A Small Business Portrait of Tax, Employment and Business Risk

Suzanne Byrne, Senior Lecturer, University of Southern Queensland
Toowoomba, Australia, 4350.
Telephone 61746312790 Facsimile 61746312625;
Email byrnes@usq.edu.au

Abstract

The purpose of this paper is to present analysis of the CPA Australia database of small business responses to a series of surveys conducted from July 2001 to August 2002. The survey responses have been collated and reported based on the general findings by CPA Australia. Unfortunately, no in depth analysis was undertaken using the demographic data collected, nor a comparison across the question responses. Although the general survey findings have been useful to both government and business groups, there was an opportunity to explore the diversity across demographically distinct groups. This is important given that policy and government support are normally targeted to different groups, at different times and for different purposes.

The first survey conducted in July 2001 concentrated on the introduction and implementation of a new tax system that was instituted by the government of the day on 1st July 2000. The survey captured unique perspectives on small business behaviour, perceptions and reactions to a change in legislation that impacted so directly on their daily operations. The second survey conducted in March 2002 obtained small business and public accountant's responses on a range of employment issues. Legislation can impede small business hiring new staff and it is important to recognize how. The understanding of small business owners of human resources practices, including hiring, motivating and performance management; as well as government related matters such as payroll tax, workcover, superannuation, and unfair dismissal laws are captured in the survey responses. Business Risk was the focus of the final surveyed conducted in August 2002. Unfortunately, small business owners are unaware of some of the business risks and therefore do not manage them properly. The increase in competition, the global nature of business, the insurance industry instability, the constant change in technology, natural disasters and the accepted movement of staff are all risks that impact on small business and their ability to grow.

Each survey was conducted via the phone with 600 small businesses and 105 public practice accountants across Australia. The analyses of the data across demographic groupings create a picture of the business landscape for the benefit of policy makers and small business themselves.

Keywords: Tax, Employment, Business Risk

Introduction

CPA Australia as part of their commitment to Small Business have undertaken three surveys to gauge the level of understanding, perceptions and the use of various business practices, legislation and performance within the small business community. The purpose of this paper is to present an analysis of the small business responses to these surveys. The first survey was conducted in July 2001 and focused on small business reactions to the newly introduced tax system. The second survey

conducted in March 2002 captured small business attitudes to employment issues and the third survey, concentrating on business risk, was conducted in July 2002.

The general findings of frequencies and percentages for all surveys based on the total number of respondents have been reported by CPA Australia. However, for each survey conducted classification data was collected and therefore an opportunity exists to uncover significant differences in perceptions across the various small business respondents. This should help further our understanding of the similarities and distinctions across different demographic groups.

The next section presents the method undertaken including a comparison of classification variables from each survey. The following sections discuss the findings of the various surveys in turn. The final section contains the conclusion and discussion.

Research Method and Classification Variables

Data was collected via questionnaires. Inputs to the questionnaires were gathered from members, committees and interested groups of CPA Australia. CPA Australia is a professional accounting body with a reputation for being leaders in accounting, finance and business advice. Judy Hartcher from CPA Australia managed the questionnaire development and oversaw the completion of the survey results. The questionnaires were administered by telephone by the market research firm of Worthington Di Marzio using a computer aided telephone interviewing system under fully supervised conditions.

For each survey conducted there were two questionnaires administered. The questionnaires were targeted at two distinct populations. The first was senior decision makers within small businesses across Australia. Small business was defined as independently owned and operated businesses employing fewer than 20 people. The Electronic White pages was used to obtain a stratified sample based on state (Qld, NSW, VIC, NT, WA, TAS, SA and ACT) and regionality (Metro or regional/rural). A total of 600 names were randomly extracted. Stratifying the sample increases the generalisability of the results to Australia rather than risking having a concentration of subjects in a few states.

The second population of interest was accountants who work in public practice. They are key advisors to small business. A sample of 105 was randomly selected from the CPA Australia database from those members who are CPA Public Practice certificate holders or Managing Partners in a CPA Practice.

As indicated each survey collected classification variables. These are presented in Table 1. The three surveys were conducted at different times and with different random selections. To test whether there were any differences in the classification variables from survey to survey analysis of variance (ANOVA) testing was conducted. The results are also presented in Table 1 and show that there were no significant differences across the demographic groupings for the three surveys conducted. This provides reassurance that the samples used in each survey were representative of the small business and accountant populations.

Prior to examining the classification variables against the various questions asked on business risk, employment and tax, the associations between the classification variables were investigated. This was carried out using the Chi Square test. The Chi Square test is appropriate as it tests the

relationship between two categorical variables (Wagner, 1992). The assumptions relevant to the Chi Square test are random sampling, independence of observations and size of expected frequencies. No assumptions were violated.

