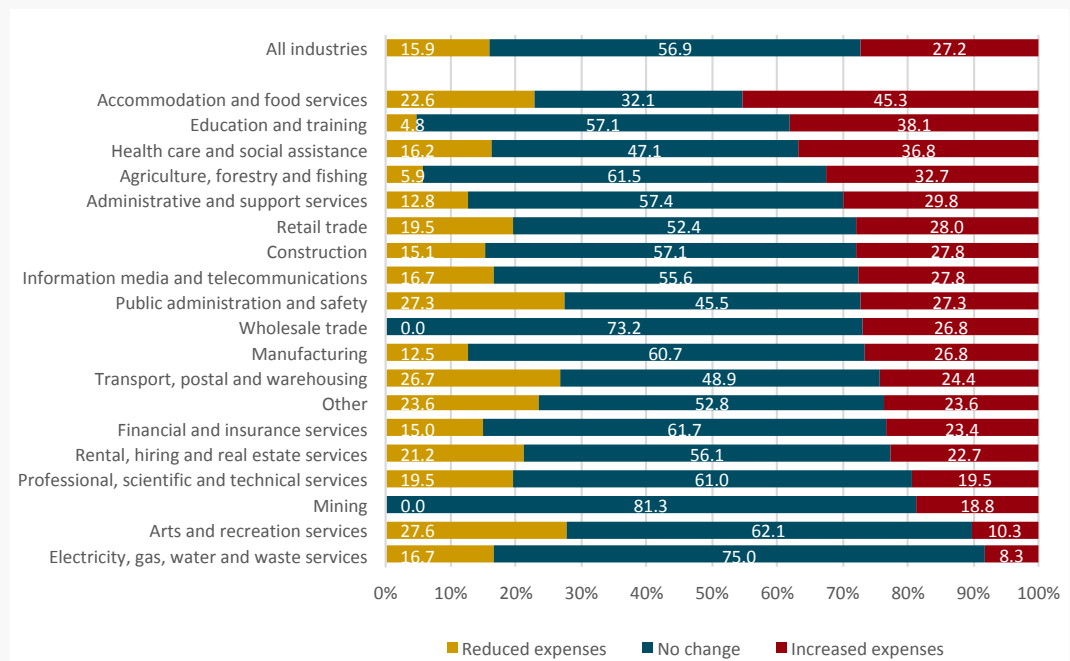
markets, such as shifting to online education and telehealth services, likely to also have played a key role here.

Disruptions to supply chains will also have impacted costs for many sectors, with the need to find alternative sources and/or longer storage requirements increasing costs. This is a likely critical factor for the agriculture sector.

For some industries, increased hours of work and IT requirements for remote working arrangements will have driven costs upwards, while the latter too may have, for some, reduced variable costs. Factors such as lower fuel prices will also have reduced expenses for many businesses.

FIGURE 3

Changes in expenses for small businesses during COVID-19: by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

CHANGES TO BUSINESS OPERATIONS DUE TO COVID-19

How have WA small businesses changed or adapted their operations during COVID-19? Have they become more innovative and which businesses are more likely to have made changes to their operations?

Overall, 54 per cent of small businesses reported to have made at least one operational change due to COVID-19.

The most reported operational change during COVID-19 related to changed services with 34 per cent of all small businesses reporting some change to service provision. This was as high as 46 per cent of businesses employing between 15 to 19 employees. This share was slightly lower for businesses employing between 5 and 14 workers, with a visibly lower share of businesses employing 1 to 4 employees (33%) and non-employing businesses (25%) reporting to have changed their services.

There were also notable differences by business size in relation to changes made to operating hours, with an interesting inverted v-shaped distribution.

Close to 26 per cent of businesses employing 5 to 9 employees changed their operating hours, compared to 15 per cent of businesses employing 15 to 19 employees.

Micro businesses (1 to 4 employees) appear to be as flexible as their larger small business counterparts when it comes to changes made to products, suppliers and staff roles.

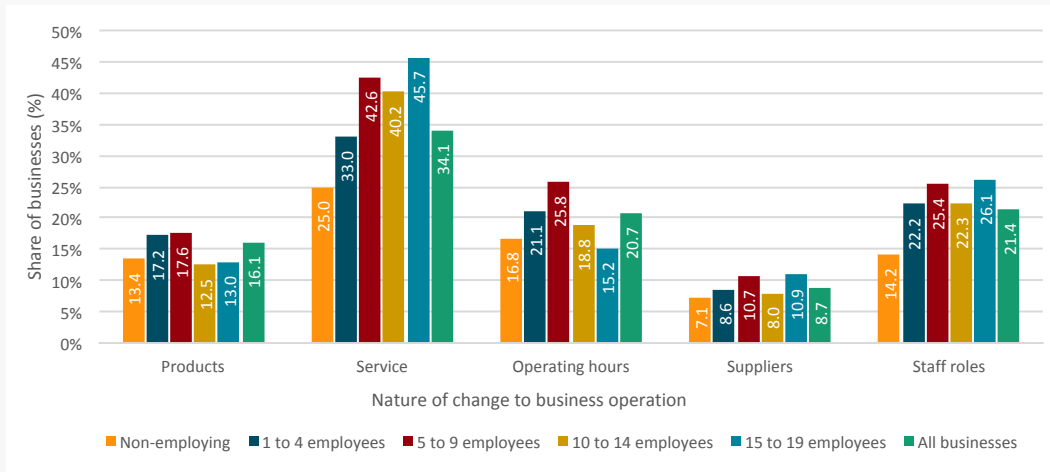
However, this could also be an indication that the need for change was as large and imposing on micro businesses as it was on larger employing businesses.



54% of small businesses reported to have made at least one operational change due to COVID-19.

Close to 26% of businesses employing 5 to 9 employees changed their operating hours.

FIGURE 4
Changes to operations by WA small businesses during COVID-19: by number of employees



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Some 51% of businesses in the accommodation sector reported changing staff roles, with a similar share of businesses reporting changes to service provision.

Almost 52% of businesses in the real estate sector reported changes to service provision, with 34% reporting changes to operating hours.

Decomposing operational changes by industry displays an additional industry dimension (Figure 5). The share of businesses reporting operational changes in industries such as agriculture, manufacturing and construction were at or below the overall industry average across the majority of operational domains reported.

For the accommodation and food services industry a different picture is painted, with a larger share of businesses in the sector making changes across all operational domains compared to the industry average.

In fact, some 51 per cent of businesses in the accommodation sector reported changing staff roles, with a similar share of businesses reporting changes to service provision.

With the exception of supply chain changes, a higher share of businesses in the rental, hiring and real estate services sector reported changes across all operations compared to the industry average. Almost 52 per cent of businesses in the real estate sector reported changes to service provision, with 34 per cent reporting changes to operating hours.

Financial and insurance services showed their responsiveness and ability to adjust to market changes, with 58 per cent reporting changes in their service delivery and 28 per cent changing their operating hours.

The health care and social assistance sector has played a critical role in responding to the crisis both nationally and across the globe. This sector too reported a larger share of businesses making changes to operations relative to the industry average in WA. These differences were most pronounced for changed service delivery (51% of health care businesses), changes to products (31%) and changes to staff roles (31%).

A larger proportion of businesses in the education and training sector too changed how they delivered products and services with changes to operating hours also above industry averages.

FIGURE 5

Changes to operations, WA small businesses during COVID-19: by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Overall, 38% of owners reported that it was harder to access labour compared to a pre-COVID-19 economic climate.

The agriculture sector relies heavily on seasonal workers, with 43% of businesses in this sector finding it harder to source workers.

CHALLENGES WITH SOURCING CAPITAL AND LABOUR

Closed borders, factory shutdowns, quarantine arrangements and government supports meant that there were disruptions to both labour and capital supply and movements resulting from the pandemic.

The 2020 BCEC Small Business Survey asked business owners about the ease or difficulty encountered in sourcing capital and labour.

Overall, 38 per cent of owners reported that it was harder to access labour compared to a pre-COVID-19 economic climate.

This was as high as 51 per cent for businesses in the accommodation and food and manufacturing industries. No businesses in the manufacturing sector reported that it was easier to source labour, but 9 per cent in accommodation and food found it was easier to do so.

Greater difficulty in sourcing labour was also noted for the construction sector (44%), a major employer across the state. Significant

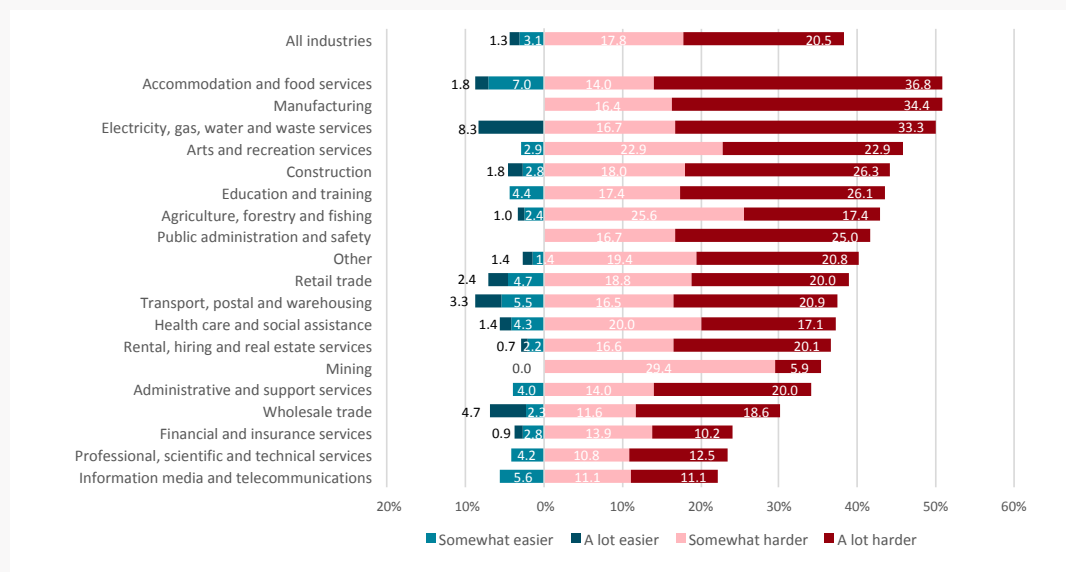
housing stimulus combined with tough border restrictions are likely to be behind these patterns.

As is the case for many in the accommodation and food services industry, the agriculture sector relies heavily on seasonal workers, with 43 per cent of businesses in this sector finding it harder to source workers.

For mining, a sector which now accounts for 40 per cent of industry value in WA, all businesses reported that it was harder to source labour, with border restrictions making it difficult to fill skills shortages, and FIFO rosters and related quarantine arrangements likely to have added to the burden.

A much smaller share of businesses in the information, media and telecommunications sector found it harder to source labour, as was the case for the professional and finance sectors.

FIGURE 6
Difficulty in sourcing labour during COVID-19: by industry



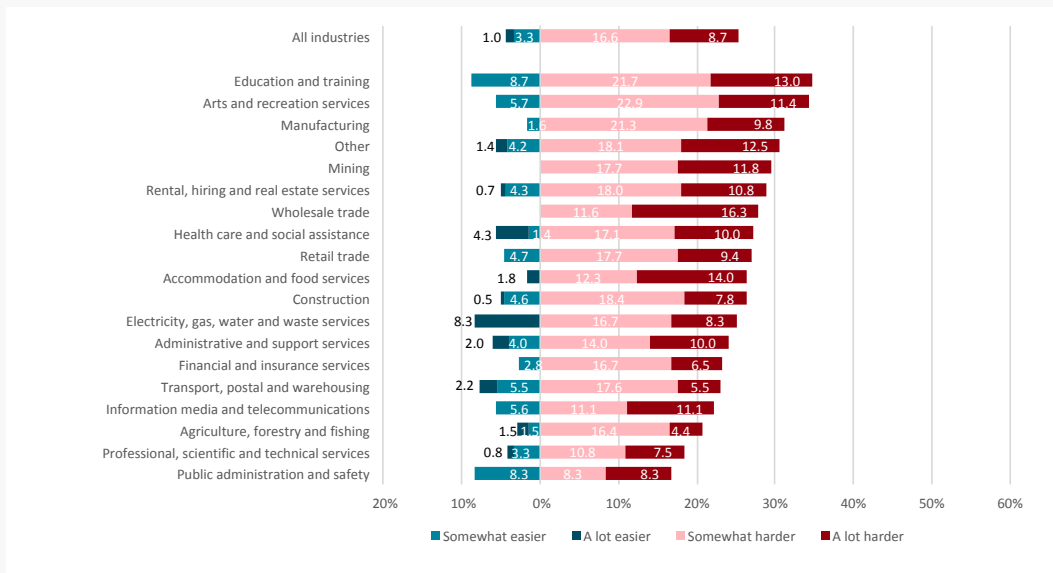
Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

A less severe picture is painted in relation to the sourcing of capital, which includes buildings and structures and equipment, plant and machinery. Overall, 25 per cent of businesses found it harder to source capital compared to pre-pandemic times.

It is not surprising that some of the highest rates were reported for capital intensive industries such as manufacturing (31%), mining (29%) and to a lesser extent construction (26%).

However, a large share of businesses in some of the services industries too reported that it was harder to source capital, with education and training and arts and recreation services reporting the greatest difficulty. These sectors also had some of the largest shares of businesses reporting that it was easier to source capital, with 8.7 per cent of businesses in the education sector reporting as such.

FIGURE 7
Difficulty in sourcing capital during COVID-19: by industry



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



With exception of Gascoyne, there was an increase in the share of online sales for all regions in 2020.

SELLING ONLINE: CHANGES PRE- AND POST-COVID-19

As a result of the COVID-19 pandemic, many businesses were forced to look for alternative ways to engage with customers and sell their products and services.

For many, an ability to turn to online sales will have provided a critical sales pivot. Here online sales for small businesses by region are reported, with sales transacted online compared to a pre-COVID-19 economy. Comparisons to 2017 data are also made.

WA business owners reported an increase to online sales from 10.9 per cent in 2017 to a pre-COVID-19 2020 level of 12.6 per cent (a 1.7ppt increase). This increased by a further 2 percentage points since March 2020, and now stands at 14.6 per cent.

For small businesses in Perth, changes to the share of sales transacted online were

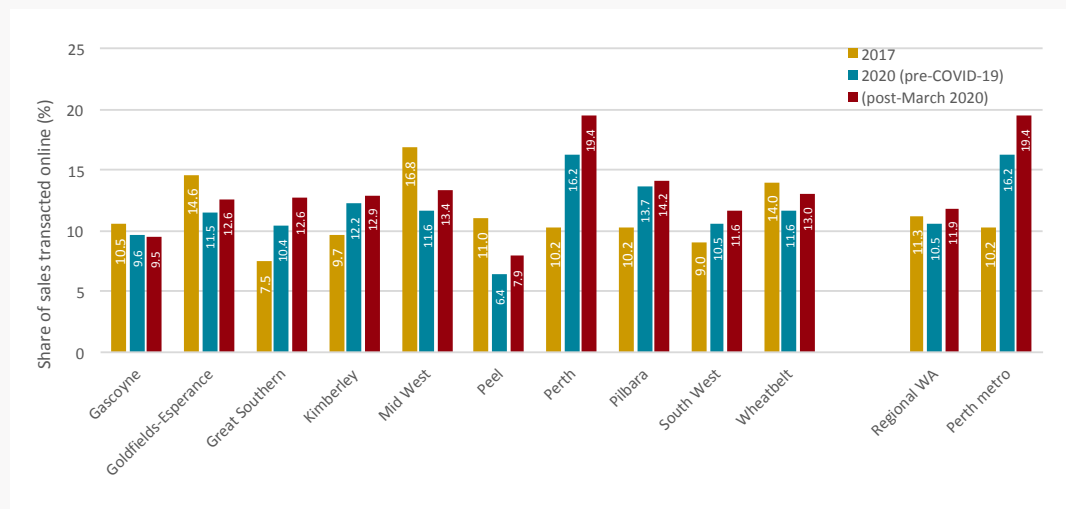
significantly larger, going from 10.2 per cent in 2017 to 16.2 per cent in 2020 (pre-COVID-19). This share increased by a further 3.2 percentage points to December 2020, implying that online sales now account for 19.4 per cent of all sales for small business respondents in Perth.

While Peel is sometimes thought of as an extension of Perth, respondents from the region reported a very different trajectory in online sales over the same timeline. For Peel, the share of sales conducted online declined from 11 per cent in 2017 to 6.4 per cent in 2020 (pre-COVID-19).

With exception of Gascoyne, there was an increase in the share of online sales for all regions in 2020.

FIGURE 8

Share of online sales among small businesses, by region: 2017, 2020 (pre-COVID-19) and 2020 (post-March 2020)



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

By industry too we observe an increase in the share of online sales among small businesses since March 2020, with the exception of information, media and telecommunications (-5.0%). While sample size may be a factor in explaining the latter, this sector did have a large share of online sales in pre-COVID-19 2020, standing at 30.4 per cent. This was second only to accommodation and food services (30.8%), a sector which did observe a 3.1 percentage point increase in online sales after the onset of COVID-19.

The increase in online sales since March 2020 was particularly large for the arts and recreation services (+8.2ppt), followed by electricity, gas, water and waste services (+6.9ppt), with sizeable increases too for the wholesale and retail trade sectors.

There were minimal increases in online sales for the construction sector, although the on-site nature of construction operations is a factor at play, as denoted by an already low share of online sales pre-COVID-19 (3.9%).



Almost 26% of sales in arts and recreation services are now transacted online - an 8.2ppt increase to pre-COVID-19 levels.

TABLE 2

Share of online sales among small businesses, by industry: 2020 (pre-COVID-19) and 2020 (post-March)

Industry sector	Share of online sales among small businesses			ppt change: post-March 2020 COVID-19 vs pre-COVID-19 ppt change
	2020 (pre-COVID-19)	2020 (post-March 2020)		
	%	%		
Accommodation and food services	30.8	33.9	+3.1	
Arts and recreation services	17.7	25.9	+8.2	
Information media and telecommunications	30.4	25.4	-5.0	
Other	22.6	24.8	+2.2	
Administrative and support services	18.0	23.3	+5.3	
Mining	22.4	22.4	-	
Wholesale trade	13.6	18.2	+4.6	
Electricity, gas, water and waste services	11.0	17.9	+6.9	
Transport, postal and warehousing	13.3	16.4	+3.1	
Rental, hiring and real estate services	14.6	16.1	+1.4	
Professional, scientific and technical services	15.3	15.9	+0.6	
Financial and insurance services	10.9	14.5	+3.6	
Agriculture, forestry and fishing	13.6	14.2	+0.7	
Retail trade	6.8	10.8	+4.0	
Manufacturing	9.5	10.5	+1.0	
Education and training	6.7	9.9	+3.1	
Public administration and safety	4.2	9.6	+5.4	
Health care and social assistance	3.8	5.8	+2.1	
Construction	3.9	4.1	+0.2	
All industries	12.6	14.6	+2.0	

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Across all industries, 12% of businesses increased online sales since March 2020 compared to 2.1% that reduced online sale transactions.

Three of the market sectors commonly reported as being most impacted by the crisis saw the largest share of businesses increasing online sales, namely, arts and recreation (+28.6%), accommodation and food (+28.1%) and retail trade (+22.4%).

As for online sales by industry, the share of businesses that increased online sales after the onset of COVID-19 in WA outweigh those that reduced their online sales for all industries bar information, media and telecommunications.

Across all industries, 12 per cent of businesses increased online sales since March 2020 compared to 2.1 per cent that reduced online sale transactions.

