

Economic Stimulus Options for NSW

Targeted stimulus initiatives to restore
a confident and prosperous economy



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Background & Approach

Background

In August 2021, the James Martin Institute for Public Policy had the opportunity to provide independent advice to the then-Treasurer of NSW, the Hon. Dominic Perrottet MP, and NSW Government as they considered economic stimulus measures to support the state as it emerged from an extended period of lockdown.

This is a short summary of the full report provided to the NSW Treasurer in August 2021, highlighting the Institute's key proposals for investment and reform.

The report constitutes independent external advice from the Institute. It in no way reflects official NSW Government policy positions or deliberations.

Approach

This project employed the Institute's unique collaborative model that engages government and academia to work cooperatively on challenging policy issues. The core project team comprised Institute staff, a project manager and a university lead researcher.

Advice from the Expert Advisory Group (EAG) – comprised of leading economists with policy and practice expertise, who had experience in advising various governments – was gathered and considered. We also consulted a range of stakeholders and government colleagues, within the limitations of the timeframe allowed.

The project team considered more than 200 initiatives from 40 jurisdictions across 22 countries in developing an evidence base for policymaking.



200+
Initiatives



40
Jurisdictions



22
Countries

Challenge & Solution

The Challenge: Shift from support to stimulus

The economic cost of the extended 2021 lockdown of Greater Sydney and NSW is widely recognised and well understood by the NSW Government. In other countries and jurisdictions, we have seen the deepening effect of subsequent or additional lockdowns, driven by an increased level of risk aversion. Business and consumer confidence is reduced, resulting in lower levels of consumption and investment. NSW could experience another rapid 'snap back', but the experience of other countries would suggest that an increase in targeted investment might be necessary as we make the shift from support to stimulus.

The Solution: A bold approach to restore confidence

In a constrained financial environment, the solution should be a targeted set of economic stimulus initiatives to address specific issues such as risk aversion, propensity to spend, willingness to travel, and cashflow issues for some SMEs through the recovery period. This includes the option of targeting investment towards those industries and local government areas (LGAs) most affected. Our proposed initiatives are designed to address three short-term objectives to get the whole economy moving again:

- **Accelerate** business recovery
- **Support** individuals returning to work
- **Increase** consumer spending

The communication of a clear and bold economic stimulus package, with a secure roadmap to provide certainty, will play a critical role in restoring business and consumer confidence.

We have prioritised options that apply to the particular set of challenges in NSW at this time and could be targeted to locations, industries, and demographics where they will have the greatest impact. We are proposing a set of stimulus options that will deliver a combination of rapid economic stimulus alongside more sustained, medium-term uplift. We have also applied equity-related considerations alongside these economic objectives; that is, to make sure that the least well-off households – those we know to be most affected by the lockdown – are given specific consideration.

Top 10 Investment Proposals

For new initiatives based on national and international best-practice.



Quick Wins



Hard Wins



Strategic Investments

Top 5 Reform Options

To accelerate business and economic recovery.

Stimulus Initiatives

Top 10 Investment Proposals



Quick Wins

1. Business 'Bounce Back' Package
2. Arts & Culture Stimulus Package
3. Accelerate Return of International Students
4. State-wide Travel Vouchers
5. Targeted Cash Stimulus