Variable		Business Risk Survey		Employment Survey		Tax Issues Survey		ANOVA	
		Freq	%	Freq.	%	Freq	%	F	Sign
Small Business Respondents (n = 600)									
Regionality	Stratified by regionality	Metro or Regional/Rural							
State	Stratified by state	VIC, NSQ, QLD, TAS, WA, ACT, NT							
Gender	Male	381	63.5	386	64.3	374	62.3	.261	.771
	Female	219	36.5	214	35.7	226	37.7		
Number of Offices or Locations	One	469	78.2	488	81.3	489	81.5	2.055	.128
	Two	70	11.7	64	10.7	62	10.3		
	Three +	61	10.2	45	7.5	49	8.3		
Number of Employees	1 - 2	231	38.5	293	48.8	285	47.5	6.430	.02
	3 - 4	163	27.2	145	24.2	142	23.7		
	5 - 9	127	21.2	102	17.0	96	16.0		
	10 - 19	76	12.7	56	9.3	76	12.7		
Industry	Agricultrue/Mining	22	3.7	30	5.0	33	5.5	.547	.579
	Communications	17	2.8	17	2.8	10	1.7		
	Construction/Transport & Storage	86	14.3	83	13.8	93	15.5		
	Electiricy, Gas & Water	10	1.7	6	1.0	4	0.7		
	Finance/Insurance/Property or Business Services	64	10.7	87	14.5	73	12.2		
	Health & Community	35	5.8	34	5.7	44	7.3		
	Manufacturing	73	12.2	58	9.7	52	8.7		
	Recreation & Personal	42	7	51	8.5	50	8.3		
	Wholesale or Retail Trade	192	32.0	171	28.5	194	32.3		
	Hospitality/Tourism/Entertainment	50	8.3	57	9.5	31	5.2		
	Education	7	1.2	3	0.5	8	1.3		
	Other	2	0.4	3	0.5	8	1.3		
Business Life	Under 5 years	82	13.7	123	20.5	121	20.2	1.024	.359
	5 – 10 years	172	28.7	146	24.3	156	26.0		
	11 – 20 years	173	28.8	144	24.0	152	25.3		
	21 + years	169	28.2	182	30.3	171	28.5		
Respondent Age	Under 40	195	32.5	199	33.2	179	29.8	2.318	.099
	40 – 49	188	31.3	203	33.8	195	32.5		
	50 – 59	157	26.2	134	22.3	157	26.2		
	60+	57	9.5	54	9.0	64	10.7		
Education	Up to year 11	133	22.2	152	25.3	181	30.2	3.179	.042
	Year 12	114	19	101	16.8	124	20.7		
	Trade qualification	69	11.5	63	10.5	51	8.5		
	Diploma	86	14.3	79	13.2	67	11.2		
	Degree from Uni	163	27.2	146	24.3	138	23.0		
	Post Graduate	28	4.7	40	6.7	34	5.7		
Equity	Yes	454	75.7	446	74.3	445	74.2	1.603	.202
	No	138	23	141	23.5	154	25.7		
Pay to Ext Accountant	Up to $1 000	96	16	100	16.7	113	18.8	.472	.624
	$1 000 to $2 000	119	19.8	117	19.5	137	22.8		
	$2 001 to $5 000	153	25.5	147	24.5	167	27.8		
	$5 001 to $10 000	60	10.0	62	10.3	66	11.0		
	Over $10 000	73	12.2	61	10.2	47	7.8		
	Don't Use	32	5.3	35	5.8	27	4.5		
Total Sales	Under $200 000	176	29.3	207	34.5	228	38.0	2.581	.076
	$200 000 to $500 000	147	24.5	117	19.5	131	21.8		
	$500 000 to $1 Million	90	15.0	81	13.5	93	15.5		
	$1 Million to $2 Million	63	10.5	45	7.5	39	6.5		
	$2 Million to $5 Million	34	5.7	41	6.8	42	7.0		
	Over $5 Million	20	3.3	16	2.7	19	3.2		
Population of Town	Under 10 000	78	13.0	72	12.0	87	14.5	.809	.369
	10 000 – 20 000	30	5.0	22	3.7	29	4.8		
	20 000 – 30 000	36	6.0	27	4.5	22	3.7		
	Over 30 000	456	76.0	479	79.8	462	77.0		

Table 1: Classification Variable Frequencies across the Three Surveys and Results of ANOVA Testing of Differences

Variable		Business Risk Survey		Employment Survey		Tax Issues Survey		ANOVA	
		Freq	%	Freq.	%	Freq	%	F	Sign
CPA Respondents (n = 105)									
Regionality	Metro	72	68.6	68	64.8	75	72.1	.651	.522
	Rural	33	31.4	37	35.2	29	27.9		
State								.371	.690
Gender	Male	76	72.4	74	70.5	76	73.1	.093	.911
	Female	29	27.6	31	29.5	28	26.9		
Number of Employees	1 - 2	24	22.9	25	23.8			.072	.789
	3 - 4	9	8.6	12	11.4				
	5 - 9	31	29.5	28	26.7				
	10 - 19	21	20.0	20	19.0				
	20 plus	19	18.1	20	19.0				
Age	Under 40	58	55.2	52	49.5	43	41.3	1.911	.150
	40 – 49	24	22.9	25	23.8	27	26.0		
	50 – 59	17	16.2	22	21.0	27	26.0		
	60+	5	4.8	6	5.7	6	5.8		

Table 1 Cont.: Classification Variable Frequencies across the Three Surveys and Results of ANOVA Testing of Differences

Table 2 shows the results of the Chi Square analysis on the small business respondents for the Business Risk survey only. Similar results were obtained for both the employment and tax surveys. The highlighted boxes represent the significant associations on all three surveys at the $p < .01$ level. Significance testing throughout the whole study was set at $p < .01$ to avoid the risk of a Type I error given the number of statistical calculations that were conducted.