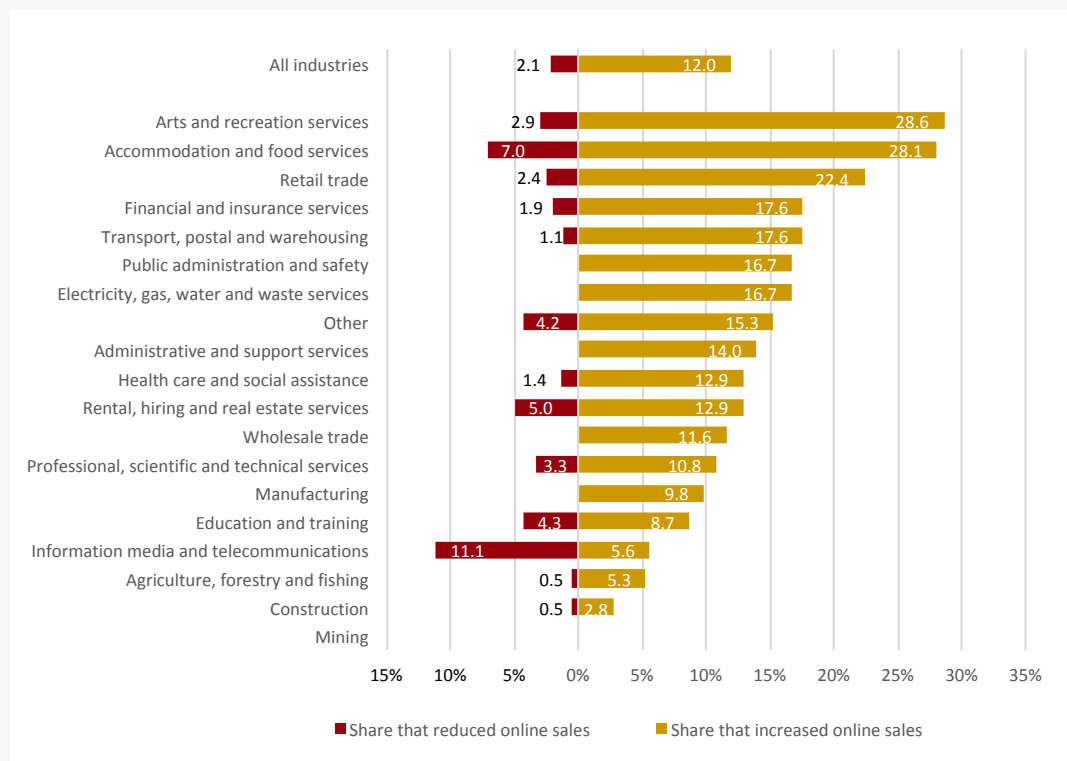
Interestingly, three of the market sectors commonly reported as being most

impacted by the crisis saw the largest share of businesses increasing online sales, namely, arts and recreation (+28.6%), accommodation and food (+28.1%) and retail trade (+22.4%).

It is worth noting too that some 7 per cent of businesses in the accommodation and food services industry decreased online sales, which may be related to businesses with greater exposure to international tourism.

FIGURE 9

Share of WA small businesses that increased or decreased online sales during COVID-19: by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

WHO DO WA SMALL BUSINESSES SELL TO?

A fair share of small business owners are both committed to, and satisfied by, providing goods and services mainly to households and businesses within their local communities.

Product, process or service innovation may be important to sustaining businesses operating within their localities. However, much of their focus is likely to be on the quality of goods and services they offer, competitive pricing, the value and service to customers, and to growing their client base.

The ambitions of other entrepreneurs and start-ups may be more towards capturing a greater share of the national and international market for their products and services.

Such business owners may well attach a higher priority to attracting investment, product innovation, building global business and knowledge partnerships, and expanding the reach of their enterprise to take advantage of national and global growth opportunities.

But what do we know of the sales reach of WA's small business sector? What share of small businesses deliver goods and services to the local community, or to state, national or international markets?

According to survey findings, nearly half of small businesses in both metropolitan Perth and regional areas of Western Australia sell products and services only within their own locality (Figure 10).

A quarter of small businesses in metropolitan Perth sell to other regions within the state, but not beyond, while a quarter of business owners extend their sales either to national (15%) or international markets (11.2%).

A greater share of small businesses in WA's regions sell state-wide, at around 31 per cent, while just over one in eight regional small businesses (12.9%) sell into markets outside Australia, mainly in the agriculture sector. This is an important finding, given the current COVID-19 situation and future outlook.

International markets can present growth opportunities to the small business sector, especially start-ups. But there are volatilities too, from the added exposure that many small businesses in the regions face from a global slowdown in sales, or from trade tensions that could adversely affect ease of access to international markets.

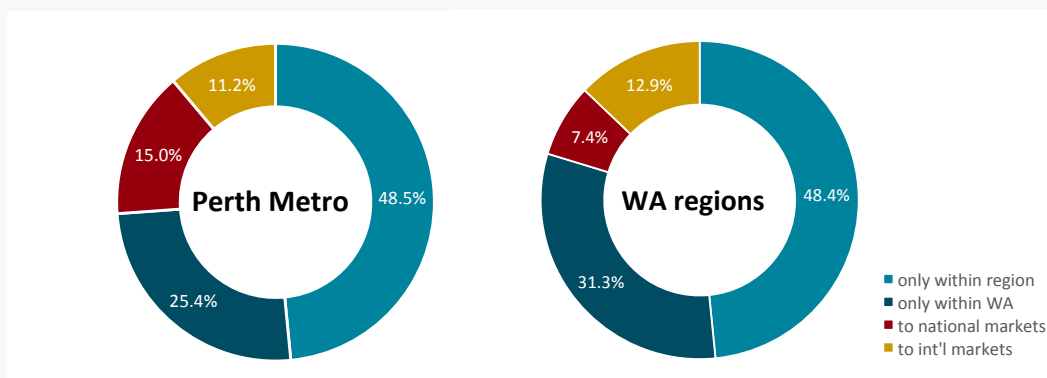


Nearly half of small businesses in both metropolitan Perth and regional areas of Western Australia sell products and services only within their own locality.

A greater share of small businesses in WA's regions sell state-wide, at around 31%, while just over one in eight regional small businesses (12.9%) sell into markets outside Australia.

FIGURE 10

Sales 'reach' of small businesses to different markets: Perth metro and WA regions, 2020



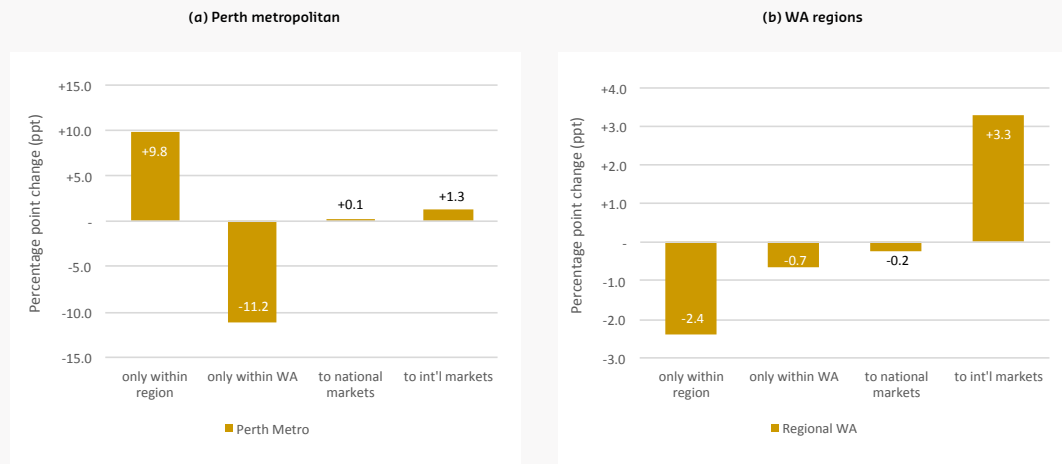
Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



A greater share of small businesses in Perth metro are trading locally, with a 9.8ppt increase in 2020 compared to 2017.

FIGURE 11

Change in sales 'reach' to different markets: Perth metro and regional WA, 2017 to 2020



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

There has been something of a change in the extent to which WA's small businesses trade in different markets since the last BCEC Small Business Survey in 2017.

Panel (a) of Figure 11 shows that a greater share of small businesses in Perth metro are trading locally, with a 9.8 percentage point increase in 2020 compared to 2017.

For small businesses in regional WA, the reverse is true.

There has been a 3.3 percentage point increase in the share of regional businesses that sell into international markets between 2017 and 2020, and a 2.4 percentage point fall in the share of small businesses trading only within their localities (Figure 11 Panel b).

TABLE 3

Sales 'reach' of small businesses to different markets by industry sector: 2020 and change from 2017

Industry sector	Sales 'reach' (%)					Change in sales 'reach': 2017 to 2020				
	only within WA region	only within WA	to national markets	to int'l markets	only within WA region	only within WA	to national markets	to int'l markets		
	%	%	%	%	ppt change	ppt change	ppt change	ppt change		
Agriculture, forestry and fishing	31.4	26.1	4.4	38.2	-13.9	-3.4	-0.4	+17.7		
Mining	47.1	23.5	23.5	5.9	-11.8			-5.9		
Manufacturing	41.0	29.5	21.3	8.2	+9.3	-12.2	+4.6	-1.8		
Electricity, gas, water and waste services	66.7	33.3			+21.2	+6.1	-9.1	-18.2		
Construction	56.7	40.1	1.8	1.4	+5.1	-1.8	-3.0	-0.3		
Wholesale trade	34.9	39.5	16.3	9.3	+7.9	+1.7	-13.5	+3.9		
Retail trade	56.5	23.5	9.4	10.6	+1.0	-9.2	+0.3	+7.9		
Accommodation and food services	50.9	22.8	8.8	17.5	-10.1	+15.0	+2.5	-7.5		
Transport, postal and warehousing	45.1	27.5	16.5	11.0	+1.0	-6.9	+6.8	-0.8		
Information media and telecoms	38.9	33.3	22.2	5.6	+17.5	-6.7	+0.8	-1.6		
Financial and insurance services	24.1	38.9	31.5	5.6	+7.6	-2.9	-0.4	-4.3		
Rental, hiring and real estate services	63.3	23.7	7.9	5.0	+9.1	-12.9	+2.9	+0.9		
Professional, scientific and technical	44.2	36.7	11.7	7.5	+20.9	-9.8	-9.3	-1.8		
Administrative and support services	52.0	22.0	10.0	16.0	+3.8	-3.0	-2.5	+1.7		
Public administration and safety	66.7	33.3			+4.2	+8.3	-12.5			
Education and training	82.6	4.4	4.4	8.7	+8.9	-0.9	-0.9	-7.1		
Health care and social assistance	77.1	14.3	4.3	4.3	-2.6	-4.6	+2.8	+4.3		
Arts and recreation services	40.0	25.7	14.3	20.0	-19.1	+3.0	+5.2	+10.9		
Other	54.2	23.6	5.6	16.7	-3.9	-3.6	-0.6	+8.0		
All industries	48.4	29.2	10.2	12.3	+1.7	-4.4	+0.0	+2.6		

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Small businesses in the agriculture sector are most exposed to fluctuations in external markets and global demand.

The share of businesses selling only within Western Australia but outside their own locality has risen by 15ppt to 22.8% since BCEC's 2017 survey.

But is the increasingly global outlook of WA small businesses a general trend? Or are there particular industries that are driving the growing international engagement?

In Table 3 we break down the sales reach of WA small businesses by their main industry sector in 2020, as well as the change in sales reach since 2017.

This analysis shows very clearly that small businesses in the agriculture sector are most exposed to fluctuations in external markets and global demand.

Nearly four in ten (38.2%) agricultural small businesses were selling to international markets at the end of 2020 (Table 4), a share that has risen by 17.7 percentage points since the last BCEC Small Business Survey in 2017.

Far fewer small businesses in the agriculture sector sell only within their locality (31% in 2020, down 13.9ppt since 2017).

More than one in six small businesses in accommodation and food services (17.4%) currently sell to international markets, but this share has fallen some 7.5 percentage points since 2017.

For accommodation and food businesses, the pivot in sales has very much been towards the rest of WA – no doubt as a direct consequence of the impact of the COVID-19 pandemic on international travel.

Our survey finds that the share of businesses selling only within WA but outside their own locality has risen by 15 percentage points to 22.8 per cent since BCEC's 2017 survey.

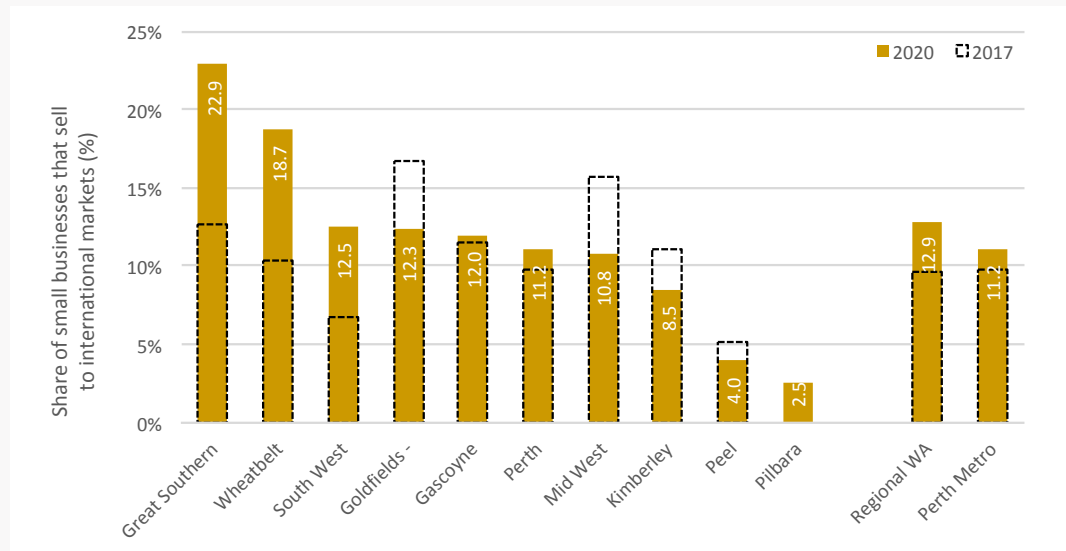


A far greater share of small businesses in Great Southern (22.9%) and the Wheatbelt (18.7%) sell to international markets.

Small businesses in the Pilbara and Peel are far more likely to trade only within WA, with many providing services to larger enterprises.

FIGURE 12

Share of businesses that sell to international markets, by WA region: 2017 and 2020



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

The industry mix of small businesses varies substantially across WA's regions, which in turn leads to differences between regions in the share of small businesses that trade internationally.

A far greater share of small businesses in Great Southern (22.9%) and the Wheatbelt (18.7%) sell to international markets. These shares have nearly doubled since 2017, from 12.7 per cent and 10.4 per cent respectively.

This is largely because nearly a third of businesses in Great Southern and more

than 40 per cent of small businesses in the Wheatbelt are in the agriculture sector.

Small businesses in the Pilbara and Peel are far more likely to trade only within WA, with many providing services to larger enterprises.

As a result, they have far less *direct* sales contact with international markets, although their businesses may still be adversely affected by the global economic slowdown through their trading partnerships with larger businesses in the state.

Sales volumes by market and industry

Many small businesses are trading across more than one geographical market at the same time, with their overall sales volumes being distributed between local, state, national and international customers.

So how are total sales volumes of WA small businesses spread across different geographical markets? And how do they differ by industry sector?

Around 27.5 per cent of the total sales volumes of small businesses in agriculture, forestry and fishing are international – an increase of 14.9 percentage points since 2017 (Table 4).

Just under a quarter of total sales take place within WA but outside the region (down 3.4ppt since 2017), with 44 per cent of sales being local (down 12.1ppt).

WA’s mining small businesses tend to share the majority of sales volumes between their local region (69.7%) and the rest of the state (24.4%). The share of sales to international markets has fallen substantially from 6.5 per cent of total sales in 2017 to around 1.5 per cent in 2020.

Small businesses in the accommodation and food services sector have seen a huge increase in sales to customers across the state. Over a quarter of sales (25.9%) occur within WA but outside the local area, an increase of 11.9 percentage points since 2017.

International market exposure and the financial impact of COVID-19

How have regional small businesses that trade internationally fared through COVID-19? Have they benefited from their engagement with the international marketplace? Or have they suffered an adverse impact from the global economic downturn, or from trade tensions with China?

Survey respondents were asked how revenues and expenses had changed over the 2020 calendar year as a result of the COVID-19 pandemic. From these responses, we construct an indicator of the change in firms’ financial positions due to COVID-19⁴.



Around 27.5% of the total sales volumes of small businesses in agriculture, forestry and fishing are international – an increase of 14.9ppt since 2017.

WA’s mining small businesses tend to share the majority of sales volumes between their local region (69.7%) and the rest of the state (24.4%).

TABLE 4

Share of sales volumes by market and industry sector: 2020 and change from 2017

Industry sector	Share of sales by market (%)				Change in shares of sales by market, 2017 to 2020			
	sales within WA region	sales within WA, outside region	sales outside WA, within Australia	sales to international markets	sales within WA region ppt change	sales within WA, outside region ppt change	sales outside WA, within Australia ppt change	sales to international markets ppt change
	%	%	%	%				
Agriculture, forestry and fishing	44.0	24.2	3.3	27.5	-12.1	-3.4	+0.7	+14.9
Mining	69.7	24.4	4.4	1.5	+4.4	+4.4	-3.8	-5.0
Manufacturing	79.0	12.3	6.8	1.9	+1.4	-3.3	+1.6	+0.3
Electricity, gas, water and waste services	89.9	10.1			+8.8	-7.6	-0.5	-0.6
Construction	89.5	9.6	0.8	0.1	+3.6	-3.3	+0.2	-0.5
Wholesale trade	71.0	15.3	7.6	6.0	+7.5	-12.6	-0.6	+5.8
Retail trade	87.0	9.0	3.2	0.8	-1.3	-0.7	+1.3	+0.7
Accommodation and food services	66.5	25.9	3.9	3.7	-6.2	+11.9	-1.9	-3.7
Transport, postal and warehousing	75.3	16.3	4.3	4.2	+3.4	-4.1	-1.3	+2.0
Information media and telecoms	80.6	10.8	8.4	0.2	-6.9	+1.4	+6.1	-0.5
Financial and insurance services	82.5	13.8	2.6	1.1	-2.2	+3.1	-1.8	+0.9
Rental, hiring and real estate services	86.9	9.7	1.8	1.6	+0.8	-1.0	-0.4	+0.6
Professional, scientific and technical	84.0	11.8	2.4	1.7	+9.5	-6.1	-2.4	-1.0
Administrative and support services	73.3	10.8	5.6	10.3	-6.8	+1.8	+2.9	+2.1
Public administration and safety	85.8	14.2			-11.5	+11.7	-0.1	
Education and training	91.1	4.8	3.7	0.4	+2.1	+1.4	+0.6	-4.1
Health care and social assistance	96.1	3.2	0.3	0.3	-0.9	+0.4	+0.2	+0.3
Arts and recreation services	80.7	10.0	6.9	2.4	-6.2	+1.8	+3.5	+0.8
Other	74.5	10.7	5.5	9.3	-18.6	+5.6	+4.2	+8.8
All industries	77.2	13.5	3.3	6.0	-1.0	-1.6	+0.2	+2.4

Source: Bankwest Curtin Economics Centre | Authors’ calculations from the BCEC Small Business Survey 2020.