Hard Wins

6. Youth Kickstart Program
7. Fund for Frontline Charities
8. Isolation Support Scheme

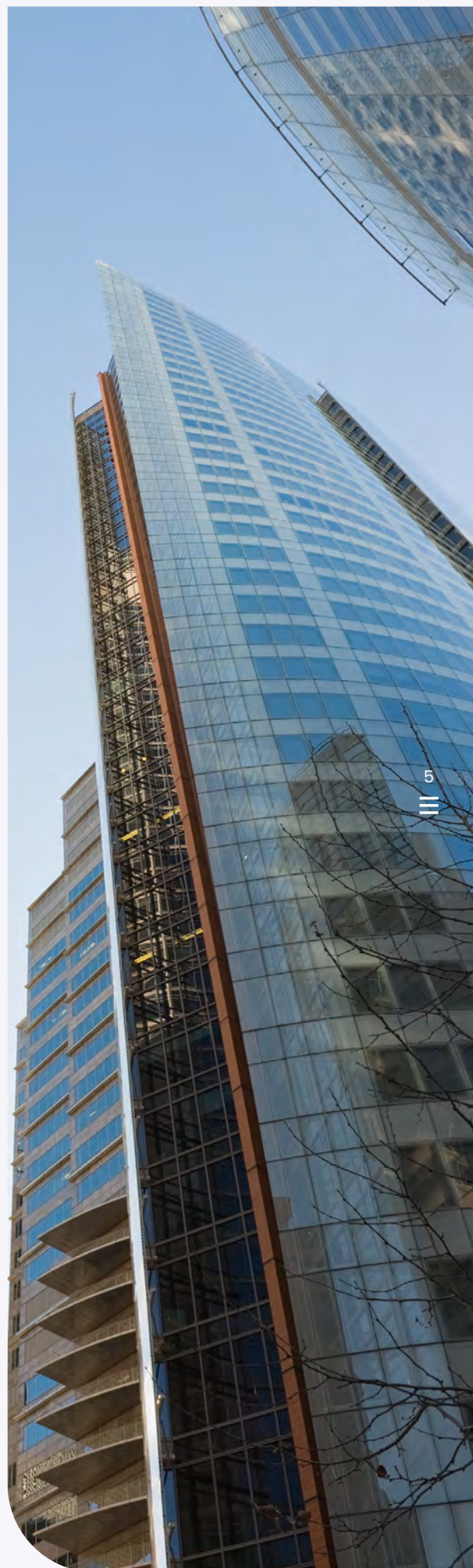


Strategic Investments

9. Life Sciences & mRNA Capability
10. Pandemic Surge Capacity

Top 5 Reform Options

1. Simplify Grant Application Process
2. Payroll Tax Holiday
3. The Gig Economy
4. Regional Development Application for SMEs
5. Smart Business Regulation



Business 'Bounce Back' Package



Summary

A financial support package for micro-businesses, start-ups, and SMEs to accelerate their recovery, using income-contingent loans (ICLs), a new government insurance scheme, hiring incentives, extension of NSW rent subsidies, and addressing critical supply constraints.



Implementation Considerations

- Consider whether the scheme should prioritise certain LGAs, sectors or SMEs.
- Develop a system where eligible businesses in effected LGAs are identified and engaged.
- Communicate a clear and confident business stimulus package to restore confidence.
- Recommendations about specific grant application process are included in **Top 5 Reform Options**.



Examples

United Kingdom

Bounce Back Loan Scheme for Small Businesses

Sweden

Deferral of SME Taxes

The Netherlands

Allowances for SMEs

Victoria, Australia

Wage Subsidies, Business Continuity Fund stamp duty discount

Queensland, Australia

Rent Lifeline



Case for Investment

Pay As You Grow schemes and ICLs: As an extension of existing support in NSW, grants and loans should be extended to enable repayment pauses which could help SMEs manage their cashflow and increase their market resilience. Income-contingent loans (ICLs) should be considered as a risk-free loan option for businesses with ICLs having had proven success in other sectors in Australia (higher education) and in other jurisdictions across Asia Pacific.

Hiring Incentives: Hiring incentives for SMEs have proven to be a highly effective mechanism when offered at the right level (Regional Job Creation Fund identified this at around \$20K for every new hire). These incentives would encourage SMEs to hire new employees where there may be perceived risk and can be targeted to areas or industries.

COVID-19 Insurance: To mitigate risk and uncertainties, the NSW Government could introduce a business COVID-19 Insurance Scheme, like the Federal Government's terrorism reinsurance scheme. NSW could follow a similar model to act as guarantors for businesses to encourage and improve business confidence in an uncertain environment.

Addressing cashflow issues: By continuing to defer payroll taxes for SMEs, and continuing land tax support for those negatively impacted by COVID-19. These initiatives allow deferral of payment of taxes between 3 to 12 months, supporting cashflow and enabling investment.

Remove barriers for growth: Addressing some of the key supply constraints for our most successful NSW industries and businesses is an important part of any approach – these include critical labour shortages, import costs, and freight and shipping constraints.

Arts & Culture Stimulus Package



Summary

This stimulus package involves:

- Extending the existing stimulus package (which targets not-for-profits and commercial performing arts impacted by current lockdown measures) to include a program of direct grants and loans to support cultural organisations;
- Directing grants could be used to specifically target specific LGAs, communities and Indigenous cultural organisations;
- Introducing event guarantees, so that if an event needs to be cancelled, or reduced, there is a system in place for organisations to get assistance from the government to cover the difference in costs (e.g., reimbursement of ticket sales, not loss of potential profits).



Implementation Considerations

- The use of a broad term of culture to include sports, arts, and entertainment (e.g., large-scale events and festivals).
- The need for a separate fund to specifically target Indigenous culture.
- Whether this should be extended to freelance artists.



Examples

Sweden

Support to Event Organisers

United Kingdom

Emergency Support Package for Culture and Arts & Culture Recovery Fund

Victoria, Australia

Creative Victoria Strategic Investment Fund



Case for Investment

Address perceived and real risk by increasing scope of existing supports to include a guarantee:

Arts and cultural organisations were one of the most severely impacted industries through lockdown. Recent reports suggest that a 'snapback' to pre-pandemic levels is not likely due to high levels of precarious employment and ongoing insecurity of the industry. This will need to be addressed directly through increasing the scope of existing event guarantees. Assuming up to 70% of the risk for an event, as in some other jurisdictions, will ensure the continued vitality of these industries.