The results indicate some expected associations such as that of state, regionality and population. Regions tend to have a lower population than metropolitan areas. Number of offices/locations, number of employees, total sales and payment to external accountants could be all variables to measure the size of the small business and have significant associations. Equity is also related to these variables. This is because the smaller the business in size the more likely the interviewer was speaking to someone who had equity in the business. The equity and gender association shows that males are more likely to have equity then females and the equity and age association shows that the older you are the more likely you are to have equity. Age is also related to business life and education as the older the respondent the more likely the business has been operating for some time and the more likely further education has been completed. Industry also showed some significant associations. It's association with population and regionality show that Agriculture and Mining are more likely to have a greater presence then other industries in the rural/regional areas and lower populated areas. All industries except health and community and education had approximately 70-80% of respondents having equity in the small business. The significant education association was driven by Finance/Insurance/Property/Business Services industry which was more likely to have higher education then the industries of Agriculture and Mining, Construction/Transport & Storage, Electricity, Gas and Water, Recreation and Personal Services and Wholesale or Retail Trade industries.

	Reg	St	Gender	No. of Offices	Emp	Indust	Bus. Life	Age	Edu	Equity	Ext Acc	Sales	Pop
State	27.30 (.000)												
Gender	.322 (.570)	6.39 (.495)											
No. of Offices	2.20 (.333)	21.79 (.083)	6.89 (.032)										
No. of employ	11.71 (.020)	22.75 (.745)	.389 (.983)	70.47 (.000)									

Indust	43.36 (.000)	104.56 (.020)	23.74 (.014)	27.77 (.183)	78.693 (.001)								
Business Life	1.35 (.852)	37.96 (.099)	5.12 (.275)	3.82 (.873)	29.201 (.023)	110.96 (.000)							
Age	14.20 (.007)	23.96 (.683)	10.92 (.027)	13.53 (.095)	23.358 (.104)	157.69 (.000)	111.69 (.000)						
Educat.	56.75 (.000)	98.20 (.000)	17.40 (.008)	13.21 (.353)	25.200 (.395)	191.56 (.000)	104.02 (.000)	134.70 (.000)					
Equity	4.315 (.116)	18.635 (.179)	9.987 (.007)	25.628 (.000)	68.607 (.000)	61.213 (.000)	24.228 (.002)	142.87 (.000)	54.23 (.000)				
Pay to Ext Account	13.39 (.037)	55.96 (.073)	6.26 (.395)	50.39 (.000)	121.24 (.000)	80.21 (.112)	43.09 (.010)	20.83 (.649)	40.534 (.277)	64.69 (.000)			
Total Sales	11.23 (.081)	64.85 (.013)	7.61 (.268)	82.87 (.000)	301.205 (.000)	94.69 (.012)	37.76 (.037)	21.71 (.596)	41.243 (.252)	57.17 (.000)	339.50 (.000)		
Population	586.76 (.000)	77.04 (.000)	2.854 (.583)	6.81 (.557)	26.11 (.052)	82.93 (.000)	8.94 (.916)	20.87 (.183)	67.48 (.000)	18.42 (.018)	27.20 (.295)	29.19 (.213)	
Percept of Big Business*	14.73 (.001)	11.26 (.665)	.964 (.617)	9.18 (.057)	5.630 (.689)	40.00 (.011)	4.18 (.840)	3.790 (.876)	9.27 (.679)	1.80 (.771)	10.25 (.594)	21.47 (.044)	18.28 (.019)

* This variable was collected for the Business Risk Survey only. Note: Similar analysis was conducted for employment and tax surveys. Results not presented due to space restrictions. Highlighted boxes represent the associations that are significant for all three surveys.

Table 2: Business Risk Classification Data Pearson Chi Square Tests

The statistical method undertaken to analyse the classification variables with the business risk, employment and tax questions was to twofold. Firstly, univariate tests were carried out to test the associations of each variable. The Kruskal-Wallis Test was used for this objective. The Kruskall-Wallis Test is a non-parametric equivalent to the one-way between groups ANOVA (Wagner, 1992). The type of data collected within the three surveys would not be normally distributed and in most cases takes the form of rankings or categories which would invalidate the use of parametric methods. The second step taken was to conduct stepwise regression. Given the exploratory nature of this research and the number of classification and other variables stepwise regression was appropriate. Stepwise regression allows a sequential approach to variable selection that considers all variables for inclusion or elimination prior to developing the model (Hair, et. al., 1995). Regression is based on how much the dependent variable can be explained by the predictor or independent variables. The advantage of the multivariate method compared to the univariate method above is that all other variables are considered simultaneously and their relative powers explained.

Business Risk Survey

Business risk is the exposure to loss or negative consequences resulting from a chance event occurring in business. Examples of such events include an interest rate rise, a key employee leaving, destruction or theft of property (physical, intellectual or otherwise), a failure of a major customer or a general economic downturn. The need to minimize exposure against the probability of such events occurring should be part of the general short term and long term planning of any business. This survey set out to examine the extent of such planning in small business.