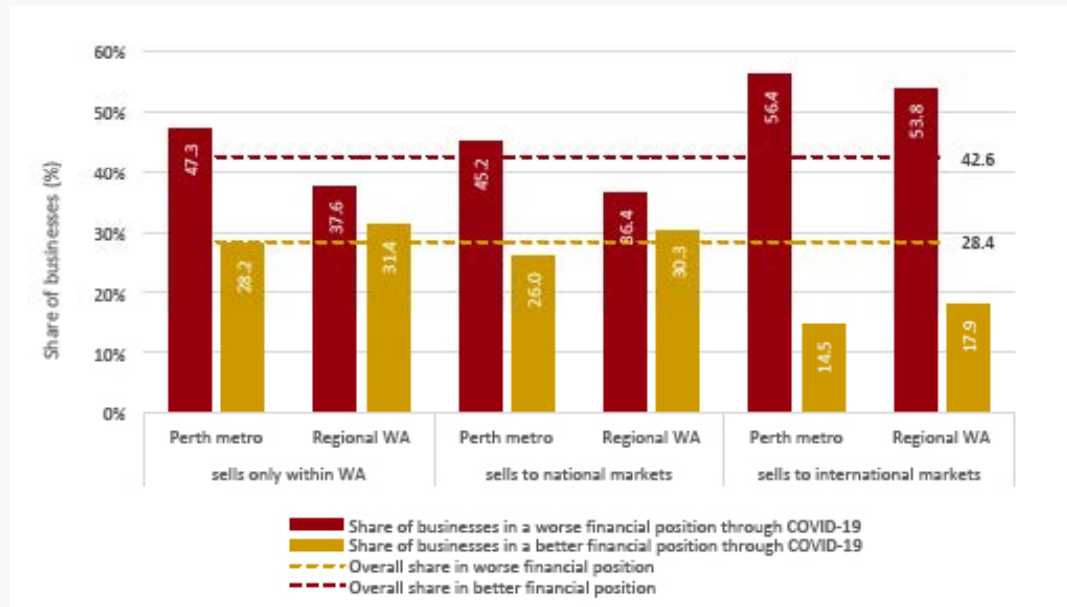
⁴ The indicator characterises small businesses to be in a worse financial position if the change in revenues less expenses during COVID-19 compared to pre-COVID-19 was negative, and in a better financial position if the change was positive.



Small businesses that trade internationally have faced significantly greater financial pressure as a result of COVID-19.

FIGURE 13

Financial impact of COVID-19 on small businesses by sales 'reach' to different markets



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

In Figure 13 we compare the financial position of small businesses in metropolitan Perth and in regional WA depending on whether they sell only within the state, or within Australia, or whether their sales extend internationally.

Overall, a greater share of WA's small businesses report being in a worse financial position as a result of COVID-19 (42.6%) than in a better financial position (28.4%). However, those small businesses that trade internationally have faced significantly greater financial pressure as a result of COVID-19.

Well over half of small businesses that sell to international markets are in worse financial shape as a result of the pandemic, both in metropolitan Perth (56.4%) and in regional WA (53.8%). In contrast, only 14.5 per cent of metropolitan and 17.9 per cent of regional small businesses report doing better through COVID-19. Regional small businesses whose sales extend to national markets have fared a little better over the course of COVID-19 than their metropolitan counterparts. Just over three in ten regional small businesses that sell nationally are in a better financial position, with 36.4 per cent in worse shape.

WORKFORCE AND EMPLOYMENT CHANGES FROM COVID-19

Government responses to COVID-19 initially saw tens of thousands of workers out of a job, with many businesses across Australia having to effectively close their doors and send workers home. Other businesses were still able to operate but in a substantially reduced capacity, with regulations requiring strict social distancing or takeaway service only.

This initial employment shock lasted several months and subsequent virus outbreaks have seen second-round economic and labour market shocks felt across several capital cities.

Initially, the WA economy experienced significant employment losses, with over 95,000 workers stood down between March and May 2020. But economic and labour market recovery to date has been incredibly strong for the state.

WA's ability to suppress community transmissions of the virus combined with state and federal economic stimulus and a surge in population and business confidence have all added to its strong rebound.

At the end of 2020, we asked small businesses in WA how many workers they had to stand down or hire due to COVID-19. Using this information we assessed the net employment change for each business.

A slightly greater share of businesses increased rather than decreased their workforce due to COVID-19 – 10.4 per cent compared to 8.4 per cent (Figure 14).

In general, the more employees a business has, the more likely that there was a change, either increasing or decreasing their workforce. Around one in five small businesses who currently have 15-19 employees reported hiring additional workers due to COVID-19, whereas one in ten reported having to let workers go.

A number of businesses did both – stood down workers and hired more, illustrating the extent of the disruption. One small business surveyed reported having to stand down 15 of their employees and has re-hired only five.

Around 8.2 per cent of small businesses that currently have zero employees, previously had staff working for them.



A slightly greater share of businesses increased rather than decreased their workforce due to COVID-19 – 10.4% compared to 8.4%.

Around 1 in 5 small businesses who currently have 15-19 employees reported hiring additional workers due to COVID-19, whereas 1 in 10 reported having to let workers go.

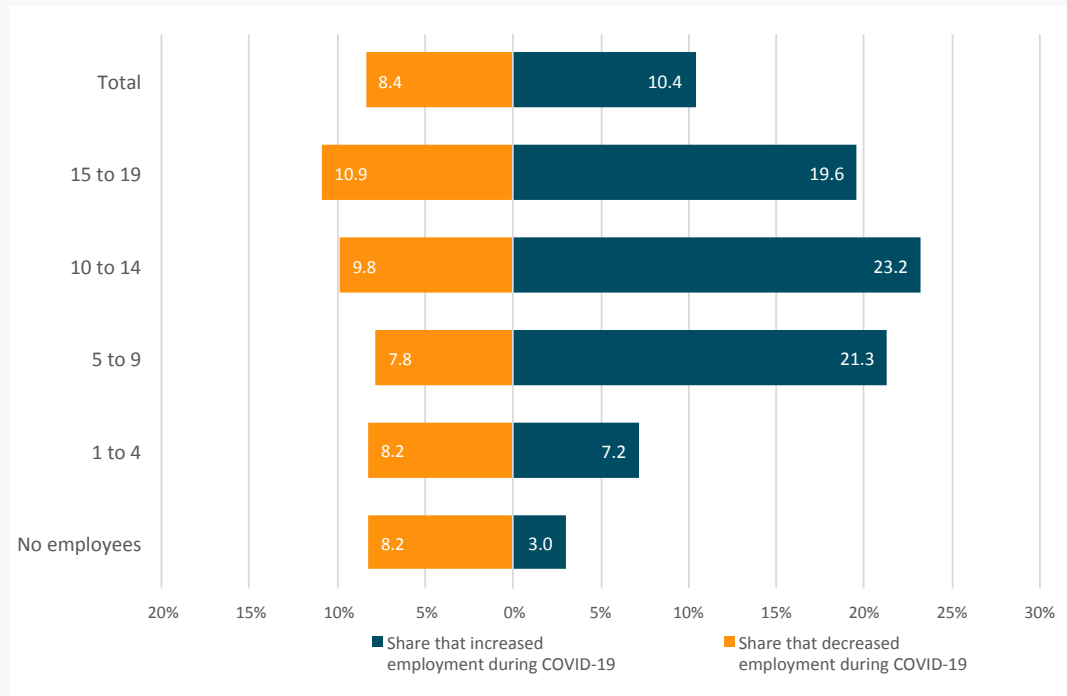


The arts and recreation sector has the highest proportion of small businesses reporting an overall decrease in the number of employees due to COVID-19; 18.2%.

Around 28% of WA small businesses moved their workforce to working from home due to COVID-19.

FIGURE 14

Employment changes among WA's small businesses during COVID-19: by size of business



Note: WA small businesses were asked "To date, how many full-time equivalent employees have you had to stand down or hire additionally due to COVID-19? The net employment change is measured.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

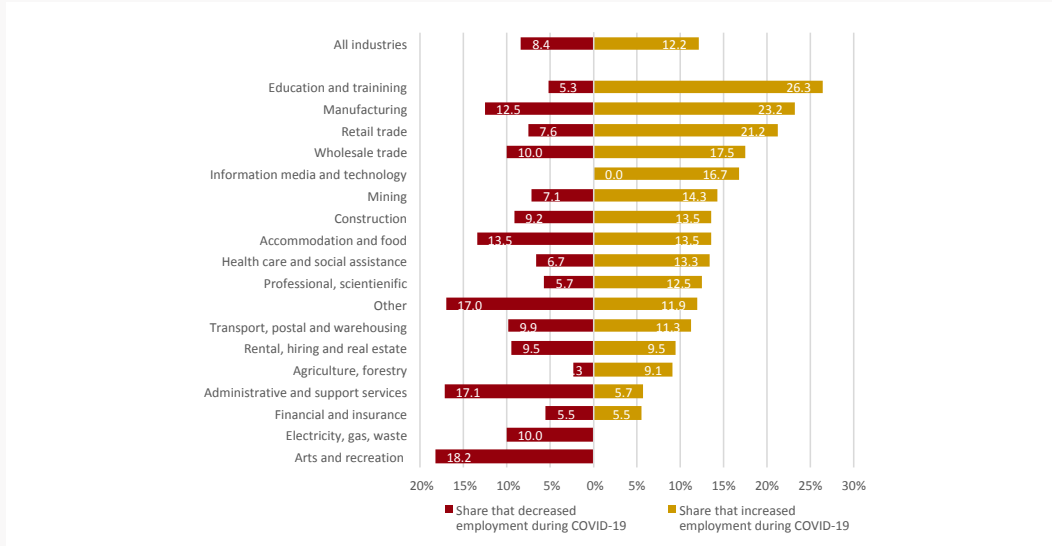
Small businesses in the education and training, manufacturing and retail sectors were more likely to report a net increase in the number of employees due to COVID-19 (Figure 15).

Businesses in the accommodation and food services sector saw similar changes in the share of businesses that decreased and increased workers; 13.5 per cent.

The arts and recreation sector has the highest proportion of small businesses reporting an overall decrease in the number of employees due to COVID-19; 18.2 per cent. The sector also had zero businesses report a net increase in employment. This sector has had less access to supports in general and less opportunity to adapt their products.

FIGURE 15

Employment changes among WA small businesses during COVID-19: by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

Working from home

Working from home rapidly became the new way of working for many businesses and workers during the peak of the pandemic and when restrictions were again put in place in several capital cities, particularly Melbourne.

Almost overnight, entire workforces were required to work from home and businesses had to adjust their working practices to accommodate these changes.

Around 28 per cent of WA small businesses moved their workforce to working from home due to COVID-19. Equal shares (14%) of small businesses cited having to shift more than or less than 50 per cent of their workers to a remote working arrangement.

A larger share of small businesses (73%) reported not moving to working remotely at all. Many of these businesses were operating in the agriculture and construction sectors, where working remotely is not an option.

Is working from home the new norm?

Have we reverted back to pre-March 2020 working arrangements or are some changes now permanent? These are questions that continue to be asked and there are expectations that working from home will become a more normalised practice.

Currently, among WA small businesses fewer workers are working remotely than they were during the pandemic. Around 87 per cent of small businesses now have no workers working remotely, compared to 73 per cent in the early months of the pandemic.

The biggest change has been in small businesses operating in the finance and insurance sector, where during the early months of the pandemic 60 per cent of businesses moved either all or some of their workforce to a remote working arrangement. This was scaled back to only 30 per cent of businesses as of December 2020.



Around 87% of small businesses now have no workers working remotely, compared to 73% during the pandemic.

60% of WA small businesses moved all or some of their workforce to remote working due to COVID-19. This has now fallen to 30%.

There has been a demonstrable move back to pre-pandemic working arrangements in Western Australia.



Many businesses reported that moving to a remote working arrangement was not something they had thought possible before COVID-19, but that it was working.

Findings from our survey compare starkly with national trends for small businesses observed in September. At this point in time 58 per cent of small businesses nationally did not have any of their workforce working remotely. The Melbourne 112 day lock down which extended from the 9th July through to 26th October, will be driving much of these statistics.

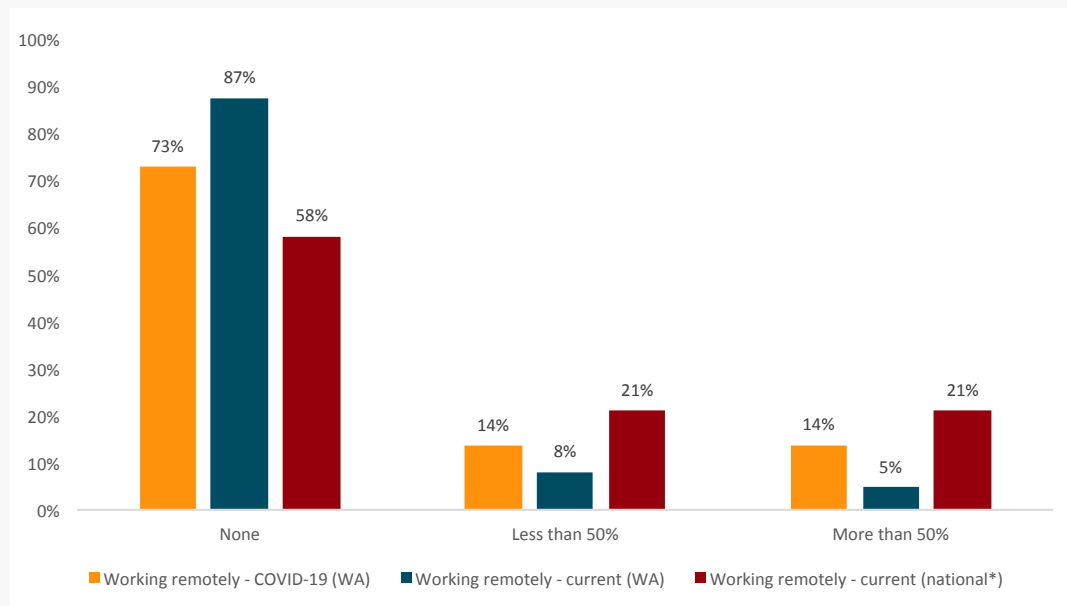
Many businesses reported that moving to a remote working arrangement was not something they had thought possible before COVID-19, but that it was working.

They also reported that these new arrangements saw productivity gains through streamlining or digitalising business practices that previously had to be done in house and on paper.

The ability for many businesses to move to remote working arrangements illustrates the adaptive capacity of small businesses. Remote working arrangements have stayed in place for many businesses, but there has been a demonstrable move back to pre-pandemic working arrangements in Western Australia.

FIGURE 16

Share of workforce working remotely during COVID-19 and currently – WA and Australia



Note: WA Small businesses were asked: Due to COVID-19, what percentage of the business's workforce moved (at some point since March 2020) to teleworking or working remotely? What percentage of this business's workforce are currently teleworking or working remotely? Comparisons with national Business Impacts data from the ABS are constrained by differences in each survey period.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020 and ABS 5676.0.55.003 - Business Indicators, Business Impacts of COVID-19, September 2020.

SUPPORT FOR SMALL BUSINESSES DURING COVID-19

Significant supports have been directed towards businesses over the course of the COVID-19 pandemic with state and federal governments along with financial institutions and landlords all lending support.

One of the most significant support to business was the JobKeeper wage subsidy, which in June 2020 was accessed by almost 900,000 businesses and covering 3.3 million workers across Australia⁵.

Over half of WA small businesses have accessed JobKeeper, which is by far the most frequently accessed support. Deferring loan repayments was also a common support accessed by 14.6 per cent of small businesses and offered by most banking and financial institutions.

Almost 13 per cent of WA small businesses renegotiated property leases due to COVID-19, and 10.9 per cent accessed the WA state government business grant.

TABLE 5

Access to policy supports among small businesses in WA through COVID-19

Share of small business that accessed or plan to access a specific policy measures	
Policy measure	
JobKeeper wage subsidy	51.6%
Federal govt. SME loan guarantee	3.6%
Loan deferral	12.6%
Renegotiated property lease	14.3%
WA state govt. business grant	10.9%

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Over half of WA small businesses have accessed JobKeeper.

Almost 13% of WA small businesses renegotiated property leases due to COVID-19, and 10.9% accessed the WA state government business grant.

⁵ Cassells R and Duncan A (2020) 'JobKeeper: The efficacy of Australia's first short-time wage subsidy', Australian Journal of Labour Economics, Vol 23, No.2, 2020.

Which support has helped your business the most?

"The biggest thing to assist us was the Job Keeper payments. Without them we would of been stuffed."

"JobKeeper was a massive relief and State Government lease arrangement and bank deferral of loan repayments for 6 months."

"The Payroll Tax relief was great for not having to pay for wages, also getting the activity statements and the GST benefits was really good as an extra boost."

"Payroll tax relief was the biggest advantage for me."

"WA Tourism grant. Federal Government support through tax system."

"JobKeeper and \$2,500 Energy Credit."

"The mortgage relief the jobkeeper allowance and the rent negotiation with the owner of the building."

"JobKeeper - As me and the husband are the only ones on the book it was essential to us as we could basically feed our family despite no money coming in to the business. Delaying ATO bills and to be able to defer the loan repayments was also handy to free up a bit of extra cashflow which allowed us to be able to continue with our usual trading hours."

"JobKeeper was probably the best one. My employees had no income and there was a period where we had no business coming in and they have commitments, so to be able to keep them going was a blessing!"

"JobKeeper - just helped maintain keeping staff wages and not having to worry about getting rid of any staff."

"A bit of the rent relief helped. The Synergy bonus to business also helped and the apprenticeship scheme, that gave cash as a bonus. Also the ATO roll back, BAS incentives. Having the borders closed made people travel within the state so then they were servicing their cars."

"The JobKeeper and the delaying of ATO bills were the best things as they just gave me that sense of security."

"The jobkeeper helped the most - well we had a 40 per cent reduction and on the verge of bankruptcy and it saved us."



"The JobKeeper helped the most - well we had a 40% reduction and on the verge of bankruptcy and it saved us."

"SMALL BUSINESSES
ARE **HEAVILY**
RELIANT ON
ACCESS TO
QUALITY
SERVICES AND
INFRASTRUCTURE
IN ORDER TO
OPERATE AS WELL AS
THEY CAN AND HAVE
THE BEST CHANCE
OF SURVIVING AND
FLOURISHING."



DO WA'S SMALL BUSINESSES HAVE WHAT THEY NEED TO SUCCEED?



DO WA SMALL BUSINESSES HAVE WHAT THEY NEED TO SUCCEED?

INTRODUCTION

Small businesses are heavily reliant on access to quality services and infrastructure in order to operate as well as they can and have the best chance of surviving and flourishing.

Unlike larger businesses, small businesses generally do not have the resources to invest in their own infrastructure or attend to regulation and compliance requirements. They also typically have lower cash flow levels and can face greater barriers to funding access.

In this section we examine the small business ecosystem in WA and assess whether or not they have the infrastructure, skills and operating environment they need to succeed.

Do they have adequate infrastructure, cash flow, mental health and wellbeing, business acumen and skills needed? Do they know what government services are available to them? Are they facing too much regulation and compliance and do they get paid on time?

INFRASTRUCTURE FOR THE SMALL BUSINESS SECTOR

High quality local infrastructure is a critical input into the success of Western Australia's small businesses. Transport links, access to ports and, increasingly, high-speed data access have become essential inputs into the production and sales processes.

For the 2020 BCEC Small Business Survey, we asked small business owners to rate the quality of their local infrastructure on a scale of 1 to 10. The three infrastructure classes in the survey include: mobile phone services; internet and broadband services; and physical infrastructure such as roads, freight and passenger rail transport links, sea freight ports or airports.

The size of the survey allows us to look at differences in the quality of infrastructure by region, as well as the industry sector in which the small business operates.

The average ratings scores given by small businesses to the quality of their local infrastructure are shown in Table 6.