Grant and loan support to enable investment:

Limitations imposed by COVID-19 restrictions have exacerbated financial issues for this sector, with many organisations currently experiencing cash flow and liquidity issues. This will encourage investment in future events and enable staff to be hired, creating jobs and stimulus.

A thriving arts and cultural industry:

Recognising the immense societal benefits the industry provides, alongside economic contribution, it is important that the industry is supported to return to a vibrant arts and culture sector for NSW.



Accelerate Return of International Students



Summary

Adopt existing pilot program with immediate effect to accelerate and extend the existing pilot plan supported by NSW Health and NSW Police that enables 250 international students to come to Sydney per fortnight, starting in September 2021.

NSW Health would triage arriving students and direct them to quarantine at specially approved student accommodation at no cost to taxpayers and with no impact on the number of returning Australians. The first of these sites has been chosen, with contract negotiations well advanced.



Implementation Considerations

- Existing pilot program is supported by NSW Health and NSW Police. The aim should be for rapid scaling to maximise economic impact. Consideration should be given as to whether the proposed numbers could increase if incoming students were fully vaccinated.
- This will require careful communication across NSW to describe benefits and to confirm no cost to taxpayer, and no impact to returning Australians.
- This would need effective communication to international student markets given critical timing of application cycles. There is an option for university groups to lead this.



Examples

Canada

Reopening of borders to International students in October 2020

United Kingdom

Maintained open borders for international students despite COVID-19 case numbers



Case for Investment

Identified as an economic recovery priority: In June 2021, NSW Treasurer The Hon. Dominic Perrottet identified international students as a vital missing piece in the State's economic recovery, with the sector worth \$14.6 billion in 2019. It is estimated that the combined impact of closed international borders, including on students, could be as high as \$1.5 billion per month for NSW.

Job recovery: Over 120,000 jobs in NSW are dependent on international students – Australia's third largest export industry. This pilot program would help to secure or, in some cases, enable jobs to return.

International students play a key role in the casual workforce for businesses targeted for rapid recovery: We know that some restaurants, cafes, bars and hotels struggled to 'snap back' fully when restrictions were lifted – not due to lack of demand but lack of staff availability. International students play a critical role in the NSW casual workforce and could play a key role in supporting business recovery.

International student revenue and expenditure will accelerate economic recovery: Evidence shows that loss of international students was a major contributing factor to the CBD's slower economic recovery rate in 2020.



State-wide Travel Vouchers



Summary

A stimulus package to reinvigorate the travel and tourism industry in NSW could include:

- 'Dine, Discover and Destination' – expand the NSW Dine & Discover voucher system to the tourism industry (travel and accommodation) to boost both regional and CBD economies;
- Free use of the Sydney Metro, Train and Buses for Summer holidays;
- Vouchers for school children to promote zoos and educational events;
- Lottery for travel vouchers for regional holidays and 'staycations' to explore CBDs.



Implementation Considerations

- Learn from other jurisdictions to overcome any barriers to extending vouchers for travel and tourism.
- Consider whether NSW can expand the current model to include vouchers that link up with festivals and larger events to further promote local events and promote the arts and culture sector.
- Implement lessons and feedback from Dine & Discover when rolling out the next version of the voucher system.



Case for Investment

Success of current Dine & Discover Scheme:

When an individual uses their voucher, the average additional money they spend is \$41.21. While initial uptake was slow, the extension of the program and ability to link with the 'Destination' vouchers should further encourage their use. Additional advertising in venues would support take-up.

Success in other jurisdictions: The Victorian model to promote intrastate travel has seen a strong uptake, with all available allocations now exhausted. This model targeted both regional and city travel.

Free transport would encourage travel in metropolitan Sydney:

Lockdowns have had a significant effect on CBD and downtown businesses, subsidising public transport for the summer months would encourage intrastate travel to help reinvigorate city centres and promote travel across metropolitan Sydney. This should also encourage people to start using public transportation again, following an increase in perceived risk.

Regional tourism has suffered due to weakened ski season activity: Promoting regional travel will also encourage promotion of events and festivals in regional areas. Regional tourism in January 2022 is already in high demand so vouchers could exclude use at peak times to ensure they are providing genuine stimulus.