Firstly respondents were asked to rate the impact that 17 specific events would have on their business performance. A four point likert scale was used ranging from a great deal (one) to not at all (four) for each event. The scores on each of the 17 events were summed and then averaged to give a total score representing the respondent's perception of susceptibility to risk of their small business. The mean score was 2.5 with a minimum of 1.18, a maximum of 3.94 and a standard deviation of .498. The smaller the score the greater the risk.

Variable	Chi-square value	df	Asymp. Significance
State	7.779	7	.352
Regionality	5.714	1	.017
Gender	2.854	1	.091
No of Offices	6.176	2	.046
No. of Full Time Staff	11.040	3	.012
Industry	24.421	11	.011
Business Life	6.852	4	.144

Age	7.640	3	.054
Education	11.811	6	.066
Perception of Big Business	36.850	1	.000
Equity	.851	1	.356
Payment to Accountants	25.987	5	.000
Total Sales	20.738	5	.001
Population of town	.055	3	.997

Table 3: Kruskal-Wallis Univariate Testing of Classification Variables on Perception of Susceptibility to Risk

As indicated in the previous section univariate testing (Kruskall-Wallis Test) and multivariate testing (step-wise regression) was used with the classification data to examine any major differences across demographic groups. Table 3 presents the results of the univariate analysis of the perception of susceptibility to risk to the 14 classification variables.

The univariate analysis above shows that there are statistically significant associations between the perception of big business domination in the market, total sales and payment to external accountants at the $p<.01$ level. An examination of the differences shows that the greater your perception that big business dominate your market, and the greater your total sales then the more exposed you feel to business risk. Number of full time staff also showed a large association. The results indicate that the larger the firm (in relation to total sales, payments to external accountants and number of staff) the more at risk the business.

Model	Sum of Squares	df	Mean Square	F	Significance
Regression	15.088	4	3.772	16.764	.000
Residual	133.874	595	.225		
Total	148.962	599			

R^2=10.1%

Variables in Equation						Variables not in Equation	
Variables	**Coefficient**	**Std.Error of Coefficient**	**Beta**	**t**	**Sign.**	**Partial Correlation**	**t -value**
Constant	2.241	.105		21.427	.000		
Perception of Big Business	.265	.039	.263	6.751	.000		
No. of Full Time Staff	-6.778E-02	.019	-.144	-3.640	.000		
Gender	-.103	.040	-.099	-2.549	.011		
Business Life	3.905E-02	.019	.082	2.067	.039		
State						-.031	-.749
Regionality						-.076	-1.856
No of Offices						-.057	-1.394
Industry						.003	.067
Age						.002	.049
Education						.007	.165
Equity						.021	.509
Payment to Accountants						-.040	.980
Total Sales						-.066	-1.612
Population of town						-.081	-1.985

Table 4: Stepwise Regression of Classification Variables on Perception of Susceptibility to Risk.

To continue to examine the drivers of perception of the susceptibility to risk step wise regression was conducted. Recall the step wise regression examines the explanatory powers of all variables simultaneously to arrive at the best predictors for the dependent variable. Table 4 presents the results and shows that perception of big business, number of full time staff, gender and business life are capturing 10.1% of the variability in perception of susceptibility to risk. The sign of the coefficients