TABLE 6

Business owners' infrastructure ratings: Perth and WA region, 2020 and change from 2017

WA region	Quality score, 2020			Change in quality score, 2017 to 2020		
	Mobile phone service	Internet & broadband service	Physical infrastructure (roads, rail etc.)	Mobile phone service	Internet & broadband service	Physical infrastructure (roads, rail etc.)
	score	score	score	change in score	change in score	change in score
Gascoyne	6.2	4.9	6.7	+0.5	+0.6	-0.3
Goldfields-Esperance	6.7	6.1	6.9	+0.6	+0.4	+0.6
Great Southern	6.0	5.9	6.5	+0.4	+0.1	+0.1
Kimberley	6.7	6.5	6.6	+0.2	+0.9	+0.2
Mid West	7.3	6.9	7.7	+1.2	+0.7	+0.9
Peel	7.4	7.0	7.6	+0.5	+0.5	+0.6
Perth	7.6	7.3	7.7	+0.4	+0.6	+0.5
Pilbara	6.7	7.0	7.3	+0.2	+1.6	-0.2
South West	7.1	6.8	7.2	+0.8	+1.2	+0.4
Wheatbelt	5.9	6.1	6.2	+1.0	+0.5	+0.2
Regional WA	6.7	6.5	7.0	+0.7	+0.7	+0.4
Perth Metro	7.6	7.3	7.7	+0.4	+0.6	+0.5

Note: Survey respondents were asked to rate the quality of infrastructure in their locality on a scale of 1 to 10, covering the quality of mobile phone service quality, internet and broadband quality, and the quality of physical infrastructure such as roads, rail, ports or airports.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

These findings reveal that small businesses across the majority of WA's regions regard the quality of infrastructure to have improved significantly in the four years since the first BCEC Small Business Survey in 2017.

The quality of internet and broadband services have improved considerably for small businesses in Pilbara and the South West, with average scores rising to 6.7 and 7.1 respectively, up by 1.6 and 1.2 points in the four years since 2017.

Mobile phone services have also shown some improvement in the Midwest, with the average quality rating by small businesses rising 1.2 points to 7.3.



High quality local infrastructure is a critical input into the success of WA small businesses.

Small businesses across the majority of WA's regions regard the quality of infrastructure to have improved significantly in the four years since the first BCEC Small Business Survey in 2017.



Small businesses in the Wheatbelt give their mobile phone services an average rating of 5.9, which compares to an average score of 6.7 for businesses across regional WA and 7.6 for those in Perth metro.

Just under 37% of small businesses in the Wheatbelt rate their mobile phone service as high quality.

However, Table 6 also shows that there remain substantial gaps between metropolitan Perth and regional areas in the quality of mobile phone, internet and broadband services, particularly in those regions with a higher share of businesses in the agriculture sector.

Small businesses in the Wheatbelt give their mobile phone services an average rating of 5.9, which compares to an average score of 6.7 for businesses across regional WA and 7.6 for those in Perth metro.

The rating for mobile phone services in the Wheatbelt has improved by one percentage point since 2017, but there is still some work to do to raise service levels for one of WA's most important agricultural regions.

Internet and broadband services are regarded as especially poor among small businesses in Gascoyne, at an average of 4.9 – down 0.6 points since 2017.

Mobile phone service quality

To look more closely at the spread of quality ratings for infrastructure among WA small businesses, we convert ratings scores into bands of low, medium or high quality⁶.

Mobile phone service quality has generally improved in most of WA's regions over the last four years (Table 7), with more than half considering their service to be high quality.

Just under 37 per cent of small businesses in the Wheatbelt rate their mobile phone service as high quality, while nearly 44 per cent rate the service as medium and around one in five (19.4%) consider the service to be poor. A similar ratings spread is reported among Great Southern's small businesses.

TABLE 7

Business owners' ratings of mobile phone service quality. Perth and WA region, 2020 and change, 2017 to 2020

	Shares of business owners rating mobile phone service quality as...			Change (between 2017 to 2020) in shares of business owners rating mobile phone service quality as...		
	Low	Medium	High	Low	Medium	High
	%	%	%	ppt change	ppt change	ppt change
Gascoyne	16.0	44.0	40.0	-3.2	-2.2	+5.4
Goldfields-Esperance	12.3	43.8	43.8	-5.6	-1.5	+4.1
Great Southern	22.0	39.8	38.1	-8.1	-7.3	+0.8
Kimberley	14.9	31.9	53.2	-2.9	-1.4	+4.3
Mid West	7.5	34.4	58.1	-13.3	-2.1	+15.4
Peel	7.9	29.4	62.7	-6.7	-0.9	+5.8
Perth	7.1	25.8	67.1	-2.1	-5.9	+8.0
Pilbara	12.5	35.0	52.5	-6.6	-1.7	+4.9
South West	10.0	30.8	59.2	-10.1	-4.5	+14.6
Wheatbelt	19.4	43.9	36.8	-14.2	-1.8	+16.0
Regional WA	13.3	36.0	50.7	-9.4	-0.6	+10.0
Perth Metro	7.1	25.8	67.1	-2.1	-5.9	+8.0

Note: Respondents were asked to rate the quality of local mobile phone service on a scale of 1 to 10. Scores were categorised into three bands reflecting a rating of low quality (1 to 3), medium quality (4 to 7) or high quality (8 to 10) for the infrastructure service.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

⁶ A ratings score of 1-3 classifies as low quality; 4-7 captures a medium quality rating; and a score of 8-10 characterises a high quality rating..

Small businesses in agriculture, forestry and fishing face by far the greatest challenges from poor mobile phone services (Figure 18).

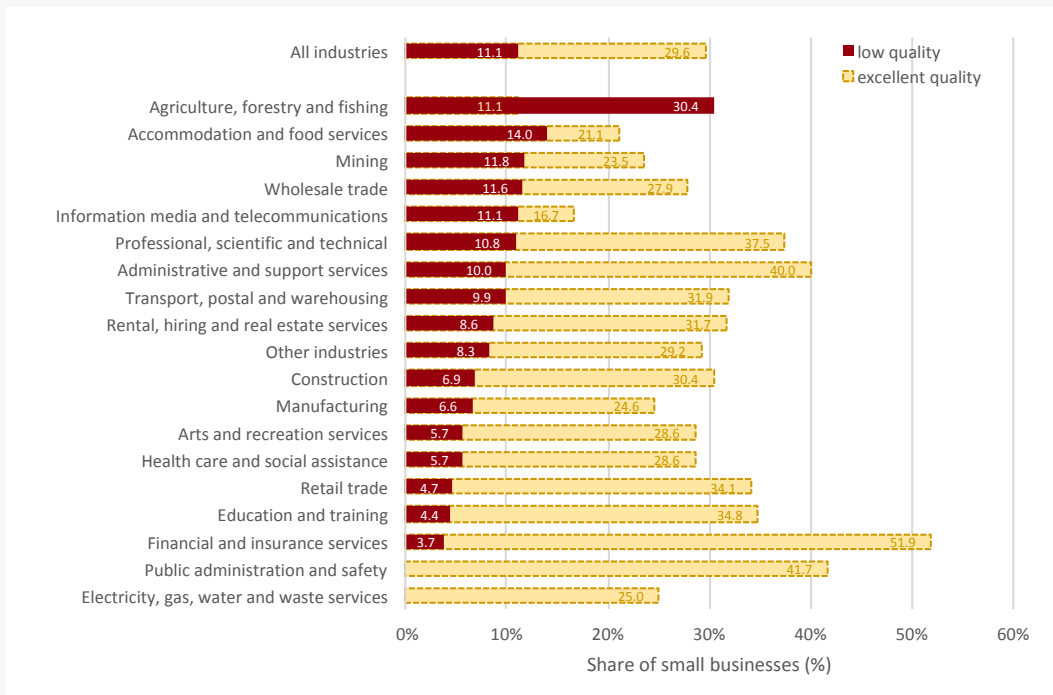
Over 30 per cent of agriculture small businesses regard their mobile phone service to be of poor quality, with one in nine (11.1%) rating their service as excellent.

The share of small businesses working in the accommodation and food services

sector that report poor mobile phone service quality, at 14 per cent, is also above the overall average across all industry sectors (11.1%).

Just over one in five accommodation and food businesses report excellent service quality.

FIGURE 18
Business owners' ratings of mobile phone service quality: 2020, by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



The share of small businesses in WA's regions who rate their internet service as high quality has increased 7.8ppt to 43.3% in 2020.

16% of small businesses in WA's regions rate the quality of their internet and broadband as poor, compared to 8.7% in Perth.

Internet and broadband service quality

Internet access has become an essential aspect of running pretty much any business, certainly over the last decade, with industry sectors such as agriculture, mining and manufacturing relying ever more on high-speed and high volume data access.

We've seen a sizeable overall improvement in the quality of internet and broadband service across the state, with the share of small businesses in regional areas who rate their local service as high quality increasing 7.8 percentage points to 43.3 per cent in 2020 Table 8.

There remains a considerable gap between remote and regional areas of the state in the quality of internet service.

Just under 16 per cent of small businesses in WA's regions rate the quality of their internet and broadband as poor, compared to 8.7 per cent in Perth. Around 44 per cent of small business owners in Gascoyne still rate their internet and broadband service quality as poor – a share that has risen 13.2 percentage points since 2017.

Most business owners in Perth (57.1%) and Peel (52.4%) rate internet and broadband service quality as high.

The strongest improvements in internet quality are to be found in the South West (up 18.4ppt since 2017) and Pilbara (up 18.7ppt).

TABLE 8

Business owners' ratings of internet and broadband service quality. Perth and WA region, 2020 and change, 2017 to 2020

	Shares of business owners rating internet/broadband service quality as...			Change (between 2017 to 2020) in shares of business owners rating internet/broadband service quality as...		
	Low	Medium	High	Low	Medium	High
	%	%	%	ppt change	ppt change	ppt change
Gascoyne	44.0	36.0	20.0	-13.2	-2.5	-10.8
Goldfields-Esperance	16.4	49.3	34.3	-2.8	+0.6	+2.2
Great Southern	19.5	48.3	32.2	-4.3	-7.8	-3.5
Kimberley	14.9	38.3	46.8	-9.6	-3.9	+13.5
Mid West	8.6	46.2	45.2	-10.2	-10.8	-0.7
Peel	11.1	36.5	52.4	-5.0	+0.7	+4.2
Perth	8.7	34.2	57.1	-3.1	-6.8	+10.0
Pilbara	7.5	50.0	42.5	+18.7	-	+18.7
South West	13.3	36.7	50.0	+13.1	-5.3	+18.4
Wheatbelt	23.2	36.8	40.0	-1.6	-7.2	+8.8
Regional WA	15.9	40.8	43.3	-7.2	-0.6	+7.8
Perth Metro	8.7	34.2	57.1	-3.1	-6.8	+10.0

Note: Respondents were asked to rate the quality of local internet and broadband services on a scale of 1 to 10. Scores were categorised into three bands reflecting a rating of low quality (1 to 3), medium quality (4 to 7) or high quality (8 to 10).

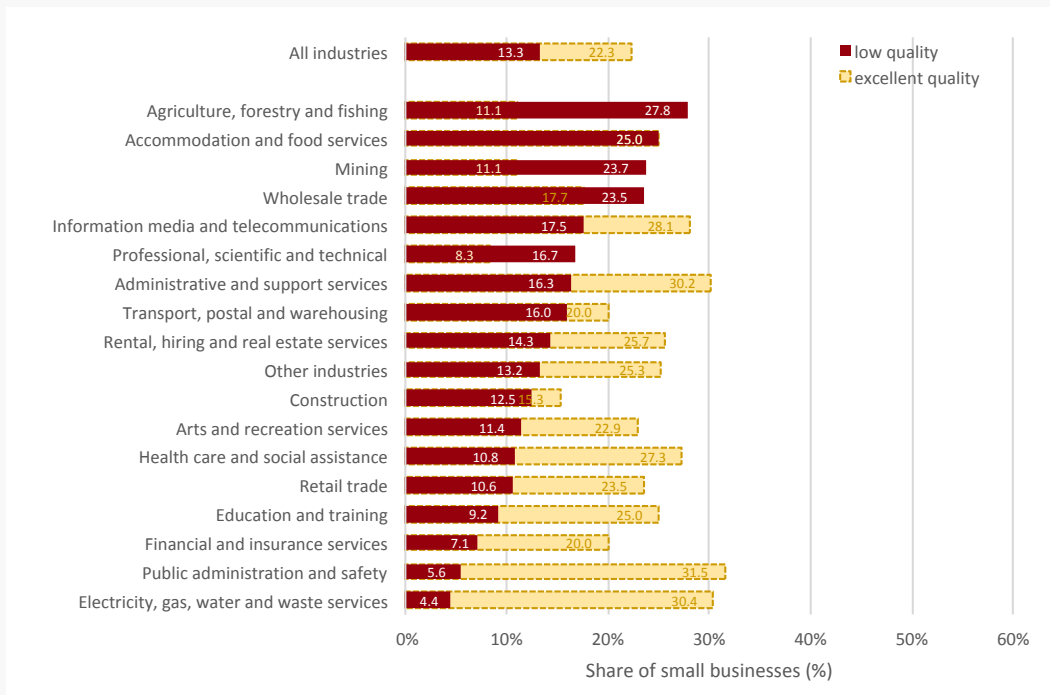
Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

Internet services have improved in WA over the last four years, with around 22 per cent of small businesses rating service quality as excellent. However, low quality internet and broadband service is also a challenge for small businesses across a broader spread of industry sectors across the state (Figure 19).

More than a quarter of small businesses in agriculture (27.8%) and accommodation and food services (25%) regard their internet and broadband service to be poor. Around 24 per cent of small businesses in both mining and wholesale trade also report poor internet and broadband quality.

FIGURE 19

Business owners' ratings of internet and broadband quality: 2020, by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



More than a quarter of small businesses in agriculture (27.8%) and accommodation and food services (25%) regard their internet and broadband service to be poor.



9.3% of small businesses in regional WA and only 3.5% in Perth metro rate local physical infrastructure as poor.

The quality of physical infrastructure

WA's small businesses report relatively consistent levels of satisfaction for the quality of the state's physical infrastructure, which covers local road networks, freight rail transport links, ports and airports.

Just 9.3 per cent of small businesses in regional WA, and only 3.5 per cent of their counterparts in Perth metro, rate the local physical infrastructure as poor (Table 9).

However, 16 per cent of small businesses in the Wheatbelt regard their infrastructure quality as low, compared to 38 per cent who rate quality as high.

These data also indicate that the quality of physical infrastructure is lagging to some degree in those regions at a greater distance from Perth, including Goldfields-Esperance, Gascoyne, Great Southern and the Kimberley.

TABLE 9

Business owners' ratings of physical infrastructure quality. Perth and WA region, 2020 and change, 2017 to 2020

	Shares of business owners rating physical infrastructure quality as...			Change (between 2017 to 2020) in shares of business owners rating physical infrastructure quality as...		
	Low	Medium	High	Low	Medium	High
	%	%	%	ppt change	ppt change	ppt change
Gascoyne	20.0	28.0	52.0	-12.3	-14.3	+2.0
Goldfields-Esperance	12.3	42.5	45.2	-2.1	+11.4	+9.3
Great Southern	10.2	47.5	42.4	-1.4	-9.7	+8.2
Kimberley	12.8	38.3	48.9	-0.6	-8.4	+8.9
Mid West	5.4	33.3	61.3	-4.0	-12.5	+16.5
Peel	4.8	30.2	65.1	-4.0	-6.3	+10.3
Perth	3.5	34.0	62.5	-3.8	-4.3	+8.1
Pilbara	2.5	42.5	55.0	-4.6	+11.6	-6.9
South West	6.7	40.4	52.9	-2.3	-4.9	+7.2
Wheatbelt	16.1	45.8	38.1	-2.8	+11.4	+8.6
Regional WA	9.3	39.9	50.8	-0.6	-7.9	+8.5
Perth Metro	3.5	34.0	62.5	-3.8	-4.3	+8.1

Notes: Survey respondents were asked to rate the quality of the physical infrastructure in their locality (roads, rail, ports or airports) on a scale of 1 to 10. Scores were categorised into three bands reflecting a rating of low quality (1 to 3), medium quality (4 to 7) or high quality (8 to 10) for the infrastructure service.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

Infrastructure is rated excellent by more than 30 per cent of small businesses in finance and insurance, retail, information technology and arts and recreation (Figure 20).

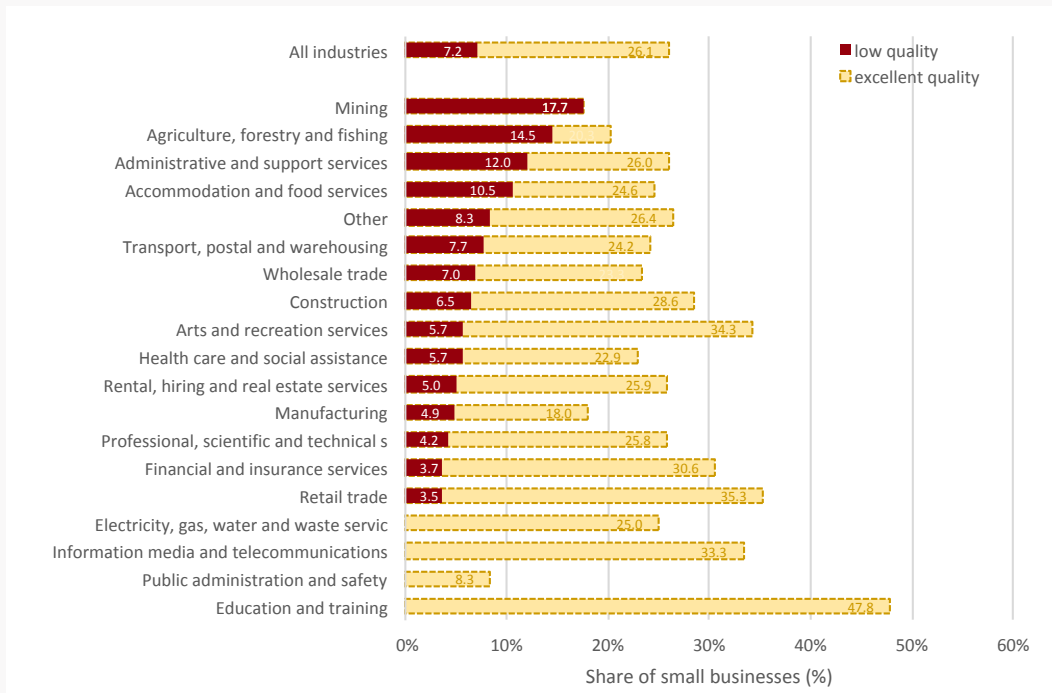
Nearly 18 per cent of small businesses in the mining sector rate the local infrastructure as excellent, while the same share of mining businesses (17.7%) rate their infrastructure to be poor. One in seven

agriculture businesses also rate their local infrastructure as poor.

However, less than five per cent of small businesses in manufacturing, professional technical and scientific services and retail, and none in electricity, information technology, public administration and education, rate infrastructure quality to be poor.

FIGURE 20

Business owners' ratings of physical infrastructure service quality: 2020, by industry sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

BUSINESS SKILLS AND SUPPORTS



With exception of Gascoyne, there was an increase in the share of online sales for all regions in 2020.

Between 2017 and 2020, there was a 30ppt increase in the share of businesses reporting an adequate understanding of government funding and supports to help with their business.

Operating a small business requires a multitude of skills ranging from business and financial planning, marketing, leadership, management and human resources, as well as having an understanding of where to turn for support, particularly in times of uncertainty.

At a state level, over 94 per cent of small business owners felt that they had an adequate understanding of general accountancy, marketing and human resource skills required to support their business.

Similar shares were reported for leadership and management skills (96%), and business planning (92%). For each of these measures, improvements in self-reported skill levels between 2017 and 2020 are evident across most of the regions.

However, the share of businesses reporting that they have an adequate understanding of government supports is much lower, sitting at 63.4 per cent of respondents state-wide.

However, between 2017 and 2020, there was a 30 percentage point increase in the share of businesses reporting an adequate understanding of government funding and supports to help with their business.

The need for advice and support during COVID-19, the vast array of government supports and schemes available and the public nature of their rollout will all have been factors at play in this increase.

Gascoyne displays some of the lowest shares of businesses reporting adequate skills across almost all measures, with 56 per cent for understanding of government supports compared to 63 per cent across the state.

This demonstrates that while a significant amount of work has been undertaken, further attempts to inform small businesses of the supports available must be made across all regions of WA. This task does not sit solely with government. Regional industry bodies, educational institutions as well as financial advisors all have a role to play.