Examples

Victoria, Australia

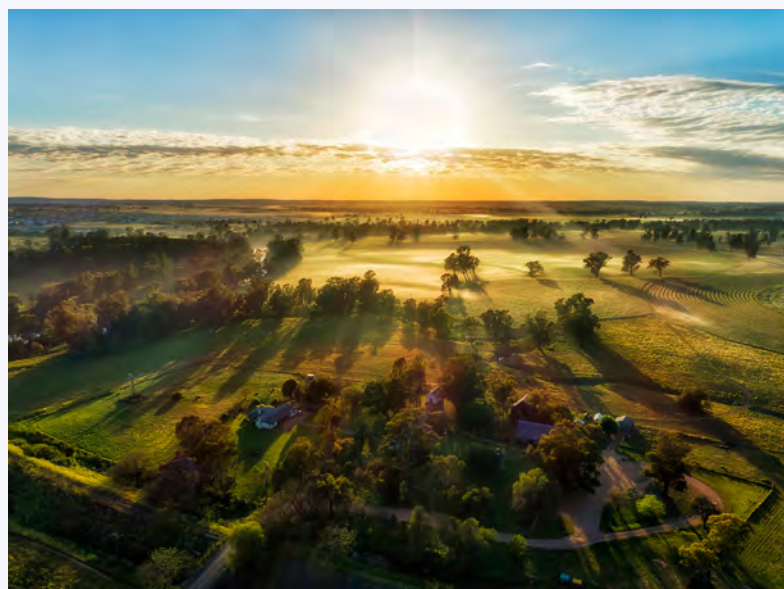
Regional Travel Voucher Scheme and Melbourne Travel Voucher Scheme

Northern Ireland

Holiday-at-Home

England

Rail Travel Voucher



Targeted Cash Stimulus



Summary

If a rapid and direct intervention becomes necessary, the option of a \$500 debit card provided directly to low-income households across NSW. Spending could be constrained to particular areas such as energy bills and groceries.

A higher amount could be targeted towards:

- low-income residents in effected LGAs
- essential workers who meet the low-income threshold.

These payments can be made through either vouchers and/or debit cards.



Implementation Considerations

- The mechanism for identifying and distributing cash stimulus would need careful consideration but international examples show it is possible. A simple online platform could be developed for individuals to sign up for a debit card (see US example).
- For targeted higher payments, the NSW Government would have to develop a system to identify low-income residents in specific LGAs and/or essential workers.
- Consider whether debit cards should have restrictions on spending locations.
- Consider whether amounts should be proportionate to a variety of income levels.



Case for Investment

Cash stimulus payments have an immediate impact on the economy: Cash payments, paid directly to citizens, are one of the most effective means of providing rapid fiscal stimulus. The ability of cash payments to increase consumer spending is enhanced when it is paid to low-income individuals or households who have a higher marginal propensity to spend. This helps to immediately stimulate the economy, boost recovery and support businesses. Research suggests cash payments are particularly useful in helping consumption expenditure to 'snap back' after a short lockdown and have been used by G7 countries.

Higher payments to essential workers: This option serves the dual purpose of recognising the ongoing role of these workers in the state's essential supply chain and providing rapid stimulus for the economy. By targeting essential workers who are below a specific income threshold, they will have a higher propensity to spend the cash payment which will have flow on effects in the economy.

Higher payments to those most in need will reduce ongoing costs of the lockdown: The current outbreak in NSW is resulting in economic and social costs (e.g., loss of lifetime earnings, worker discouragement, adverse health outcomes, and loss of social cohesion). A well-structured and timely stimulus package can reduce or prevent some of these costs.



Examples

United States

Stimulus checks for low income singles, families and couples

Victoria, Australia

Cash payments provided under specific circumstances

Québec, Canada

Incentive Program to Retain Essential Workers



Youth Kickstart Program



Summary

Employment support scheme for people aged 16–25, which includes:

- A guaranteed 6-month work placement with government-approved employers;
- For employers, the NSW Government covers cost of wages (and insurance) for 6 months;
- Participants in the program are given a 'work coach' to provide support during their placement.

The scheme can be sector specific to address current workforce needs.



Implementation Considerations

- Could focus on targeting SMEs and/or key sectors (e.g., care providers) to encourage reskilling and upskilling in industries with high demands and labour shortages (or identified to have future labour shortages).
- Consider how this program can interact with other federal programs and existing state initiatives, including apprenticeships.
- Make grants available to young entrepreneurs with innovative ideas in at-risk or in-need sectors.



Examples

Canada

Youth Employment and Skills Strategy Program

England, Wales & Scotland, UK

Kickstart Scheme



Case for Investment

Support for those at risk of long-term

unemployment: A third of Australian youth are unemployed or underemployed. This situation has been exacerbated by the COVID-19 pandemic and the current lockdown measures. This is an opportunity for the NSW Government to address patterns of long-term unemployment. Young people are most affected by COVID-19's impact on the labour market; global youth unemployment fell by 8.7% in 2020, compared with a 3.7% decrease among adults.