Business Survey Questions	Kruskall-Wallis Results (Chi-square Value and significance)	Step-Wise Regression Results (Coefficient, t-value and significance)
A. Strategies to Deal with Risk Events • 6 items • score one point for each item a strategy is in place • score out of 6 mean: 3.11 std dev: 1.84 min: 0 max: 6	No. of offices (11.509,.003) Susceptibility to risk (16.728, .000) Education (15.321, .018) Equity (5.786, .016)	*Model:* R2 = 6.6% (F=10.414, p<.0001) *Significant Predictors:* Susceptibility to risk (-.572, -3.862, .000) No. of offices (.348, 3.047, .002) Education (.122, 2.779, .006) Gender (.355, 2.316, .021)
B. Procedures to protect computer equipment and software • 5 items • score one point for each item a strategy is in place • score out of 6 mean: 3.79 std dev: 1.545 min: 0 max: 5	No. of offices (9.113, .010) No of employ (11.587, .009) Equity (8.537, .003)	*Model:* R2 = 3.3% (F=10.165, p<.0001) *Significant Predictors:* No. of employ (.198, 3.375, .001) Education (.107, 2.882, .004)
C. Bank affect on Business • One item • 4 point Likert Scale • 4 – A Great Deal to 1 – Not at all mean: 2.6 std dev: 1.19 min: 0 max: 4	Regionality (12.505, .000) No. of employ (13.946, .003) Pay to account (24.444, .000) Pop of Town (14.000, .007) Lrge Bus Domination in Industry (16.210, .000) Susceptibility to Risk (42.205, .000)	*Model:* R2 = 14.5% (F=25.258, p<.0001) *Significant Predictors:* Susceptibility to Risk (-.681, -7.697, .000) Regionality, .342, 3.674, .000) No of employ (.121, 2.869, .004) Age (-.105, -2.356, .019)
D. Bank Relationship • One item • 4 point Likert Scale • 1 – Not nearly as good as you'd like to 4 – Very Good mean: 2.12 std dev: 1.08 min: 0 max: 4	State (21.477, .003) Regionality (10.771, .001) Pop of Town (14.492, .006)	*Model:* R2 = 2.4% (F=11.237, p<.0001) *Significant Predictors:* Regionality (.329, 3.352, .001)
E. Interest Rate Exposure • One item – 3 point likert scale • Vulnerability Compared with competitors o 3: more vulnerable(136) o 2: samevulnerable (336) o 1: less vulnerable (57)	Gender (5.859, .015)	*Model:* R2 = 0.7% (F=4.460, p<.035) *Significant Predictors:* Gender (-.158, -2.2112,.035)
F. Level of Competition • One item • 3 point Likert Scale • 3: Too much competition (210) • 2: A suitable Number (47) • 1: Too little competition (343) (total frequencies in brackets)	Industry (24.746, .006) Total Sales (24.921, .000) Lrge Business Domination (18.252, .000) Susceptibility to Risk Industry (11.078, .004)	*Model:* R2 = 2.4% (F=11.237, p<.0001) *Significant Predictors:* Susceptibility to Risk (-.319, -4.156, .000) Lrge Business Domination (-.251, -3.230, .001) Pop of Town (8.835E-02, 3.435, .001) Gender (-.189, -2.459, .014) Industry (3.102E-02, 2.276, .023)
G. Customer Exposure • One item – 4 pointLikert Scale • 80% of income derived from o 1: One Customer (15) o 2: 2 -4 (78) o 3: 5 -10 (86) o 4: More than 10 (140)	Industry (45.317, .000)	*Model:* R2 = 2.4% (F=11.237, p<.0001) *Significant Predictors:* Susceptibility to Risk (-.319, -4.156, .000) Lrge Business Domination (-.251, -3.230, .001) Pop of Town (8.835E-02, 3.435, .001) Gender (-.189, -2.459, .014) Industry (3.102E-02, 2.276, .023)
H. Supplier Exposure • One item – 4 point • 80% of supplies derived from o 1: One supplier (87) o 2: 2-4 (190) o 3: 5-10 (156) o 4: More than 10 (406)	No. of Employ (13.048, .005) Total Sales (5.812, .003) Susceptibility to Risk (15.383, .000)	*Model:* R2 = 2.4% (F=11.237, p<.0001) *Significant Predictors:* Susceptibility to Risk (-.319, -4.156, .000) Lrge Business Domination (-.251, -3.230, .001) Pop of Town (8.835E-02, 3.435, .001) Gender (-.189, -2.459, .014) Industry (3.102E-02, 2.276, .023)
I. Staff - Difficulty in Finding Skilled Staff • One item – 5 point likert scale • 1 – very easy to 5 very difficult mean: 3.63 std dev: 1.32 min: 0 max: 5	Equity (7.124, .008) Susceptibility to Risk (13.715, .001) Regionality (4.691, .030)	*Model:* R2 = 5.9% (F=8.974, p<.0001) *Significant Predictors:* Risk Susceptibility (-.334, -3.135, .002) Pay to Account (9.523E-02, 2.997, .003) Equity (-.326, -2.729, .007)
J. Staff – Process/Training • One item • Processed documented for training o 1: Yes (342) o 2: No (199)	No. of locations (16.652, .002) No. of Employ (112.592, .000) Equity (16.381, .003) Pay to Account. (16.381, .003) Total Sales (59.654, .000)	*Model:* R2 = 15.7% (F=55.744, p<.0001) *Significant Predictors:* No. of Employ (-.230, -9.602, .000) Risk Susceptibility.152, 2.991, .003)

Table 5: Significant Classification Variables associated with the Business Risk Survey Questions for both Univariate and Multivariate Testing

indicate that the younger the business, the greater the number of staff, the greater big business domination in the market and female the greater the susceptibility to risk.

Table 5 presents the significant results of all other Business Risk Survey questions analysed. The first column of Table 5 lists the variables and how they were measured. The second column records the significant results of the Kruskall-Wallis univariate testing and the third column presents the step-wise regression results. The results were presented in this way in the interest of space economy.

The next series of questions targeted whether businesses had strategies to deal with various events. There were six general events and five computer specific events. The events and the frequency of an affirmative answer for each event are shown in Table 6.

Risk Events		Computer Specific Events	
• An increase in interest rates of 1% or even more	181 (30.2%)	• Loss or destruction of equipment	409 (68.2%)
• The loss of a major customer	237 (39.5%)	• Improper Use of equipment	294 (49.0%)
• The loss of a major supplier	279 (46.5%)	• Loss of Data	432 (72%)
• A drop in sales of 10%	343 (57.2%)	• Corruption of Data	379 (63.2%)
• Resignation of a key staff member	259 (43.2%)	• Improper external access to your data	301 (50.2%)
• An increase in cost of public liability insurance by 50%	205 (34.2%)		

Table 6: Events and Frequency of a Strategy to Deal with Event

To examine whether any differences existed between demographic groups, univariate and multivariate testing was conducted using the classification variables. The significant results are presented in Sections A and B of Table 5. Inspection of the results indicates that those with a greater perceived susceptibility to risk were more likely to have strategies in place to deal with risk events. Number of offices/locations, education and gender also affected whether strategies to deal with risk had been considered. The greater the number of locations, the higher the education and male had a greater propensity to have strategies in place.