TABLE 10

Share of WA small businesses that feel they have adequate understanding of business skills and supports, 2017 and 2020: by region

	Share of businesses that feel they have an adequate understanding of...				Change in share of businesses that feel they have an adequate understanding of...			
	Skills in business operations	Leadership & management skills	Business planning	Government supports	Skills in business operations	Leadership & management skills	Business planning	Government supports
					ppt change	ppt change	ppt change	ppt change
Gascoyne	92.0	92.0	80.0	56.0	+15.1	+3.5	+10.8	+21.4
Goldfields-Esperance	91.8	98.6	89.0	53.4	+2.1	-1.4	-2.0	+14.9
Great Southern	95.8	96.6	92.4	68.6	+14.8	+6.1	+13.8	+38.4
Kimberley	97.9	97.9	97.9	70.2	+4.6	+4.6	+17.9	+34.6
Mid West	92.5	95.7	92.5	64.5	-1.3	-1.2	+4.0	+29.1
Peel	96.0	100.0	94.4	60.3	+7.7	+2.9	+9.0	+25.3
Perth	92.7	95.0	90.2	61.9	+1.5	-0.5	+2.8	+34.2
Pilbara	95.0	97.5	95.0	70.0	+4.5	+4.6	+6.9	+34.3
South West	93.8	95.4	92.5	64.2	+1.2	-1.6	+5.5	+26.7
Wheatbelt	97.4	97.4	96.8	67.1	+6.1	+0.3	+8.9	+29.5
All regions	94.1	96.2	92.1	63.4	+3.9	+0.5	+5.9	+30.3

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

REGULATION AND COMPLIANCE

Regulation and compliance can be a significant burden on small businesses, with fewer resources and staff to draw on.

We asked small business owners across WA to rate the level of burden they feel across a number of areas of regulation and compliance including industrial relations, health and safety, environmental planning, trading hours and tax and licensing.

Similar shares of businesses experience a high burden across these domains – around one in four small businesses.

Interestingly, trading hours do not feature as an issue where small businesses are experiencing a high level of burden. Only 16 per cent of small businesses rate trading hours as burdensome. This is slightly higher in the retail sector at 18 per cent, and highest among small businesses operating in agriculture.

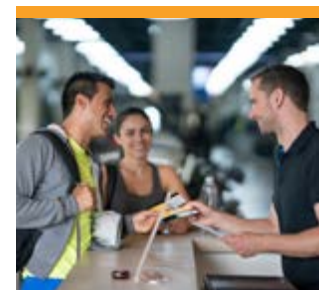
In 2020 there was a significant decrease in the share of businesses reporting taxation and licensing regulations and compliance

as being burdensome. The share of small business reporting high burdens from taxation fell by 14.7 percentage points and licenses by seven percentage points.

These changes will be closely linked to the reprieve and assistance businesses received from the Australian Taxation Office and the waiver of licencing and liquor renewal fees for small businesses from the WA state government.

Non-employing small businesses have seen the biggest increase over time in the burden they are experiencing from multiple regulation and compliance areas. For example, the share of non-employing businesses experiencing high burden in human resource increased by 16.1 percentage points between 2017 and 2020.

These results show that it is non-employing businesses that have struggled the most to keep up with the additional regulatory burden from COVID-19 and needed additional supports.



Around 1 in 4 WA small businesses experience excessive burden from regulation and compliance.

The share of non-employing businesses experiencing high burden in human resource increased by 16.1ppt between 2017 and 2020.

TABLE 11

Small business experiences of red tape and compliance, by firm size: 2020 and change, 2017 to 2020

Share of businesses that feel a high burden from...							
	Human resources	Health and safety	Environment	Trading hours	Planning	tax and BAS	Licenses
	%	%	%	%	%	%	%
Non-employing	30.6	29.5	32.5	24.6	28.4	29.9	27.6
1 to 4 employees	25.7	23.9	21.4	15.1	24.5	25.6	25.6
5 to 9 employees	25.0	28.3	23.0	13.1	25.4	23.4	29.5
10 to 14 employees	37.5	42.0	28.6	9.8	26.8	18.8	20.5
15 to 19 employees	34.8	26.1	26.1	17.4	30.4	28.3	28.3
All businesses	27.7	27.1	24.4	16.2	25.7	25.5	26.3
Change in share of businesses that feel a high burden from ...							
	Human resources	Health and safety	Environment	Trading hours	Planning	tax and BAS	Licenses
	ppt change	ppt change	ppt change	ppt change	ppt change	ppt change	ppt change
Non-employing	+16.1	+9.3	+13.0	+12.8	+7.0	-7.9	-1.8
1 to 4 employees	-2.5	-6.1	-2.8	+4.1	+1.2	-14.6	-5.3
5 to 9 employees	-10.2	-4.7	-5.9	-2.7	-6.1	-16.9	-10.8
10 to 14 employees	-1.6	+2.0	+4.1	-1.1	+0.4	-27.6	-20.4
15 to 19 employees	-2.5	-2.7	+10.8	+8.9	+1.6	-10.7	-9.0
All businesses	-0.5	-2.4	+0.5	+4.3	+0.8	-14.7	-7.0

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Over two thirds of small business owners with cash support of less than one month report high or very high stress.

CASH FLOW: HOW LONG CAN WA SMALL BUSINESSES LAST?

Cash flow has always been an integral part of business operations, and more so for smaller businesses, who often have fewer financial resources to draw from than bigger businesses.

The ability of businesses to access sufficient cash flow at any point in time is critical to their operations, but during the peak of the COVID-19 crisis, this was one of the biggest issues affecting businesses.

Forced closures and regulations meant that trade was either heavily restricted or impossible, which also meant large falls in turnover and revenue. During the peak of the pandemic, cash flow issues were the biggest

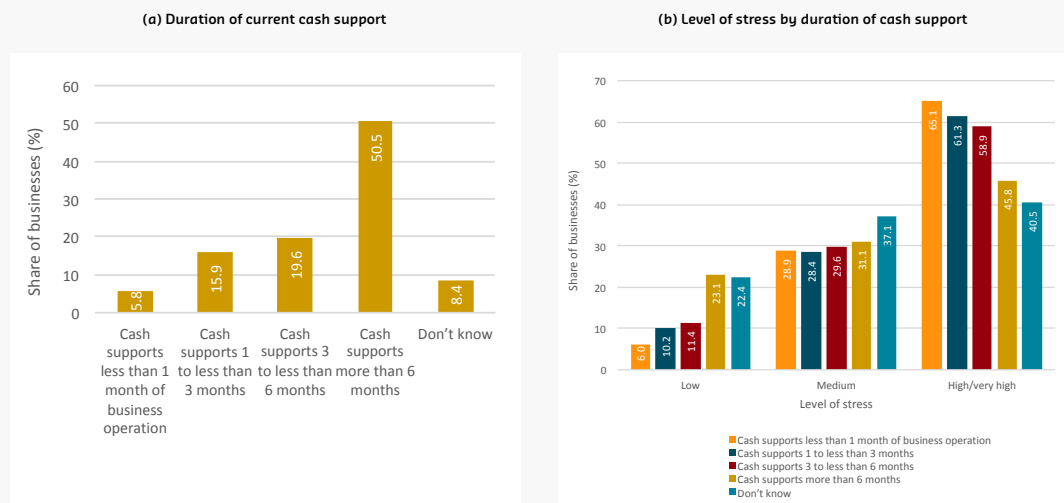
issues facing businesses, with more than two-thirds of businesses nationally reporting reduced turnover/cash flow issues at the end of March 2020⁷.

Currently, around half of WA small businesses have cash to support more than six months of business operations (Figure 21 panel a), with one in five potentially being able to survive for less than three months.

The duration of cash support for business operations is also a driver of stress levels among small business owners. Over two-thirds of small business owners with cash support of less than one month report high or very high stress.

FIGURE 21

How long can the business's operations be supported with current cash?



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

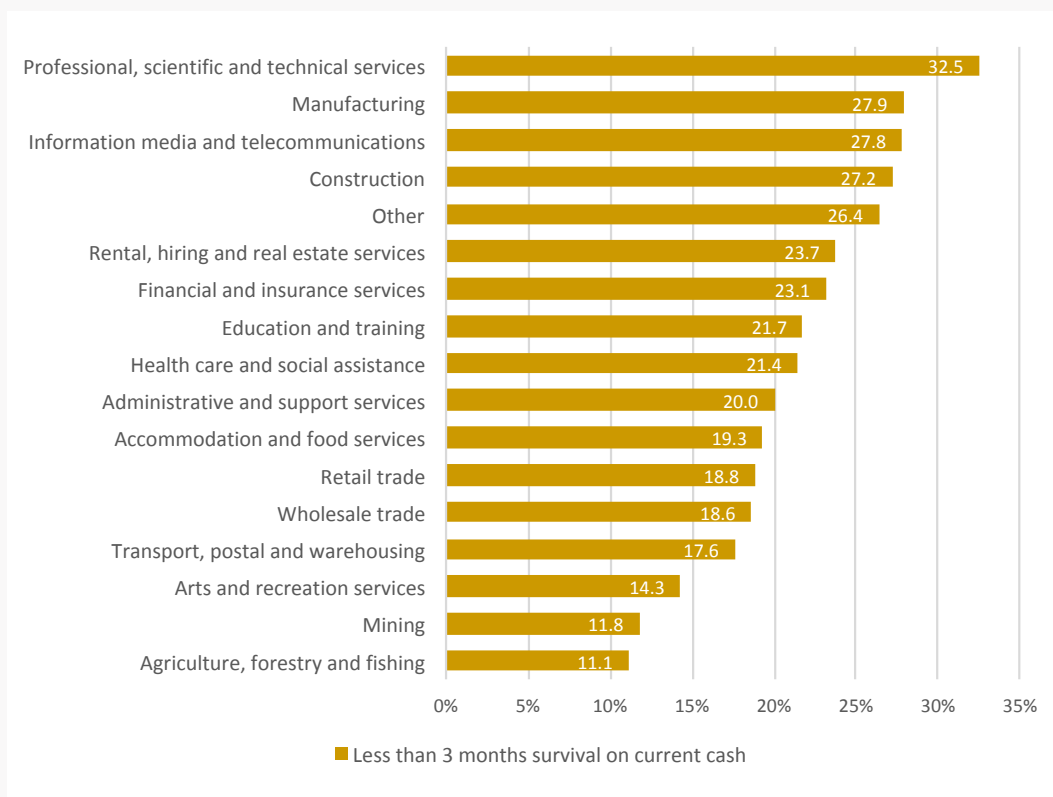
⁷ Australian Bureau of Statistics (2020) Business Indicators, Business Impacts of COVID-19.

Small businesses operating in the professional, scientific and technical services, manufacturing, information media and telecommunications and construction sector are more likely to report having less than three months of cash to support their business operations (Figure 22).

Businesses in mining, agriculture and arts and recreation report lower levels of insufficient cash flow to support their business operations.

FIGURE 22

Share of WA businesses with less than 3 months of cash to support business operations: by industry



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Over the year to December 2020, almost 70% of WA small businesses accessed funding to help maintain and/or grow their business.

The most common source of funding support for WA small businesses in 2020 was government grant schemes.

SOURCES OF FUNDING SUPPORT FOR SMALL BUSINESSES

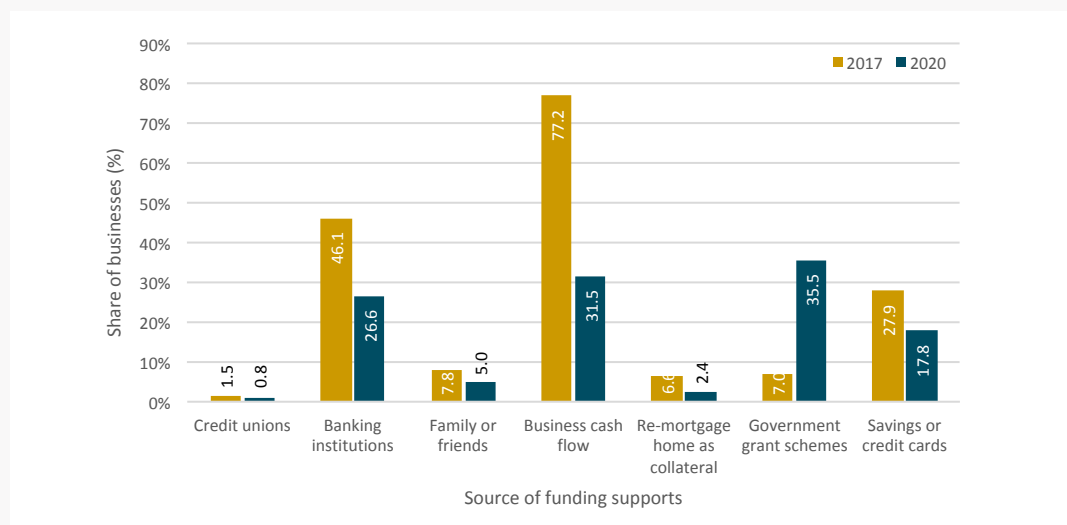
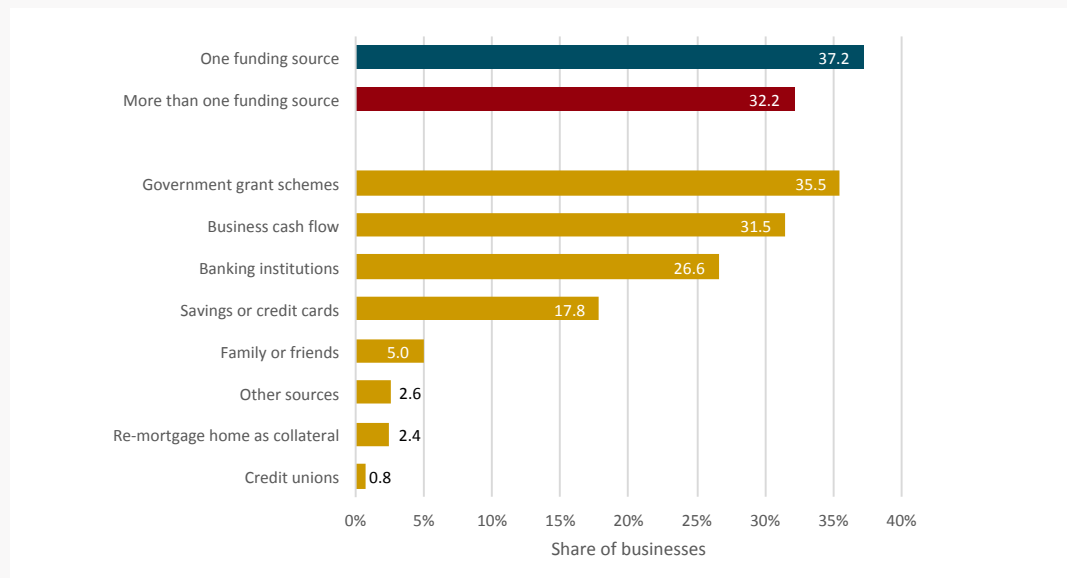
Over the year to December 2020, almost 70 per cent of WA small businesses accessed funding to help maintain and/or grow their business.

The most common source of funding support was government grant schemes (35.5%), followed by own business cash flow (31.5%) and banking institutions (26.6%).

Very few small business owners turned to re-mortgaging their home as collateral for maintaining or growing their business, while 5 per cent of businesses turned to family or friends for financial support for the business.

FIGURE 23

Sources and change in funding support for WA small businesses: 2017 and 2020



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

Comparing the 2020 BCEC Small Business Survey to that of 2017 sees a five-fold increase in the uptake of government grant schemes, which is to be expected with generous and multiple schemes available as a result of the pandemic.

This in turn led to a decline in the share of businesses accessing all other funding supports, with for example a 20 percentage point decline in those businesses accessing funding supports from banking institutions.

In share terms, the most notable decline relates to business cash flow as a funding source, which fell from 77 per cent in 2017 to 32 per cent in 2020.

Business owners re-mortgaging their home, reliance on family and friends, and accessing business savings also saw declines.

For those businesses that did access funding in 2020, 37.2 per cent sought funding from

only one source in 2020 and 32.2 per cent from multiple funding sources.

Just over a quarter of small businesses sourced funding from banking institutions to maintain or grow their business in the last year, with small businesses operating in the agriculture sector twice as likely to do so (Figure 24).

Survey respondents from the utilities, wholesale trade, mining, real estate and retail sectors also reported a higher than average share of businesses using funding from banking institutions to maintain or grow their business.

Small business operating in information media and telecommunications were the least likely of all industry groups to use funding from a banking institution to maintain or grow their business.

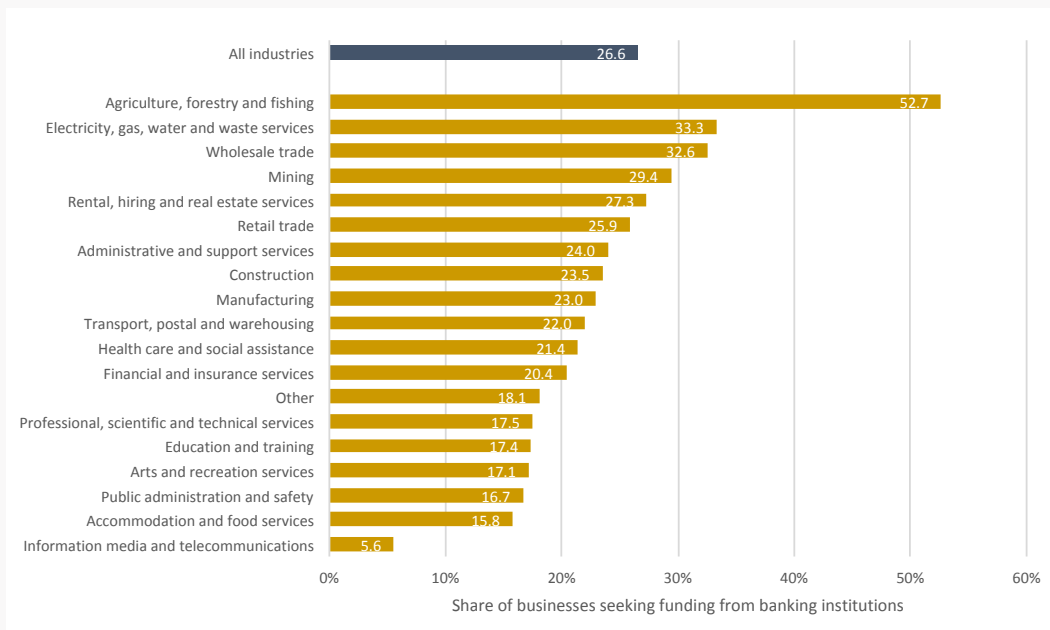


Cash flow as a funding source for small businesses fell from 77% in 2017 to 32% in 2020.

53% of agricultural businesses source funding from banking institutions to maintain or grow their business – twice the rate observed across all industries.

FIGURE 24

Share of businesses sourcing funding support from banking institutions: by sector



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.





Almost half of small business owners with high or very high stress levels reported having multiple responsibilities as the key driver.

Nearly 40% of business owners feel an obligation to work when sick, with broadly the same share reporting high or very high levels of stress from the responsibilities they feel for their employees.

HEALTH AND WELLBEING AMONG SMALL BUSINESS OWNERS

Establishing and running a small business can be hugely exciting and rewarding for many entrepreneurs and business owners. However, the pressures of sustaining a business can drive considerable stress among small business owners, and these stresses may well have been exacerbated as a result of the COVID-19 pandemic.

We asked business owners and managers to rate their stress levels on a scale of 0 to 10 for different aspects of running their businesses, with scores of 7 or above denoting high or very high levels of stress.