Helping young people find consistent work:

Alongside opportunities such as JobTrainer and apprenticeship programs, this employment support scheme would help young people into employment, who may otherwise be working multiple casual positions or in other precarious low-skill working arrangements.

Focus on job security: Encouraging young people to pick a skilled area promotes job security, which may encourage consumer spending given the certainty around employment. This program can target SMEs and young people interested in the start-up space to further encourage economic growth.

Focuses on sectors in need: In the decade following the Global Financial Crisis (GFC), 40% of new jobs were created in health and social care. Despite this, there remains a mismatch of supply and demand in these sectors. The NSW Government should focus on non-clinical health and social care job placements, including aged-care, child-care and disability workers, to address the needs of these sectors, which have been exacerbated by restricted immigration. Other key sectors of the NSW economy that could engage with this program could include agriculture and land management as well as sectors most impacted by lockdown.

Fund for Frontline Charities



Summary

- Provide grants to NFPs, NGOs, and community organisations whose services have seen an influx in demand as a result of COVID-19 restrictions and lockdowns;
- Support should be targeted to frontline activity and may be in the form of grants or vouchers to access further supplies or upgrade systems;
- Cash grants may be provided to allow maximum flexibility in line with the charities' objectives, including hiring of additional employees;
- Priority should be given to organisations supporting most affected LGAs.



Implementation Considerations

- The intended recipients, including whether specific front-line services should be targeted
- Mechanisms for diverting funds should be simple with clear eligibility criteria
- Determine whether a specified amount should be channelled to Indigenous community groups
- Determine whether the initiative should include some light-touch reporting in terms of use of funds.



Examples

United Kingdom

Fund for Frontline Charities

Western Australia

Electricity Credit



Case for Investment

Increase demand for frontline support: Informal reports suggest that the current lockdown has seen 200% increase in demand for food relief hampers in Greater Sydney. The increase in reliance on food assistance is just one example of the increased demand on front-line charity support.

Stimulate economic activity: Grants for front-line charities in areas most affected by COVID-19 would stimulate economic expenditure whilst also ensuring that stimulus funds go to areas and communities in the most need. In some cases, this may support individuals to return to work.

Using NGOs and NFPs as funding channels: Using organisations that are directly connected to the community is a highly efficient mechanism to filter supports and services to where they are most needed, ensuring resources are being used efficiently and appropriately.

Supporting organisations: Funding helps organisations meet the demands of the community, encouraging employee retention, while supporting businesses and local economies.



Isolation Support Scheme



Summary

Extend/continue to provide financial assistance to support employees and employers as we shift to 'living with COVID-19'.

For NSW Government, this involves:

- Continuing to provide the current \$320 'test and isolate' payment beyond the current lockdown measures;
- Consider replacing the Commonwealth Government 'COVID-19 Disaster Payment' and 'Pandemic Leave Disaster Payment' if the Commonwealth Government ceases to provide it.



Implementation Considerations

- Eligibility criteria, including age minimums, employment type and income threshold.
- How eligible workers prove their income.
- How payments will be made and how quickly they can be transferred to eligible applicants.
- Transparency of application process and clear guidelines for eligibility.



Examples

New Zealand

Isolation Support Scheme

Victoria, Australia

Coronavirus Test Isolation Payment



Case for Investment

Living with COVID-19: Australia must now adapt to a new environment of 'living with COVID-19' alongside high levels of vaccinations. These circumstances could exist for many years, meaning a more permanent approach is needed to allow people to self-isolate if they are close and casual contacts, and those awaiting test results.

Encouraging self-isolation: Self-isolation in these circumstances will still be important to minimise case numbers and protect at-risk populations. Supporting low-income individuals or those with precarious working arrangements, by encouraging them to self-isolate, is imperative. Where individuals work casually, and are not entitled to leave payments, they are less inclined to self-isolate when they have COVID-19 symptoms because they are concerned about the financial loss of work while awaiting test results and job insecurity implications of turning down work.



Life Sciences & mRNA Capability



Summary

Major investment in:

- mRNA manufacturing capabilities and facilities in NSW;
- Broader life sciences research and MedTech capability in NSW.



Implementation Considerations

- Learn from other jurisdictions who have introduced mRNA manufacturing capability.
- Build on existing Life Sciences and research expertise.



Examples

Victoria, Australia

mRNA Victoria

Ontario, Canada

Federal Grant to Expand mRNA Capabilities

United Kingdom

Vaccine Support Package



Case for Investment

mRNA Technology will provide critical production capacity:

Investing in mRNA manufacturing capability in NSW is not only essential for living with COVID-19 (as variations in vaccines are required) but would also provide critical production capacity in the area of personalised genomic treatment of disease such as cancer. Building on existing expertise and research capability in NSW, the right facility can assist with manufacturing and fill-finishing vaccines and therapeutics. mRNA technology also has higher efficacy, a capacity for rapid development, lower-costs to manufacture, and are safer to administer than traditional vaccines.