Factors dealing with banks were also included on the questionnaire. Banks are a source of funds, have an impact on interest rates and most times are an integral part of any business operation. The impact a bank can have on a business and the relationship a business has with their bank is critical. Sections C, D and E of Table 5 contain the results of questions relating to banks and interest rates.

Results show that regionality is a major factor in both assessing the bank relationship and the impact a bank can have on business performance. Regional/rural respondents indicated that they had a better relationship with their bank than city respondents and that the bank relationship affects their business to a greater extent than their city counterparts. Older respondents felt that the bank had a smaller impact on business success than younger respondents and state differences showed that Queensland and South Australian small businesses had a better relationship with their bank than New South Wales businesses. The Construction/Transport and Storage industry showed significant differences with Education and Health and Community Services industry by registering a greater bank impact on business success. Gender was the only significant variable relating to interest rate exposure. Males indicated a greater vulnerability compared to females.

Classification variables significant in relation to level of competition, customer and supplier exposure are shown in sections F, G and H of Table 5. The results indicate that males perceive greater competition then females, Communications and Wholesale/Retail industries perceive greater competition than the Education and Recreation and Personal Services industries and that large business domination in the market and firms with greater susceptibility to risk indicate too much competition. Agriculture/Mining and Manufacturing industries are more likely to have fewer customers while the Electricity, Gas and Water industry are more likely to have fewer suppliers. Susceptibility to risk is, not surprisingly, negatively related to customer and supplier exposure. That is, the greater the susceptibility the more likely you will only have a few customers/suppliers.

Difficulty in finding staff can affect a business adversely. Respondents were asked to rate the difficulty in finding staff and whether they had processes documented to train new staff. Overall 342 respondents indicated that they had difficulty finding skilled staff and 199 indicated that they didn't. Regional respondents indicated a greater difficulty then city respondents. Equity had a negative relationship with difficulty in finding staff and this may be due to the smaller businesses needing to employ less staff. Also those factors relating to the size of the business such as number of locations, number of staff and total sales indicated that there was more likely to be documented processes in place to train new employees. These results are presented in sections I and J of Table 5 respectively.

Apart from the questions outlined in column one of Table 5, questions were asked relating to tax reform issues and insurance. The respondents were asked whether certain tax reforms had impacted on their business. The tax reforms were the Goods and Services Tax, the Business Activity Statement, the contractor rules and the simplified tax system. The only significant differences among the responses and the classification variables at the p=0.01 level was that relating to contractor rules and gender (t=-3.156, p=.002), industry (t=-3.274, p=.001), and state (t=-2.922, p=.003). More specifically, males have been more affected by the contracting rules than females, the Construction/Transport and Storage showed significant differences to the Wholesale/Retail trade (no other significant differences were found between the industries) and Western Australia had significant differences with Victoria. Victoria rated the contractor rules more positively.

In relation to insurance, five hundred and five respondents indicate that they did not experience difficulty obtaining insurance. Statistical analysis conducted found no differences among the classification variables with respect to the differences with those having difficulty compared to those that did not. However, it is worthwhile noting that his survey was conducted in August 2002. It would be worthwhile canvassing small business' view again on this issue since the insurance crisis has worsened.

Respondents were also asked whether they would operate without insurance by adopting a structure where assets are protected. Three hundred and fifty-six respondents answered affirmatively. There were no significant differences found across the classification groups with respect to the differences in those that would compared to those that would not. There were also no differences found across the classification groups with respect to the level of increases in public liability insurance in the past year.

Employment Survey

The employment survey sought to collect information on employment practices. Firstly, respondents were asked to indicate whether they employed staff and on what basis. Table 7 sets out the number of small businesses that indicated they employ one or more staff and the average number of staff employed. To investigate the predictors for employment step-wise regression was conducted using the classification variables. The results displayed in Table 7 found that the greater the total sales and number of locations the more likely full time staff would be employed. However, if the respondent held equity and the lower the respondent age the less likely full time staff would be employed. Number of locations was a significant predictor in all types of employment categories. Industry was a predictor for both casual and contract employment status. Education, Hospitality/Tourism/Entertainment and Recreation and Personal Services industries hire greater number of casuals then Electricity, Gas and Water, Communications and Manufacturing industries. Contractors are more likely to be hired in Construction/Transport and Storage and Agriculture and Mining industries then in Electricity, Gas and Water and Wholesale and Retail Trade Industries.