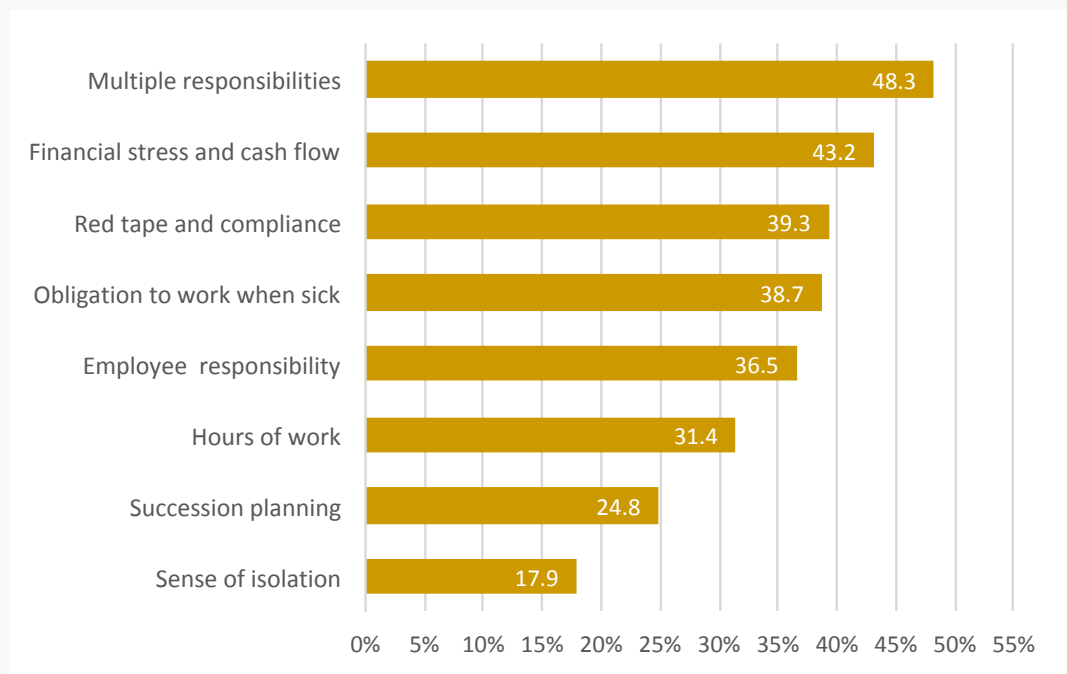
The most prominent aspects of business-related stress are linked to the pressure of holding down multiple responsibilities, with nearly half of survey respondents (48.3%) reporting high or very high levels of stress against this domain (Figure 25).

Financial stress from challenges of cash flow and unpredictable income feature among the stressors for 43.2 per cent of small business owners, with nearly four in ten facing stresses from red tape and compliance issues.

What comes across clearly from the survey is the burden of responsibility that business owners take on for their workforce and their customers, and the extent to which that burden impacts on the stresses of running a business. Nearly 40 per cent of business owners feel an obligation to work when sick, with broadly the same share reporting high or very high levels of stress from the responsibilities they feel for their employees.

FIGURE 25

Shares of small business owners under high or very high stress driven by different aspects of running their business



Note: Respondents were asked to rate levels of stress on a scale of 0 to 10 for different aspects of running their businesses, with scores of 7 denoting a high or very high level of stress.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

Stresses for small business owners in WA, by sources of funding

The 2020 BCEC Small Business Survey shows that a higher share of small business owners seeking bank finance are often under high or very high stress (62.2%) compared to those who seek funding from other sources (Figure 26a). Only one in nine (11.7%) of small business owners who seek funding support from banking report low levels of stress.

There is also a very clear association between the number of funding sources sought by small business owners and the stress they feel regarding their business situation.

Nearly a third of small business owners (32.2%) have sought funding support from more than a single source, and Figure 26b demonstrates the strong link between levels of stress and number of funding sources.

Around 40 per cent of small business owners who have sought no funding report high or very high stress levels.

However, this share rises consistently depending on the number of funding sources, with more than four in five (81.3%) businesses seeking funding from five or more sources exhibiting high or very high levels of stress.

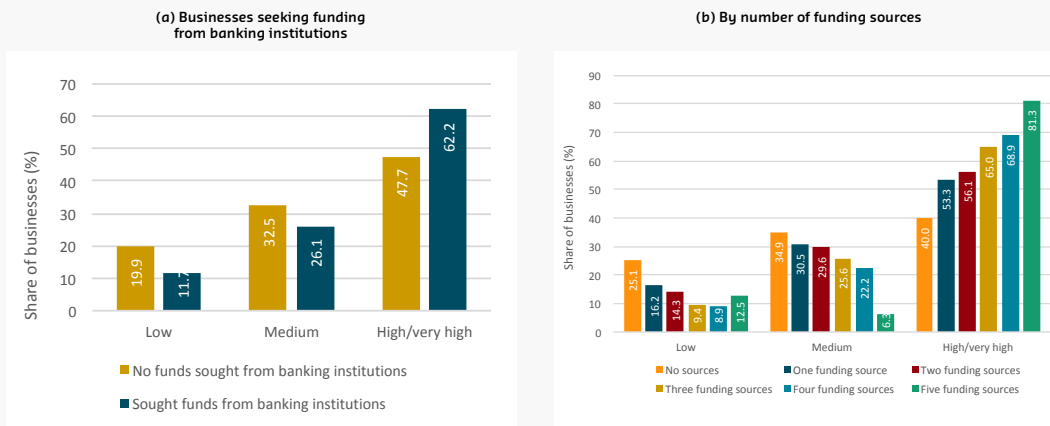


A higher share of small business owners seeking bank finance are often under high or very high stress (62.2%) compared to those who seek funding from other sources.

More than four in five (81.3%) businesses seeking funding from five or more sources exhibit high or very high levels of stress.

FIGURE 26

Stress among WA small business owners, by sources of funding



Notes: Funding sources include: credit unions; re-mortgage home as collateral; funding from family or friends; savings or credit cards; banking institutions; business cash flow; and government grant schemes.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



More than half (51%) of small business owners suffer adverse mental and physical health challenges due to the stress from running their business.

Impacts of stress on small business owners

The stress of sustaining a business, and the pressures felt by small business owners to support their families and workers, can take a heavy toll on personal health and relationships.

And these stresses often occur in combination rather than isolation (Figure 27a).

The 2020 BCEC Small Business Survey asks small business owners about the degree to which stress causes adverse mental or physical health issues, affects personal relationships, or leads to conflicts with family or in the workplace.

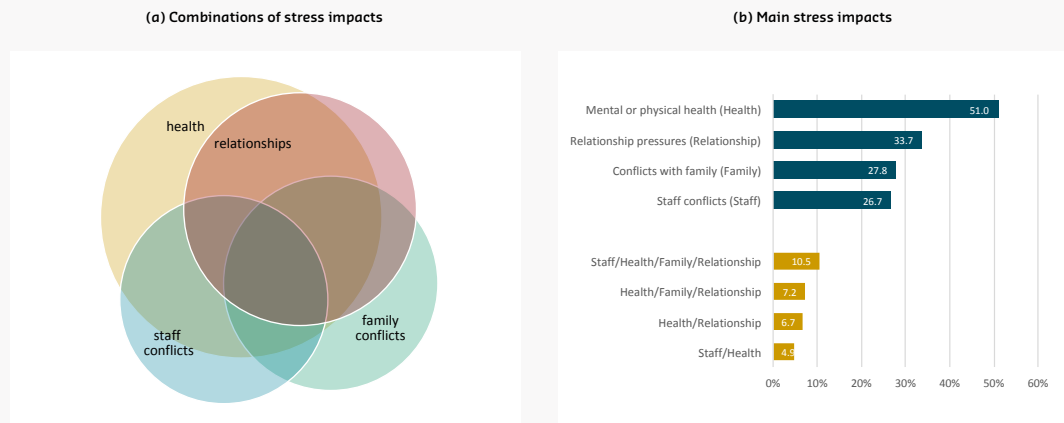
The survey finds that more than half (51%) of small business owners suffer adverse mental and physical health challenges due to the stress from running their business, with more than a third facing relationship pressures (Figure 27b).

Stress also drives conflicts with family members, and with staff in the workplace, for more than a quarter of respondents.

In fact, more than one in ten small business owners (10.5%) face negative effects across the board - on health, in terms of family and staff conflict, and in the fact that personal relationships are suffering.

FIGURE 27

Combinations of stress impacts among small business owners: 2020



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

ARE BUSINESSES GETTING PAID ON TIME?

With many small business owners facing up to the challenges of unpredictable finances and managing cash flow, they still face a real problem with larger businesses honouring payment terms.

Our survey finds that 59 per cent of small businesses have to manage late payments from the big end of town, with 24 per cent now facing payment delays of more than 30 days (Figure 28).

In fact, the issue of late payments seems to have intensified during COVID-19. The share of small businesses facing payment delays of 30 days or more has risen by 2.5 percentage points, from 22 per cent in 2017. Fewer small businesses (41%) are currently being paid on time compared to 2017 (46%), a drop of 5.2 percentage points.

This behaviour adds unnecessarily to the financial challenges and personal stresses faced by small business owners, particularly during a time when they are working to chart a course through and beyond the COVID-19 pandemic.

The Business Council of Australia (BCA) established a voluntary national supplier payment code in 2017, to ensure that small businesses are paid on time. By signing up to the code, larger businesses commit to pay small businesses on time and 'within 30 days of receiving a correct invoice', and to work with the small business sector on implementing technologies to support prompt invoicing.

However, only 135 businesses nationally have signed up to the BCA voluntary code as at November 2020. This compares to a population of around 4,000 businesses employing 200 or more workers, which is one common definition of a large business.

These findings are especially timely given the late payments legislation currently pending in the Federal Parliament, which aims to address this issue by ensuring small businesses are paid on time.

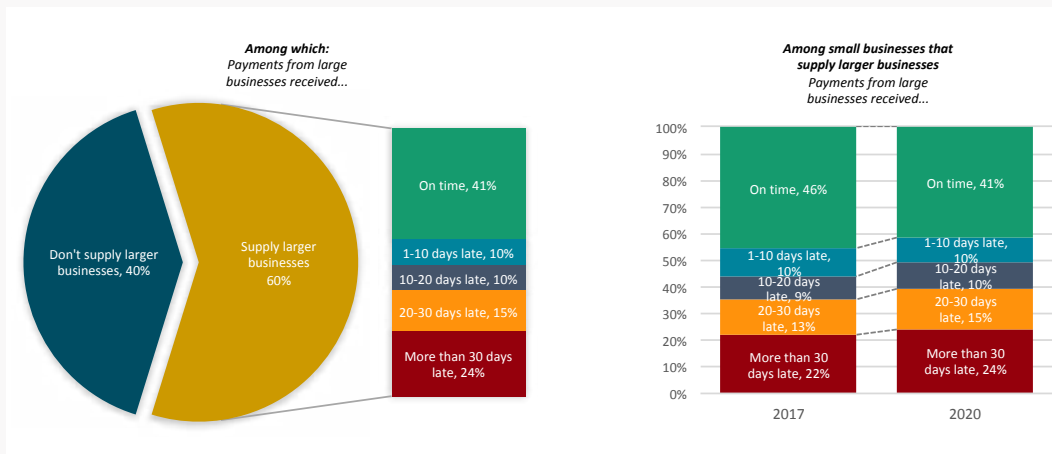


59% of small businesses have to manage late payments from the big end of town, with 24% now facing payment delays of more than 30 days.

Fewer small businesses (41%) are currently being paid on time compared to 2017 (46%), a drop of 5.2ppt.

However, only 135 businesses nationally have signed up to the BCA voluntary code as at November 2020. This compares to a population of around 4,000 businesses employing 200 or more workers, which is one common definition of a large business.

FIGURE 28
Pattern of late payments to WA small businesses: 2020 and change, 2017 to 2020



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



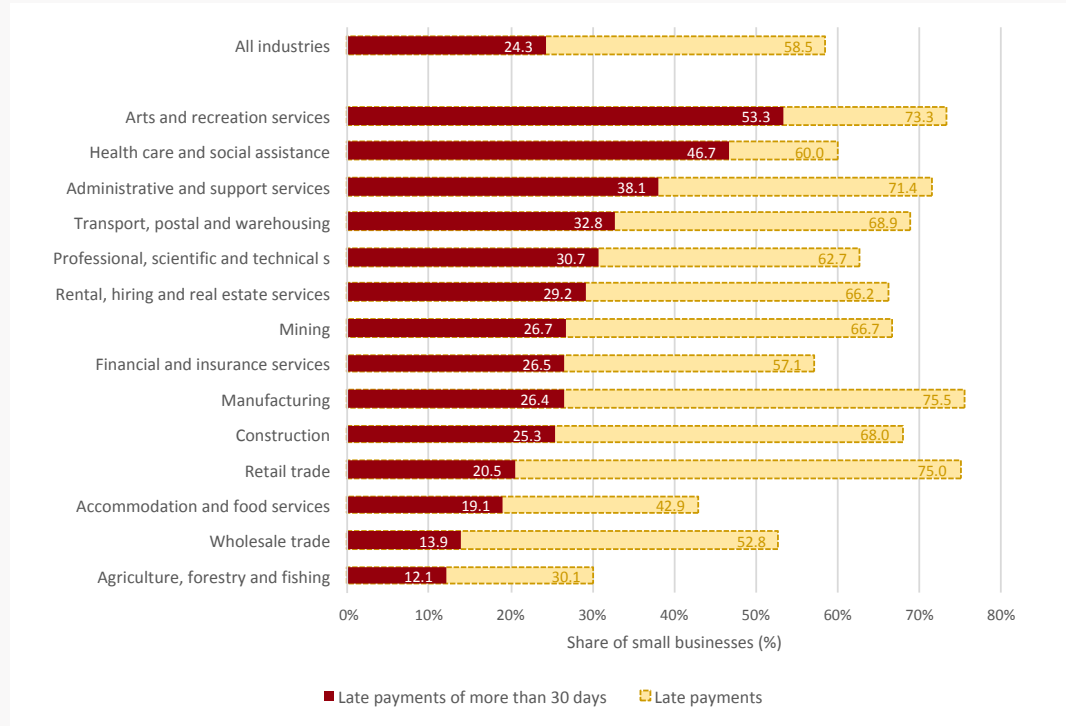
More than a half of small businesses in the arts and recreation sector (53.3%), and nearly a half of those in health care and social assistance (46.7%) face payment delays of more than 30 days.

Two thirds of businesses in the mining sector regularly face late payments, and just over a quarter (26.7%) receive payments more than 30 days late.

Around a fifth of retail small businesses face payment delays of more than a month.

FIGURE 29

Prevalence of late payments to WA small businesses: by industry sector



Note: Late payment shares are based on the selection of small businesses that supply larger enterprises. Estimates of the prevalence of late payments exclude those industry sectors where the resulting selected sample size is too low for reliable statistical precision.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

The prevalence of late payments to small businesses in WA varies substantially across industry sector.

Late payments are relatively common for most small businesses in WA, with more than half (58.5%) regularly suffering payment delays (Figure 29).

The issue is more prevalent for small businesses in manufacturing, retail trade, and arts and recreation services, with around three quarters of businesses facing late payments in each case.

More than a half of small businesses in the arts and recreation sector (53.3%), and nearly a half of those in health care and social assistance (46.7%) face payment delays of more than 30 days.

Two thirds of businesses in the mining sector regularly face late payments, and just over a quarter (26.7%) receive payments more than 30 days late.

Payments from larger enterprises to businesses in agriculture are more likely to be on time, with three in ten facing some sort of payment delays and 12.1 per cent facing delays of more than 30 days.

While it is common for small businesses in the retail trade sector to receive late payments from larger businesses, the challenge of payment delays of more than 30 days is less prevalent. Around a fifth of retail small businesses face payment delays of more than a month.

LATE PAYMENTS DRIVE STRESS AMONG SMALL BUSINESS OWNERS IN WA

This report has highlighted the stress of sustaining a business, and also notes how a significant share of small business owners face payment delays from larger firms.

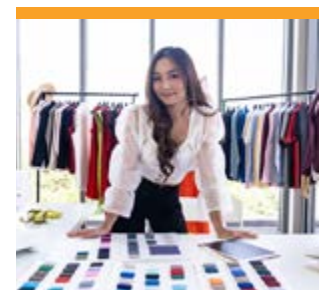
But how strongly are these two issues related? Do late payments add to the stresses experienced by small businesses?

To resolve these questions, we employ advanced statistical methods to estimate how a range of individual and business factors change the likelihood of a WA small business owner experiencing a high level of stress.

Potential drivers include the incidence and degree of late payments, the gender of business owner, as well as firm size, sources of funding, and indicators of business owners' understanding of supports to run a business.

Additional controls for industry sector and region are also included.

The estimates reported in Table 12 include panel (longitudinal) estimates that capitalise on repeated responses by the same business owners in the BCEC Small Business Surveys for 2017 and 2020.



Do late payments add to the stresses experienced by small businesses?

TABLE 12

Drivers of stress for small business owners in WA: multivariate regression

Model specification	Marginal effects of stress drivers on the likelihood of business owners being in high stress		
	Ordered probit 2017	Ordered probit 2020	Ordered panel probit 2017-2020
	ppt change	ppt change	ppt change
Late payments (base: don't supply large firms)			
paid on time	-0.020	-0.005	-0.017
late by 1 10 days	-0.041	0.023	-0.009
late by 10 20 days	0.076 **	0.059	0.081 ***
late by 20 30 days	0.044 *	0.038	0.041 *
late by more than 30 days	0.110 ***	0.090 **	0.109 ***
Number of employees (base: non-employing)			
1 to 4 workers	0.063 **	0.077 ***	0.066 ***
5 to 9 workers	0.149 ***	0.111 ***	0.134 ***
10 to 14 workers	0.176 ***	0.135 ***	0.169 ***
15 to 19 workers	0.121 **	0.088	0.110 **
Female	0.067 ***	0.053 **	0.071 ***
Funding supports accessed:			
credit union	0.081	0.048	0.108
banking institution	0.032	0.117 ***	0.083 ***
family or friends	0.151 ***	0.077	0.158 ***
business cash flow	0.003	0.022	0.029
remortgaged property	0.149 ***	0.164 **	0.153 ***
government grant scheme	0.000	0.066 ***	0.071 ***
savings or credit cards	0.070 ***	0.079 ***	0.087 ***
Understanding of business supports			
skills in business operations	-0.072 *	-0.054	-0.082 **
leadership & management skills	-0.065 **	-0.027	-0.057 *
business planning	-0.105 **	-0.057	-0.102 **
government supports	0.024	0.070 ***	0.055 ***
Age (base: age 30 to 39)			
age 20 to 29	0.080	0.051	0.061
age 40 to 49	0.138 ***	0.093 ***	0.136 ***
age 50 to 59	0.109 ***	0.089 ***	0.110 ***
age 60 to 69	0.081 ***	0.071 **	0.084 ***
age not reported	-0.108	-0.118	-0.140
Education (base: school)			
educ post school	-0.039	-0.029	-0.033
educ tertiary	-0.038	0.005	-0.017

Notes: Marginal effects show changes in the probability (in ppt) of being in high stress, based on a series of statistical models of self-reported stress levels (ranked on a scale of 0 to 10). Estimates are derived from a series of ordered probit models of stress as a function of individual and business characteristics. The first two ordered probit models are based on single-year samples for 2017 and 2020. The third is a panel ordered probit using an unbalanced panel of data from the BCEC Small Business Surveys for 2017 and 2020 (a combined sample of 2,938). Statistical significances are indicated at 1% (***), 5% (**) and 10% (*). Additional controls for industry, region, age and education of the business owner are also included in each model. Full details of estimations are available in a technical paper to accompany this report.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Late payments from large firms increase the incidence of high stress among small business owners.

Businesses that face payment delays of more than 30 days are up to 11ppt are more likely to suffer high stress than businesses who are paid on time.

Women small business owners are significantly more likely to endure high levels of stress compared to their male counterparts.