Significant opportunity to stimulate vital life sciences research and industries in NSW:

NSW is under-powered in life sciences compared to other peer economies. The state can significantly enhance its existing capability in this high value, high knowledge industry, which is well suited to the NSW economy.

Living with COVID-19 and future pandemics:

Local capability to respond to mutations of COVID-19 will help to decrease the potential economic impact of any future events by reducing reliance on international or interstate suppliers, ensuring greater economic certainty.

Creating jobs and economic growth:

Investing in mRNA capacity and underpinning capability in life sciences will facilitate economic growth in NSW by creating jobs and through economic spillovers. For example, the UK invested £38.8 million towards the University of Oxford's development of the AstraZeneca vaccine. Although not an mRNA vaccine, this reflects a general pattern of life science research funding in the UK, with its industry employing nearly 250,000 people and an average annual turnover of £74 billion. NSW has the opportunity to be at the forefront of Australian innovation and research by building on existing research strength in life sciences and investing in start-ups and SMEs working in life sciences and MedTech research.



Pandemic Surge Capacity



Summary

Major infrastructure investment in three areas:

- 'Surge' health care and ICU facilities for the purpose of managing a pandemic;
- Quarantine facilities for incoming travellers, with fees to be waived for low-income individuals returning for essential purposes or compassionate grounds;
- Improved supply chains for essential goods and services.



Implementation Considerations

- The location of any new facilities in terms of both strategic access, supply chains, and targeting locations that would benefit from the economic stimulus.
- Whether existing, underused facilities can be upgraded to standards which would allow them to operate as 'surge' facilities in the event of virus mutations.
- The mental health of individuals living in quarantine facilities should be considered. Such measures already being considered include access to fresh air, Wi-Fi and virtual communications with others quarantining in the facility.



Examples

United Kingdom

Bounce Back Loan Scheme for Small Businesses

Sweden

Deferral of SME Taxes

The Netherlands

Allowances for SMEs

Victoria, Australia

Wage Subsidies, Business Continuity Fund
Stamp duty discount

Queensland, Australia

Rent Lifeline



Case for Investment

Support NSW to live with COVID-19:

In order to protect the normal functioning of the economy and restore business and consumer confidence, NSW should develop new facilities and mechanisms to facilitate the management of future outbreaks, minimising further economic shutdowns.

Develop multi-purpose spaces:

Quarantine facilities should be repurposed for other functions outside of pandemics. For example, the Victorian Government is designing their quarantine facility to be individual relocatable cabins, which can be used as crisis accommodation for bush-fire affected communities and other emergencies.

Develop ICU capability: ICU and additional 'surge' hospital capacity can either be built and repurposed when not needed (i.e., used for medical training such as in Taiwan), or the NSW Government could invest in 'pop up' facilities, such as NHS Nightingale in the UK, which can be put up in 9 days and taken down again when no longer needed. Wards of existing hospitals can also be reengineered with modified ventilation systems to separate the ward's airspace from the rest of the hospital.

Strengthen emergency response supply chains: NSW should develop local capabilities to manufacture personal protective equipment that can be stockpiled for use in the event of outbreaks and to improve current pharmacological practices in NSW. This requires NSW to create its own capabilities to manufacture such equipment, or secure stable contracts to ensure supplies.

Improve essential supply chains:

The NSW Government should consider recommendations from business and unions regarding key upgrades to essential supply chains (i.e., designated freight lane capacity at borders).

Simplify Grant Application Process



Summary

The NSW Government has recently responded to feedback associated with delays in processing business grant applications. There are two more amendments that can be made to simplify the process and make it easier for applications:

- Update/amend information on Service NSW which specifies that eligible applicants can use the grant for business costs incurred from 1 June 2021 to 17 July 2021. The current lockdown measures have extended beyond this time period;
- Allow business who may not have had an ABN at 1 June 2021 but who have so now, to apply for business grants.



Purpose

- Streamline access to support for businesses undergoing financial constraints because of the current lockdown measures.
- Update eligibility criteria to respond to the ongoing nature of the current COVID-19 outbreak.
- Provide guidance and support so businesses understand what support is available and how to apply.



Research & Case Studies

Anecdotally, there is conflicting evidence regarding the NSW Government's response to make the application process less cumbersome, with some giving positive feedback and others suggesting that the auditing requirements remain too burdensome. Initial research suggests that the NSW business grants process continues to include considerable auditing requirements, which can delay the availability of funding to eligible businesses.

To ease the process, we propose that provisional approval should be given to all grant applications so that funds can be released. The necessary auditing processes should be moved to post-allocation of funds and align with existing annual auditing requirements.