Employee Status	Number of Small Businesses that employ one or more	Average number of employees per respondent n=600	Step-wise Regression Results
Full Time	432	3.16	*Model:* R2 = 25.5% (F=50.838, p<.001) *Significant Predictors:* Total Sales (10.569, .000); No of Locations (5.092, .000); Equity (4.312, .000); Age (-2.643, .008)
Part Time	209	.97	*Model:* R2 = 4.1% (F=12.876, p<.001) *Significant Predictors:* No. of Locations (3.327, .001); Equity (2.957, .003)
Casual	208	1.82	*Model:* R2 = 26.1% (F=19.484, p<.001) *Significant Predictors:* No of Locations (5.509, .000); Industry (2.877, .004)
Contract	85	.56	*Model:* R2 = 2.5% (F=4.579, p<.001) *Significant Predictors:* Industry (-2.977, .003); No of Locations (2.548, .011)
Labour Hire	10	.03	*Model:* R2 = 1.8% (F=11.219, p<.001) *Significant Predictors:* No of Locations (3.349, .001)

Table 7: Number of Small Business that Hire Staff, Average Staff Hired and Step-Wise Regression Models of Hiring

Of the 138 respondents who indicated that they didn't employ full or part time staff, 79 indicated that they deliberately made a decision to run a business that does not employ full/part time staff. Of the remaining 59 respondents, 25 indicated that they would employ full/part time staff if they had more work, 20 indicated that a reduction in on-costs and paperwork associated with employment would be an inducement, 12 indicated that there needed to be an improvement in work ethic (many don't want to work), eight indicated that a less complicated employment system was needed and two indicated that there needed to be changes to unfair dismissal laws. Again a step-wise regression analysis confirmed the earlier results, that the greater the total sales, if no equity held and the lower the age of the respondent the more likely the small business is going to hire full/part time employees.

	Small Business Respondents		Comparison of Small Business and CPA Responses		
	Small Business Mean (SD)	Step-Wise Regression (Coefficient, t-value and significance)	CPA Mean (SD)	F	Sign
Feeling that Unfair Dismissal goes against Employer 6 items - 5 point Likert Scale (5-agree strongly – 1 disagree	2.969 (.731)	*Model:* R2 = 5.8% (F=12.197, p<.001) *Significant Predictors:* Education (-6.952E-02, -4.323, .000) Equity (-.215, -3.397, .001)	3.219 (.648)	.989	.320

strongly)		Total Sales (4.981E-02, 2.663, .008)			
Full Time Employees Care More (5 point Likert Scale as above)	3.341 (1.293)	*Model:* R2 = 3.6% (F=22.586, p<.001) *Significant Predictors:* No of Full Time Employees (.242, 4.752, .000)	3.57 (1.199)	1.220	.270
Health and Safety Apply to All (5 point Likert Scale as above)	4.528 (.759)	*Model:* R2 = 1.2% (F=7.311, p<.001) *Significant Predictors:* No of Employ (8.189E-02, 2.704, .007)	4.323 (.837)	.438	.508
Overall Confidence in Dismissing (5 point Likert Scale as above)	3.528 (1.313)	*Model:* R2 = 3.7% (F=11.378, p<.001) *Significant Predictors:* No of Employee (.178, 3.349, .001) Equity (.305, 2.595, .010)	2.085 (1.11)	21.958	.000
Payroll tax is a Barrier to Employ (1 = yes, 2 = no)	1.511 (.586)	*Model:* R2 = 3.3% (F=10.122, p<.001) *Significant Predictors:* Age (-7.294E-02, -3.050, .002) Equity (.155, 3.016, .003)	1.533 (.520)	3.270	.071
Superannuation is a Barrier to Employ (1 = yes, 2 = no)	1.598 (.513)	*Model:* R2 = 4.9% (F=15.542, p<.001) *Significant Predictors:* Age (-8.496E-02, -4.088, .000) Equity (.152, 3.402, .001)	1.552 (.499)	.088	.767
Workcover is a Barrier to Employ (1 = yes, 2 = no)	1.703 (.502)	*Model:* R2 = 1.2% (F=7.495, p=.006) *Significant Predictors:* Age (-5.641E-02, -2.738, .006)	1.581 (.495)	4.950	.026

Table 8: Small Business and CPA Comparison and Kruskall-Wallis Testing of Classification Variables on Unfair Dismissal, Payroll Tax, Superannuation and Workcover Issues.

Unfair dismissal legislation, superannuation costs, payroll tax and workcover requirements have all been proposed as reasons impeding small business employment . Small business and CPA views on these issues were canvassed and are displayed in Table 8. Independent samples t-test was conducted and indicate that there were no major differences in responses across the two groups, except for the overall confidence in dismissing. CPAs felt that small business operators were not as confident in complying with legislation in dismissals as the small business respondents themselves. The higher the education of the respondent the more likely they were aware of requirements of the unfair dismissal legislation. Also as the respondent age increase so too does their perception that payroll tax, superannuation and workcover are barriers to employment.

Table 9 list a variety of work practices. Section A concentrates on the procedures used by small business when hiring staff, Section B lists a number of work practices, recorded in Section C are a number of reward mechanisms, incentive systems are covered in Section D and finally Section E contains results of family employees and succession planning. The percentage of small businesses that indicated a use of such practices is also displayed. As are the average percentages of the CPA respondents who were asked to indicate the proportion of their small business clients that would use such practices. A comparison of the two percentage figures (column 2 and 4) show similar proportions. Also presented are the classification variables that showed significant associations with each practice.

As indicated in Section A the greater the sales and payment to external accountants the more likely the small business received outside help with employment, had a written job description and a list of skills and qualifications. Total sales and payment to external accountant also affected significantly small business use of work practices as displayed in Section B. Praise and recognition was the most used reward mechanism as shown in Section C of Table 9. Total sales was once again the dominate factor that determined the use of the reward mechanisms. Employee incentives, such as an employee share plan and to give equity in the business were not widely used.