The results in Table 12 include some important findings that should inform policy and practice by government and larger businesses towards the small business community:

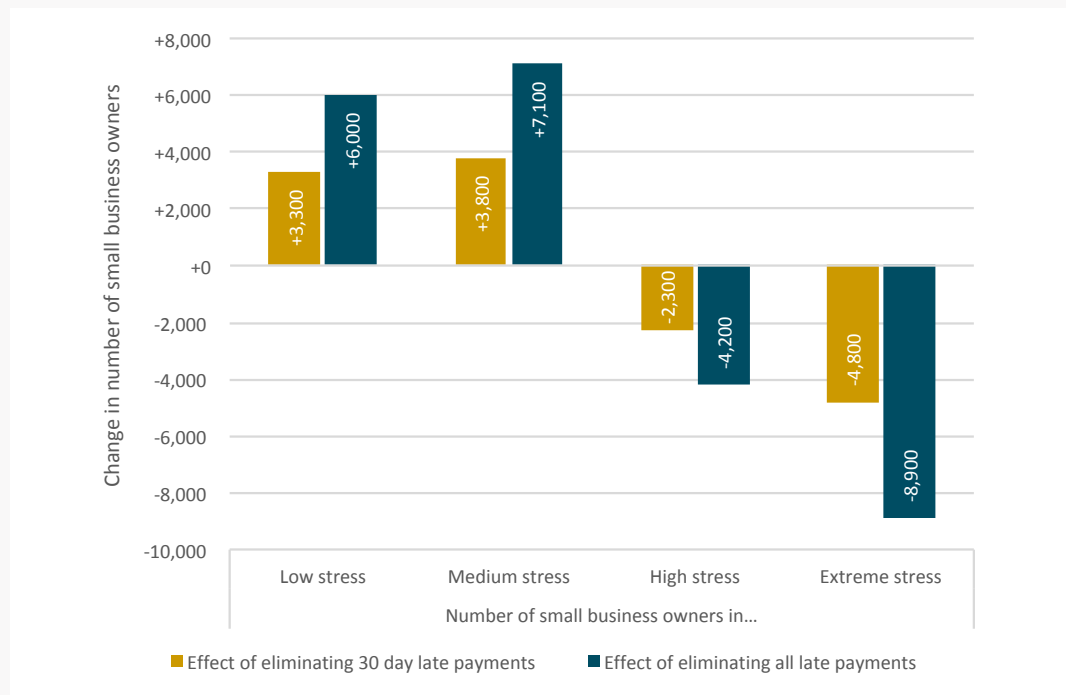
- Late payments from large firms increase the incidence of high stress among small business owners.
- Businesses that face payment delays of more than 30 days are up to 11 percentage points more likely to suffer high stress than businesses who are paid on time (Table 12 column 3).
- Women small business owners are significantly more likely to endure

high levels of stress compared to their male counterparts with the same characteristics and business environment.

- Owners of small businesses with 10 to 14 workers are up to 17 percentage points more likely to suffer from high stress compared to a non-employed small business owner.
- Competencies in the key skills required for business operations, such as leadership and management, and business planning, all significantly reduce the incidence of high stress among small businesses.

FIGURE 30

The impact of improved payment terms on the health of WA's small business owners



Notes: Projected impacts are based on the unbalanced panel ordered probit model of stress (scored from 0 to 10), as reported in the third column of Table 12. Estimated changes in the counts of small business owners at low (0 to 3), medium (4 to 6) and high (7 to 10) stress are projected through reweighting marginal impacts by the population count of small businesses in Western Australia.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

Using the most comprehensive (third) model in Table 12, we undertook some scenario modelling to project the impact on the numbers of WA small businesses facing different levels of stress when we eliminate:

- (a) late payments of more than 30 days, and;
- (b) all late payments to small businesses.

The results of these two scenarios are illustrated in Figure 30, and reveal that:

- Eliminating late payments of more than 30 days would reduce the number of WA small businesses in high or extreme stress by around 7,200, and;
- By eliminating all late payments to small businesses, around 13,100 fewer business owners would be facing high or extreme stress in WA.



Eliminating late payments of more than 30 days would reduce the number of WA small businesses in high or extreme stress by around 7,200.

By eliminating all late payments to small businesses, around 13,100 fewer business owners would be facing high or extreme stress in WA.

"ONE OF THE STRONGEST TAKE-HOMES FROM THE *2020 BCEC SMALL BUSINESS SURVEY* WAS THE **DEGREE OF OPTIMISM SHOWN** BY THE SMALL BUSINESS SECTOR HEADING INTO 2021."





FUTURE OUTLOOK FOR WA SMALL BUSINESSES

INTRODUCTION

One of the strongest take-homes from the *2020 BCEC Small Business Survey* was the degree of optimism shown by the small business sector. More than a quarter of small business owners expected to employ additional workers over the next six months, only 4 per cent had intentions of continuing to apply for JobKeeper, down from almost 40 per cent previously accessing the scheme, and very few small businesses were looking to decrease their workforce or take-up additional recently announced additional supports.

In this section we take a look at the future outlook for WA small businesses - at least where it stood heading into 2021.

We asked small business owners their revenue and expenditure expectations, their intentions to access existing and new government supports, and their capital and labour investment intentions.

Whether these intentions are still with small businesses now will remain to be seen.

WHAT ARE THE FUTURE REVENUE EXPECTATIONS OF WA SMALL BUSINESSES?

Revenues have fallen for more than a third of WA small businesses (36.5%) during the COVID-19 pandemic to date, with 25.2 per cent of businesses seeing revenues increase.

But what revenue changes do small businesses in WA expect over the next 6 months as we move into 2021? Is there a sense of optimism regarding future revenues? Or a concern that the continued restrictions imposed by COVID-19 will continue to affect the sector's recovery?

We asked survey respondents whether they expected revenues to rise, fall or remain the same over the first half of 2021.

Figure 31 uncovers a genuine sense of optimism for small businesses across most industry sectors, and shows that at the end of 2020 over 36 per cent of small businesses in the survey expect revenues to increase in the next 6 months, compared to just 12 per cent that expect revenues to decline.

The building and construction sectors report the strongest sense of optimism,

underpinned by the stimulus measures introduced by the WA and Federal governments. More than half of small businesses in rental, hiring and real estate (50.4%) and 44 per cent of construction businesses expect revenues to rise over the next 6 months.

Around 42 per cent of accommodation and food services businesses expect future revenues to rise, but this is more driven by small businesses in the sector looking to recover lost ground, with half having suffered revenue falls over the course of the COVID-19 pandemic to date.

On the other hand, more than one in five retail small businesses (22.4%) expect revenues to *fall* over the next six months.

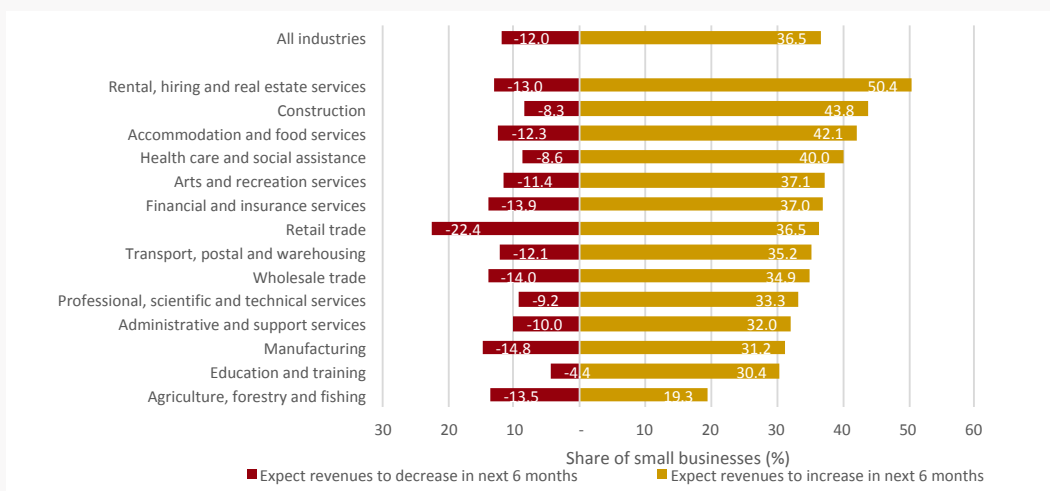
This may well be driven by a sense that future retail spending – particularly for certain goods – may slow as stimulus payments are withdrawn and the lockdown effect subsides.



Over 36% of small businesses in the survey expect revenues to increase in the next 6 months, compared to just 12% that expect revenues to decline.

The building and construction sectors report the strongest sense of optimism, underpinned by the stimulus measures introduced by the WA and Federal governments.

FIGURE 31
Future revenue expectations among WA's small businesses: selected industries



Notes: Results are not reported for industry sectors with statistically unreliable counts of positive or negative sentiment regarding future revenue expectations.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



More of the positive sentiment regarding future revenues is coming from small businesses whose revenues have taken a hit over the course of the COVID-19 pandemic.

More than 55% of small business owners whose revenues fell during 2020 expect to see revenues pick up over the coming six months.

But have small business owners' expectations about future revenue streams been affected by their experiences since the start of the pandemic?

In Table 13 we compare the future revenue expectations of small businesses over the first half of 2021 depending on whether their revenues rose or fell during 2020.

The findings highlight that more of the positive sentiment regarding future revenues is coming from small businesses whose revenues have taken a hit over the course of the COVID-19 pandemic.

More than 55 per cent of small business owners whose revenues fell during 2020 expect to see revenues pick up over the coming six months.

Under a third (32.9%) of small businesses whose revenues have risen during 2020 expect these increases to continue into 2021.

These results suggest that a greater share of the optimism from small business owners comes from their belief that the worst is behind them, and they will recover some of the ground lost during the pandemic to date. Whether these expectations eventuate is another question.

TABLE 13

Revenue impacts on small businesses during 2020, and future revenue expectations

Expected change in revenues over next 6 months	All businesses	By change in 2020 revenues		
		Revenues fell in 2020	No change in 2020	Revenues rose in 2020
Expect to decrease	13.0	12.7	7.1	20.8
Expect no change	48.2	32.2	66.1	46.3
Expect to increase	38.8	55.1	26.8	32.9

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

INTENTION TO ACCESS EXISTING GOVERNMENT SCHEMES

A significant share of WA businesses accessed the multiple COVID-19 supports available, however access of these supports has decreased substantially over the course of 2020.

At the end of 2020, only 16.8 per cent of WA small businesses were accessing JobKeeper, compared to almost 40 per cent who previously gained access to the subsidy. And only a further 4 per cent intend on accessing JobKeeper in the future.

Small businesses that intend on accessing JobKeeper in 2021 are concentrated in the construction sector (28%), agriculture (16%) and professional, scientific and technical sectors.

Similar patterns can be seen for those small businesses who secured loan deferral and renegotiated property leases. Businesses gained access to these when needed but as of December 2020, very few were accessing

or intended to access these types of arrangements.

This illustrates both the temporary nature of supports, but also the strong economic recovery for Western Australia and the ability to remain trading when there were no cases of the pandemic in the community.

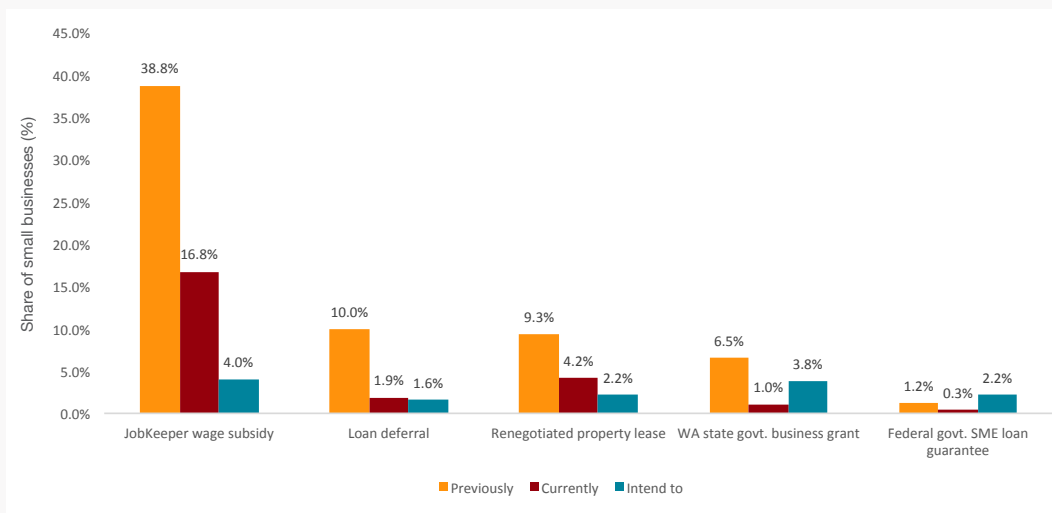
The one-off grant from the WA state government of \$17,500 for businesses with payroll between \$1 and \$4 million was accessed by 6.5 per cent of small businesses, with a further 4.4 per cent currently accessing the scheme and 2.2 per cent intending on gaining access.

A slightly higher share of WA small businesses intend on accessing the federal government’s loan guarantee. This likely reflects the increased confidence in the economy by business owners and their willingness to increase investment.



Only 4% of WA small businesses intended on accessing JobKeeper in 2021.

FIGURE 32
Share of small businesses currently, previously or intending to accessing supports



Source: Bankwest Curtin Economics Centre | Authors’ calculations from the BCEC Small Business Survey 2020.



Few WA small businesses intend on accessing the new government supports announced in the 2020-21 Federal Budget.

INTENTION TO ACCESS NEW GOVERNMENT SCHEMES

Few WA small businesses have concrete plans to access the new government supports announced in the 2020-21 Federal Budget.

Only 9.5 per cent intend to access the JobMaker Hiring Credit, which is intended to incentivise businesses by providing up to \$200 per week to take on additional employees aged 16-35 years.

A tiny 4.6 per cent of WA small businesses intend on accessing the temporary loss carry-back scheme which will allow eligible businesses with less than \$5 billion turnover in a relevant loss year to carry back losses.

Just over 7 per cent of small businesses report intending on accessing the federal government's temporary full expensing scheme. A higher proportion are unsure as to whether they will access the latter, which is related to capital investment.

Small businesses operating in the arts and recreation, manufacturing, utilities and accommodation and food were more likely intending to access JobMaker hiring credit.

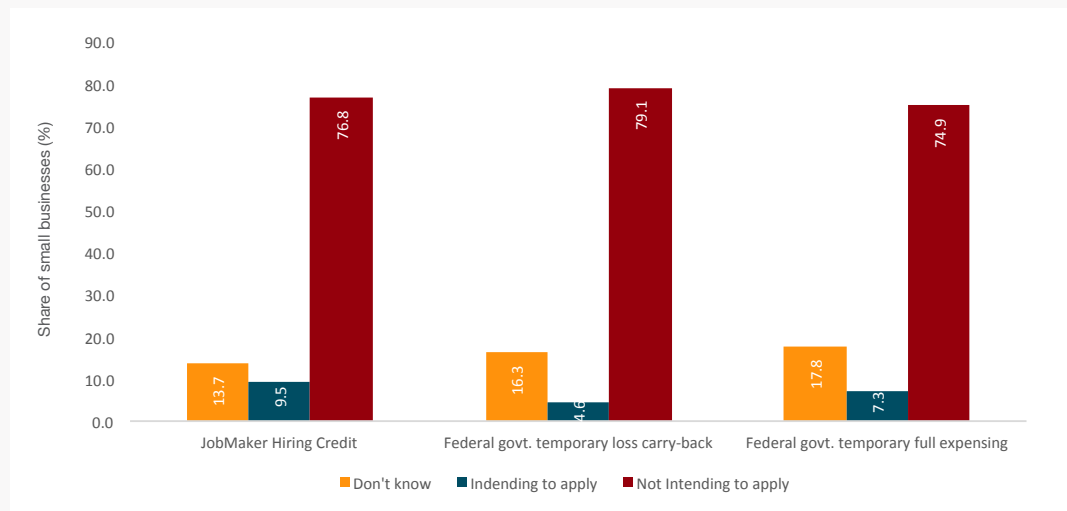
Small businesses operating in education and training, arts and recreation, finance and insurance and manufacturing are more likely to have intentions to access the temporary loss carry-back.

Businesses in the real estate sector are more likely to have intentions to access temporary full expensing.

A level of uncertainty about accessing the new supports does exist, particularly for the temporary full expensing scheme. Firmer decisions are likely as business owners accumulate more information about each scheme and weigh up their markets and operating environment.

FIGURE 33

Share of small businesses intending on accessing new federal government supports



Notes: The JobMaker Hiring Credit provides up to \$200 per week for eligible employees aged between 16 and 35 years old. Eligible businesses with less than \$5 billion turnover in a relevant loss year can carry back losses made in the 2019-20, 2020-21 and 2021-22 financial years to a prior financial year's income tax liability in the 2018-19, 2019-20 and 2020-21 financial years. Temporary full-expensing: Eligible businesses with turnover of less than \$5 billion can deduct the full cost of new eligible depreciating assets from 6 October 2020 until 30 June 2022. For SME's (with turnover less than \$50 million), full expensing also applies to eligible second-hand assets.

Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.

FUTURE HIRING DECISIONS

WA’s labour market recovery has been incredibly rapid, with over 90 per cent of jobs and 100 per cent of hours lost now recovered⁸. But for the state’s economy to really be well and truly on track again, there needs to be employment growth exceeding pre-pandemic levels. Are WA small businesses ready to hire?

More than a quarter of small business owners (27%) are expecting to employ additional workers over the next six months, and only 2 per cent anticipate lower employment (Figure 34).

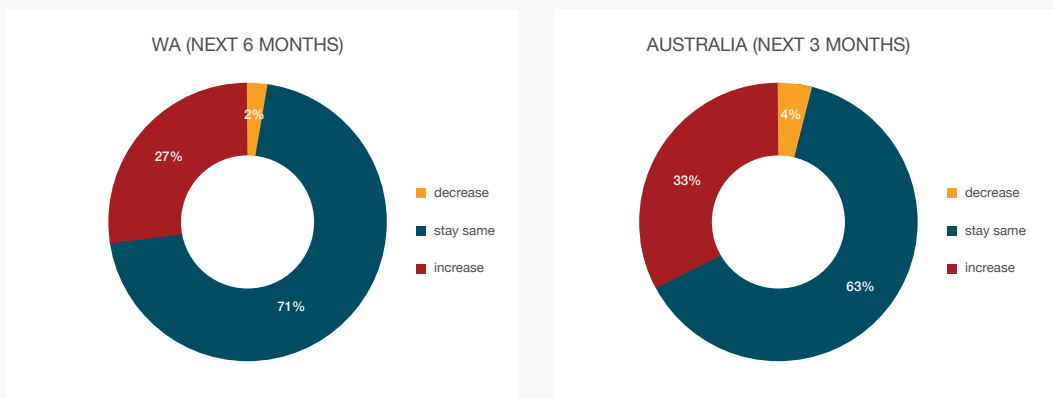
Hiring intentions are not as optimistic for small businesses across the country. Only 7 per cent expect to increase the number of employees in the next month. However the majority of small businesses nationwide are not intending to lay workers off.

These patterns coincide with the greater demand for labour in WA compared to other states and territories, borne out in other data sources including the latest internet vacancy index where WA strides ahead.



27% of small businesses had intentions to hire more workers in the first six months of 2021 and only 2% said they would decrease their workforce.

FIGURE 34
Employment intentions of WA and national small businesses



Notes: WA small business owners were asked “In the 6 months ahead do you intend to: increase, decrease or maintain your current employee levels?” Nationally small business owners were asked: “And over the next month, do you expect the number of employees will increase, decrease or stay the same?”

Source: Bankwest Curtin Economics Centre | Authors’ calculations from the BCEC Small Business Survey 2020 and ABS 5676.0.55.003 - Business Indicators, Business Impacts of COVID-19, December 2020.

⁸ BCEC Monthly Labour Market Update December 2020.



Over half of small businesses operating in the Pilbara reported intentions to increase their workforce in the next six months.