In Canada, CERB payments were released and eligibility was verified during tax season. Where individuals received payments and are found to be ineligible, the relevant tax body would arrange for a repayment schedule.



Payroll Tax Holiday



Summary

The NSW Government is currently providing a 25% payroll tax waiver, deferrals and interest free repayments for businesses who are experiencing a decline in turnover. Other specific reform options include a Payroll Tax Holiday for up to 5 years to attract new start-up businesses to establish themselves in NSW.

Previous recommendations regarding the reform of Stamp Duty in favour of Land Tax as a more efficient form of taxation could also be considered.



Purpose

- Mitigate against business uncertainty associated with current COVID-19 outbreak.
- Establish NSW as a business-friendly state.



Research & Case Studies

In terms of stimulus, there are many examples of jurisdictions and countries who have reformed their tax systems in order to become more attractive to businesses, including SMEs and start-ups, for example, offering tax breaks and incentives for the first 5-10 years. These ideas are frequently discussed in Australia at both Federal and State level. NSW may wish to consider whether payroll and land taxes can be offered at a concessional rate for a company's first 5-7 years operating in NSW to encourage companies to move their business into NSW.

Hong Kong is widely recognised as using tax reform effectively to ensure it is highly attractive to businesses, attracting inward investment.

Queensland has adopted the lowest payroll tax in Australia as part of their strategy to attract businesses.

NSW is currently proposing to reform the current tax system so property buyers can decide between paying stamp duty (and any applicable land tax) or pay an annual property tax upon purchase of new property. It is argued that stamp duty reform will encourage more mobility, increasing property transactions. It is estimated that such reforms can enliven the NSW economy by 1.7% annually.



The Gig Economy



Summary

Gig workers make up approximately 7% of working-age Australians, with the majority of those surveyed being between 18 and 34. Current NSW regulation categorises workers as employees (on either full-time, part-time, or casual contracts) or self-employed. This does not take account of workers in the gig economy who are engaged in 'atypical' forms of employment with various employers at once. Some of these workers are supporting components of the State's essential supply chains and have played critical roles through lockdown.

A third category of workers should be identified that can apply to workers in the gig economy, providing them with basic protections without constraining their ability to work.



Purpose

- Connect workers in the gig economy (including some essential workers) into the broader economic system.
- Ensure all workers operating in the NSW economy are appropriately protected.



Research & Case Studies

The California Assembly Bill 5 (AB5) came into force 1 January 2020, allowing gig workers to be conceived as independent contractors, except in specific circumstances. This put gig workers employed by ridesharing and delivery companies within the definition of 'independent contractors' for the first time. As a result, gig workers were able to achieve minimum wage protections, right to workers compensation insurance and flexible employment benefits.

Recommendations from the Canadian Labour Congress echo the efforts by the California State Government that employment standards should eliminate exceptions that prevent protection extending to gig and app-based workers. The Congress also sought to reform legal frameworks to reverse the onus onto employers to prove that a worker cannot be construed as an employee (or independent contractor), and that workers should be provided protections through rights to unionise and engage in collective bargaining.



Regional Development Applications for SMEs



Summary

Development Applications (DA) to improve small business facilities in regional areas should be radically simplified. Small LGAs should also be given access to support and expertise to speed up the DA process.

Free expert advice should be made available to small businesses trying to progress a DA through their local council.



Purpose

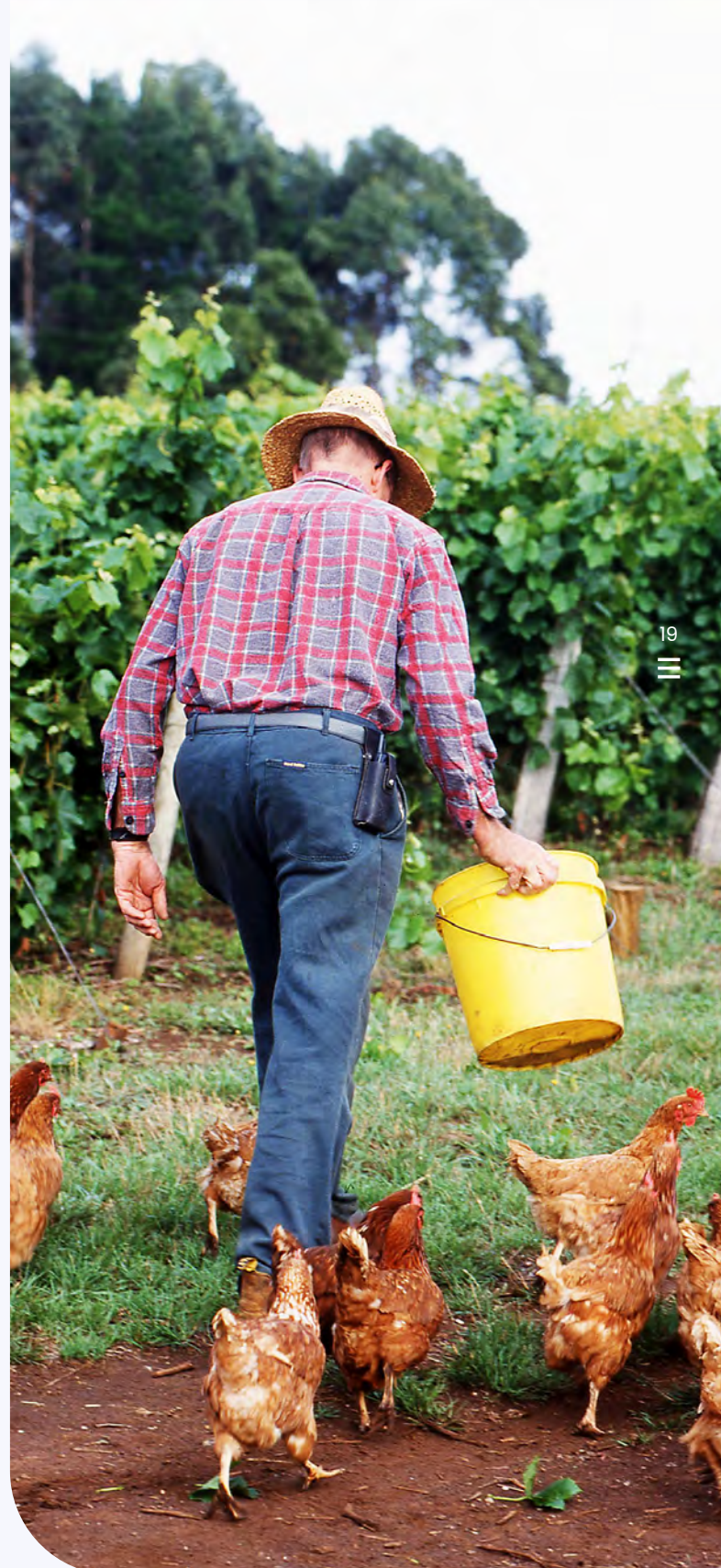
Support successful small business in the regions to grow.



Research & Case Studies

The Western Australia Action Plan for Planning Reform (including DA approval) is a two-phase process to improve planning efficiency and make the planning process less complicated. Some measures include: removing optional extensions of time for referred applications, reducing the number of panellists (equivalent to NSW Local Planning Panels) from nine to three, making meetings more flexible by allowing them to be conducted electronically, creating an online portal for tracking planning applications, and reducing assessments and decision-making red tape.

In 2016, South Australia introduced the Planning, Development and Infrastructure Act to bring the state within one comprehensive regulatory planning framework. The Act simplified the development assessment process by increasing transparency and certainty through the application process. A flexible approach was taken to tailor the response to the complexity of the proposed development to increase support and efficiency.



Smart Business Regulation



Summary

The NSW Government should work with businesses and experts to identify specific regulatory reforms that would make NSW more attractive for inward investment for new SMEs and start-ups.

This includes considering how to minimise the regulatory burden on business, including SMEs, who operate in NSW as well as introducing a national interest test for regulation.

Other options include expanding the terms of reference for the Regulation Committee to enable it to consult business and other stakeholders, as well as to commission expert reviews of the impact of new regulation.



Purpose

- Establish NSW as an attractive destination to do business in order to stimulate investment.
- Reduce the regulatory burden on successful small businesses in NSW in order to support their growth.



Research & Case Studies

The evidence and research needed to undertake this reform is largely in place already through the work of the NSW Treasury and NSW Productivity Commission.

Smarter regulations can increase direct foreign investment, encourage innovation and boost productivity. Recently, the NSW Treasury reported that current compliance frameworks cost anywhere between \$11-\$87 billion annually. The 2020 Report encourages employing AI technology to identify ways to reduce compliance burdens through unnecessary measures.

The NSW Productivity Commission's White Paper 2021 highlights two key recommendations to increase efficiency in business regulations:

1. The flexibility businesses were afforded during COVID-19 through expending activities that could be conducted using technology in remote locations, such as allowing for compulsory job interviews and court hearings to be conducted via telephone or video conferencing, should remain;
2. Another proposal put forward was to improve the administration of business regulations in NSW. An example outlined in the report is the NSW Environment Protection Authority's Regulatory Assurance Statement that is produced annually to assess its own ability to perform regulatory functions.



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Full version

This document is a summary abridged version of the original report provided by JMI to NSW Treasury in August 2021.

A full version of the original report, including background research and references, can be provided upon request at info@jmi.org.au.

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