1 in 5 WA small businesses that plan to hire more workers also plan to access the JobMaker Hiring Credit.

Which small businesses are more likely to be hiring in 2021?

More than one-third of small businesses in electricity, gas, water and waste services, mining, construction, other services, manufacturing and public admin and safety sectors have intentions to employ more workers in the next six months.

Across all industries a greater share of WA small businesses are more likely to report hiring intentions than they are intentions to let employees go. Small businesses operating in the administrative and support services sector were more likely to report intentions to decrease employment in the coming months.

Over half of small businesses operating in the Pilbara reported intentions to increase their workforce in the next six months.

More than one-third of small businesses in the Gascoyne and Goldfields-Esperance are all looking to hire. Increased mining activity in these regions is likely to be contributing to this activity.

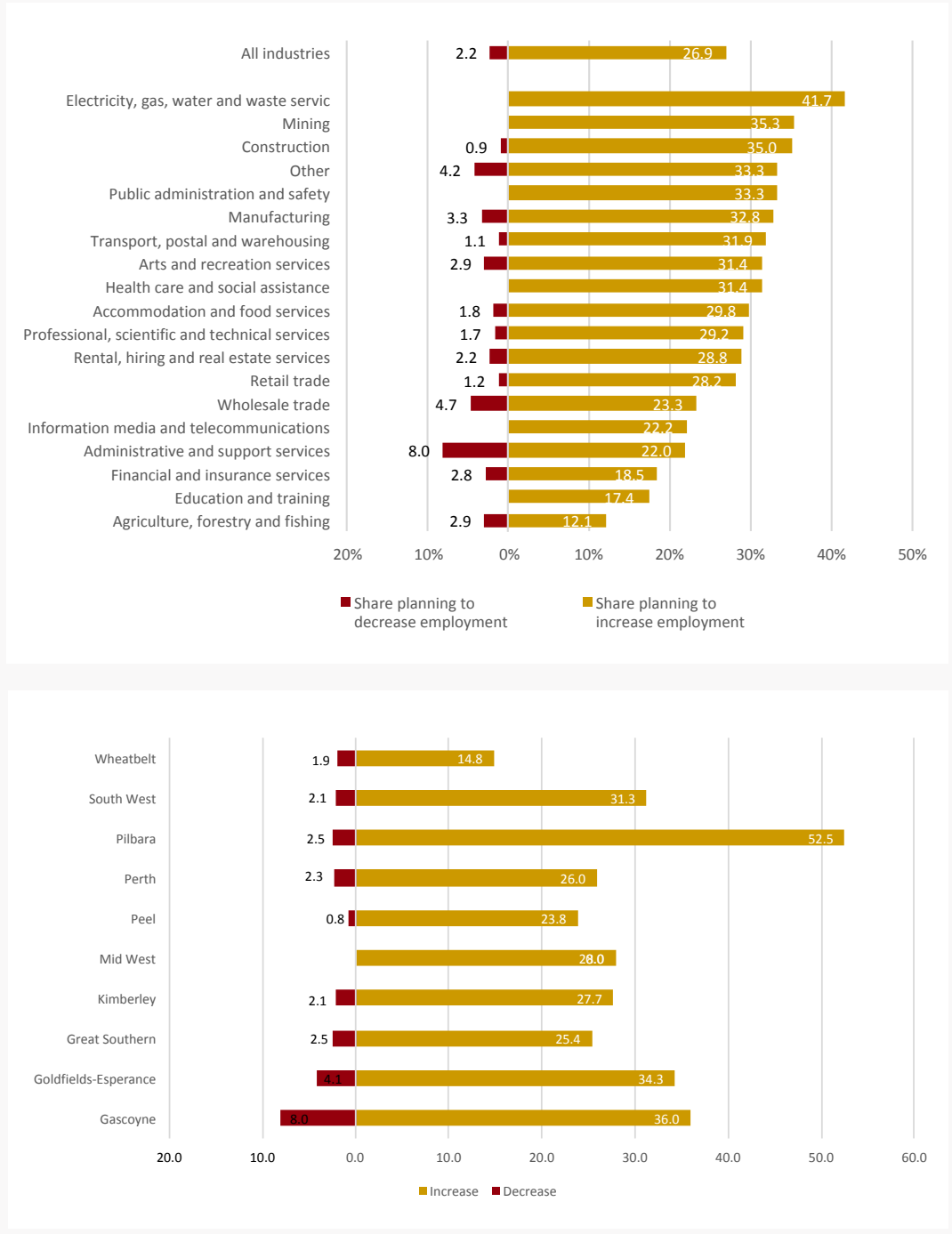
Only 14.8 per cent of small businesses in the Wheatbelt have intentions to employ – the lowest across all WA regions. For all other WA regions more than one in four small businesses are looking to hire.

Gascoyne has the highest share of small businesses that report intentions to decrease the number of employees. However, this only represents two businesses in the region.

Among WA small businesses that are intending to add workers in 2021, 20 per cent of these businesses also intend on accessing the JobMaker Hiring Credit.

FIGURE 35

Employment intentions over the next 6 months: by industry sector and WA region



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020.



Over half of WA and Australian small businesses with capital expenditure plans report these plans being higher than usual.

There is an increased likelihood of small businesses both within WA and across Australia having capital investment plans in the next three months.

FUTURE CAPITAL INVESTMENT

Business investment for WA has been improving over the year to June 2020, increasing, after several years of negative growth. However, in the most recent state finance statistics business investment had fallen again, dropping 4.9 per cent in the year to September 2020⁹.

Small businesses were asked if they usually have capital expenditure at this time of year, whether or not they have planned capital expenditure in the next three months and whether this expenditure was higher or lower than usual for the time of year. These questions directly align with those asked in the ABS Business Impacts of COVID-19 November 2020 survey.

Overall, there is an increased likelihood of small businesses both within WA and across Australia having capital investment plans in the next three months, relative to their usual capital expenditure at a similar time of year.

For example, among small businesses in WA that do have planned capital expenditure, almost 50 per cent do not usually have capital expenditure at this time of year. Nationally, this figure is higher: 68 per cent of small businesses that plan to buy capital do not usually have capital expenditure at this time of year.

What's more - over half of both WA and Australian small businesses have reported that their capital expenditure is higher than it usually is.

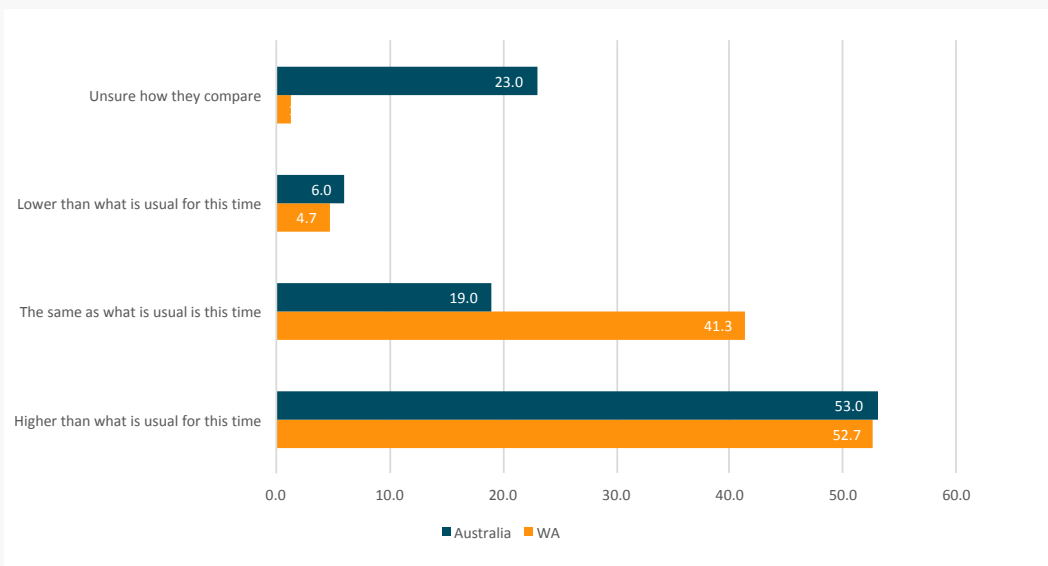
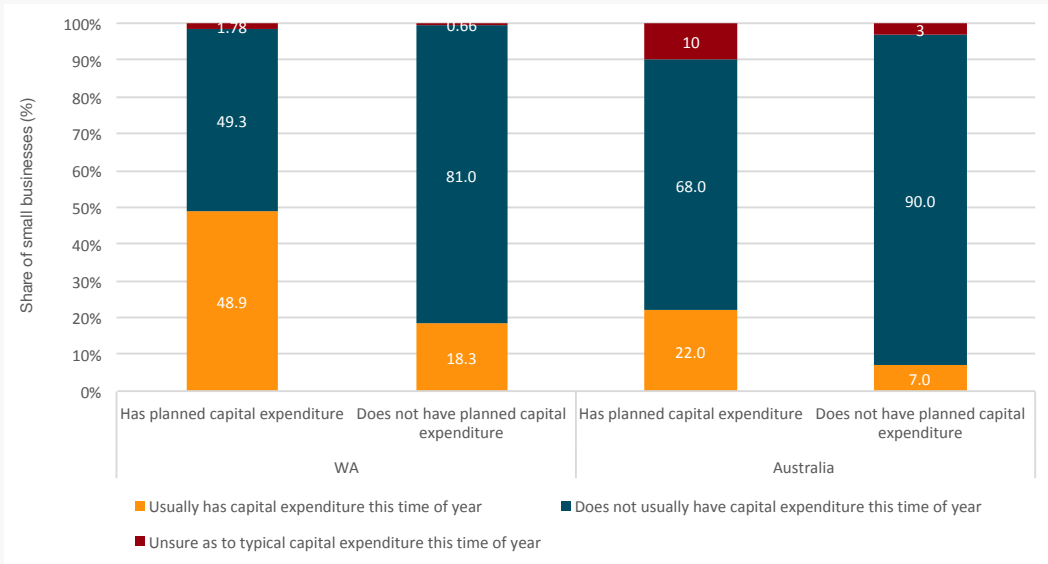
This suggests that there was optimism among small businesses at the end of 2020, and that policy settings including the temporary full expensing scheme, low interest rate environment and the federal government SME loan guarantees are also playing a role.

There are some businesses who do not have capital expenditure plans but would typically be spending; 18.3 per cent for WA and 7 per cent nationally. This suggests that while overall business investment decisions are on the rise and there is more optimism than pessimism in the sector, there is still a substantial share of WA small businesses that are not prepared to invest in capital when they would otherwise be making the decision to do so.

⁹ BCEC Quarterly Economic Commentary, November 2020.

FIGURE 36

Capital expenditure intensions of small businesses: WA and Australia



Source: Bankwest Curtin Economics Centre | Authors' calculations from the BCEC Small Business Survey 2020 and ABS 5676.0.55.003 - Business Indicators, Business Impacts of COVID-19, November 2020.

"THE SMALL
BUSINESS SECTOR
IS AN **ECONOMIC
POWERHOUSE** IN
THE WA ECONOMY."





SUMMARY AND RECOMMENDATIONS

INTRODUCTION

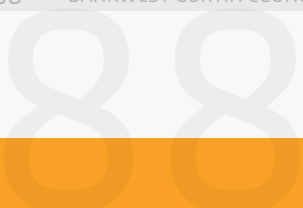
The small business sector is an economic powerhouse in the WA economy.

Small businesses collectively contribute goods and services worth at least \$50 billion to the state's economy each year, a quarter of the total economic value produced by the state's private sector. Small businesses are also a hugely important source of jobs in Western Australia, employing half a million of the state's workforce.

But beyond their economic contribution, small businesses have long played a critical role in supporting their local communities, especially in regional and rural areas, as well as being an incubator for creativity, innovation and new ideas.

This *BCEC Focus on Western Australia* report represents one of the most contemporary snapshots of how WA's small business community is navigating COVID-19, what they see as the greatest challenges they face, and the future prospects for their businesses, and the workers they employ.

The research has been made possible by a unique and comprehensive survey of WA's small businesses. The survey was collected during November and December 2020, and includes specific questions on how small business owners have been affected by COVID-19, and their ambitions for the future.



HOW HAS COVID-19 AFFECTED SMALL BUSINESS ACTIVITY?

Small businesses have been remarkably resilient during COVID-19.

Our survey shows that more businesses have increased the number of workers due to the pandemic than have reduced their workforce. And while revenues fell over the course of the pandemic for more than a third of small businesses, a quarter of businesses actually grew their revenue base.

Many small business owners emphasised the key role of a number of policies and protections that helped support them during COVID-19. The JobKeeper program has probably been the most important single support available to the small business sector, with over half of WA small businesses having accessed the subsidy to support their payroll over the course of the pandemic.

But while JobKeeper has without question helped small businesses to keep workers on the books, and business afloat, a number of other key supports have benefited the small business sector.

More than a third of small businesses relied on government grant schemes to maintain or grow their business, and a quarter accessed banking finance. However, fewer small businesses relied on cash flow to support their activities in 2020, with the share more than halving since 2017 – a strong indicator of the pressures forced on some small businesses over the course of the pandemic.

The ATO tax relief, and payroll tax relief provided by the state government, have both proved to be helpful in protecting cash flow during COVID-19, as have deferrals of business loans and renegotiating lease agreements.

Online sales have provided a lifeline for many, with 14.6 per cent of small businesses in Western Australia and nearly one in five businesses in Perth now selling their goods and services online.

The share of small businesses now selling online has increased by 2 percentage points relative to pre-COVID-19, which indicates that this has been a direct response to restrictions on face-to-face sales forced on them by the pandemic.

International markets have presented sales and growth opportunities to many small businesses. However, engaging with global markets can be a double-edged sword, with many regional small businesses also exposed to heightened risks from a global slowdown in sales, and from ongoing trade tensions with China.

These risks are borne disproportionately by small businesses in the agriculture sector, and have increased over time. Just under 40 per cent of WA agriculture small businesses sell to international markets, with sales outside Australia accounting for more than a quarter of their total sales volumes.

And our survey shows that over half of small businesses that sell to international markets report being in worse financial shape due to COVID-19. In contrast, only 14.5 per cent of metropolitan and 17.9 per cent of regional small businesses report better financial performance through COVID-19.

DO SMALL BUSINESSES HAVE WHAT THEY NEED TO SUCCEED?

Small businesses need their invoices to be paid on time.

This enables them to manage cash flow effectively, and to ensure that their own bills are settled on time. This is more imperative now than ever, given the winding up of government supports, loan deferrals and lease moratoriums by March 2021.

Our survey finds that six in ten small businesses experience late payments, with nearly a quarter now facing payment delays of more than 30 days – up 2.6 percentage points since 2017. This practice adds unnecessarily to the financial and personal stress faced by small business owners.

Our modelling suggests that the number of small businesses in WA experiencing high levels of stress would reduce by 13,000 if all late payments were eliminated.

This is a relatively small action with a significant impact on wellbeing and mental health.

Our findings add additional support to the case for late payments legislation currently before the Federal Parliament, which aims to address this issue by ensuring small businesses are paid on time.

Infrastructure quality also continues to be an issue for small businesses, especially those in regional WA. Effective mobile communications and high-speed data access have become essential inputs in the production and operational processes for most businesses.

Two-thirds of small businesses in metropolitan Perth rate the quality of local mobile phone infrastructure as high, and 57 per cent consider internet to be high quality.

Small businesses across the majority of WA's regions report significant improvements in the four years since the first survey in 2017.

However, despite a generally strong pattern of improved infrastructure across Western Australia, there remain some issues, especially in regional and remote parts of the state, and in those regions with a high concentration of businesses in agriculture, tourism, accommodation and food.

Nearly all small business owners feel they have an adequate understanding of the skills necessary to lead, plan and operate their businesses, and although four in ten small business owners reported a lack of awareness of government supports available to assist their businesses, this share has halved since 2017.

There has also been a significant increase in the share of sole traders reporting a high level of burden from compliance with regulatory systems. While this is likely to be driven by increased regulations due to COVID-19, these findings add support to calls for greater assistance for small businesses to meet their regulation and compliance commitments, and more simplified regulatory settings.

WHAT DOES THE FUTURE HOLD FOR WA SMALL BUSINESSES?

Our report highlights not just the resilience of the WA small business sector over the course of the COVID-19 pandemic, but also the degree of optimism for the future that they carried into 2021.

More than a quarter of small businesses intend to hire more workers in the next six months, with only one in fifty expressing an intention to reduce their workforce. And one-fifth of those small businesses that plan to hire more workers also intend to access the JobMaker hiring credit

In looking to their futures, most small businesses have already discounted any ongoing wage subsidy support beyond the first quarter of 2021.

Almost four in ten small businesses have previously accessed the JobKeeper wage subsidy at some point since the start of the pandemic, but only four per cent of businesses intend to access JobKeeper in 2021.

Healthier turnover for many small businesses has removed their eligibility for JobKeeper payments under the current rules, and there is no real expectation that the scheme will either be modified or extended beyond the end of March 2021.

More WA small businesses also intend to invest, and to invest more, in capital over the next three months compared to their usual plans for this time of the year.

This suggests a cautious optimism among small businesses regarding the future, as well as their reaction to the low interest rate environment in Australia at the moment.

But it also suggests that new policies such as the temporary full expensing scheme are having an effect on incentives.

However, the positive sentiments that small businesses hold for their prospects through and beyond 2021 are fundamentally tied to the continued control of the COVID-19 pandemic within Australia, and to improvements in suppression of the virus internationally.

State and Federal governments must ensure that appropriate and proportionate policy measures remain in place to provide protections against the risk of future outbreaks stalling the small business sector's recovery.

POLICY INSIGHTS AND RECOMMENDATIONS

Action on late payments

This research highlights the compelling case for action to address the persistent problem of late payments to small businesses. The practice constrains their ability to operate effectively, and creates unnecessary and avoidable stress to small business owners.

It is a particular concern that payment delays of more than 30 days have actually become more rather than less common during the COVID-19 pandemic. Payment delays of more than 30 days create significant cash flow issues for small businesses, and in extreme cases, can compromise business survival.

- The evidence in this report strengthens the case for stronger action, with consideration given to mandatory 30 day payment terms for small businesses.
- The findings in this report provide support to the case for late payments legislation currently before the Federal Parliament, including the requirement for larger businesses to provide information on payment terms to their small business suppliers.

Action to improve mobile phone and data access in regional WA

While small businesses in Perth and across the majority of WA's regions rate the quality of local infrastructure to have improved over the last four years, there are still significant shortcomings across WA's regions.

More than a quarter of small businesses in agriculture and accommodation and food services regard their internet and broadband service to be poor.

- Action should be taken to eradicate mobile phone service blackspots, and expand high-speed internet access in regional areas of the state.

Action to cut red tape and compliance costs for small businesses

The burden of red tape has increased for non-employed small business owners, with more now feeling a high burden from compliance with regulatory systems in areas relating to human resources, health and safety and planning.

- There is a case for skills development, training and support services for micro and non-employed businesses to manage planning and regulation processes.
- There is also a case for simplified and proportionate regulatory systems and settings for small businesses.

Action to address skills shortages in Western Australia

Skills shortages have been raised as an issue by many of WA's small businesses, with 38 per cent reporting that it is harder now to access labour compared to a pre-COVID-19 economic climate.

Businesses operating in the accommodation and food services, manufacturing and construction sectors are particularly affected.

Both interstate and international border closures restricting labour mobility, significant stimulus in the construction sector, and work disincentives from JobKeeper and JobSeeker are all likely to be having an impact on these challenges.

- Policies that allow for greater skills mobility within a COVID-19 environment need to be considered to ensure that there are sufficient workers across the small business sector, and the economy more broadly.

Contact

Bankwest Curtin Economics Centre

Tel: +61 8 9266 2873

Email: bcec@curtin.edu.au

bcec.edu.au

© Curtin University 2021
CRICOS Provider Code 003011
ADV132202