Three hundred and eighteen (53%) indicated that they had a family member work in the business. Of these 166 indicated that they worked full time, 88 worked part time, 41 casual and 23 a mixture of all three. Two hundred and forty seven indicated that the family member is paid, 54 indicated not and 16 indicated that it was a mixture. Kruskell-Wallis testing results shown in Section E of Table 9 indicate that the older, if they have equity and the more educated the respondent the more likely they would employ a family member and small businesses with total sales under $200 000 are more likely to have a family member working in the business.

	Small Business Frequency	**Kruskell-Wallis (Chi-square Value and significance)**	**CPA – proportion of small business clients who do**
A. Last time employed did you:			
Get outside help with employment	16%	Equity (10.334, .001); Ext Account (21.075, .002); Total Sales (37.352 , .000)	18.37
Have a list of skills and qualifications	57.3%	Equity (12.803, .000); Ext Account 19.844, .003); Total Sales (23.327, .000)	49.4
Have a written job description	40.5%	No of Locations (20.179, .000); Ext Account (21.871, .001); Total Sales (23.281, .000)	24
B. Work Practices			
Allow staff to work from home	15.7	Regionality (16.404, .000); Industry (50.563, .000); Education (15.796, .007)	5.11
Offer flexible working hours	45.7	Total Sales (35.200, .000)	28.52
Have an incentive scheme	26.7	No of Locations (27.939, (.000); Total Sales (63.052, .000)	12.13
Offer job sharing or part-time work	24.5	No of Locations (21.368, .000); Equity (8.093, .004); Ext Account (21.409, .002); Total Sales (42.218, .000)	19.11
Salary packaging	21.5	No of locations (27.628, .000); Equity (12.001, .001); Ext Account (31.014, .000); Total Sales (63.317, .000)	16.62
Pay for off-site training or work-related education	34.7	No of Locations (19.537, .000); Age (18.486, .000); Education (15.268, .009); Ext Account (32.874, .000); Total Sales (79.505, .000)	31.52
C. Rewarding good performance by			
Additional time off	20.8	Total Sales (38.453, .000)	19.23
A bonus or incentive scheme	43.7	Gender (8.973, .003); No of Locations 15.702, .001) Ext Account (21.726, .001); Sales (78.477, .000)	22.19
Special training, seminar or conference	17.2	Total Sales (32.303, .000)	16.10
Promotion	18.3	Regionality (7.823, .005); No of Locations (27.466, .000); Education (18.943, .002); Equity (13.004, .000); Total Sales (50.413, .000)	20.72
Increase to salary	39	Regionality (8.933, .003); No of Locations (32.716, .000) Business Life (19.509, .001); Ext Account (47.858, .000) Total Sales (90.058, .000)	41.05
Praise and recognition	62.7	No of Locations (22.121, .000); Equity (23.695, .000) Ext Account (38.910, .000); Total Sales (59.780, .000)	53.62
D. Employee Incentives			
Employee Share Plan	0.8	No significant differences	0.69
Given staff equity in Business	3.3	No significant differences	1.1
E. Other			
Whether a spouse or family member works in business	53.0	Age (15.653, .004); Education (16.051, .007); Equity (50.393, .000); Total Sales (25.736, .000)	62.85
Whether have a succession plan	21.0	Total Sales (35.779, .000)	18.2

Table 9: Frequency and Predictors of Work Practices

Surprising only 21% of respondents indicated that they had a succession plan. The main factor that determined the likelihood of a business having a succession plan was total sales. The higher the sales the more likely a succession plan was in place. From the 126 respondents that indicated they had a succession plan, 47 respondents indicated that they expected a family member to take over the business. This again was driven by total sales and education. The higher the sales and the lower the education, the more likely there is an expectation that a family member takes over the business. Section E of Table 9 presents these results.

Tax Issues Survey

In July 2000 the Australian Government introduced a new tax system. This survey, administered in July 2001, was designed to capture responses on how small businesses coped with the system, the impact and where they sought help.

Table 10 presents small business responses on the usefulness of various sources of help. The most useful source of help was the external accountant followed by the tax office printed material. Kruskall-Wallis and step-wise regression show that females tended to rate tax office sources of help more highly than males. Further, the older the business and the greater the total sales the more useful the industry body in helping with the new tax system but the less helpful specialist bookkeeping services. Also, the greater the amount paid to the external accountant the less helpful the tax office hotline and printed material. In addition, the larger populated areas found the tax office seminars more helpful and the industry body more useful than smaller populated areas.

The impact on small business processes is presented in Table 11. The mean scores of the small business respondents and the CPA respondents are also contained in the Table. For the small business responses a one sample t-test with a test value of one was conducted. This shows that there were significant differences in all business processes, except bookkeeping, before and after the implementation of the new tax system. Column four contains these results and shows the sign of the impact. For example, the negative sign indicates that there has been a negative impact on cash flow but a positive impact on management information. An independent samples t-test was also conducted to test whether the small business and CPA responses were significantly different. The last two columns present the results and shows differences for five of the 10 processes. CPAs felt that cash flow, workload and payments to suppliers were worse than indicated by small businesses and that bookkeeping was more positive. Region, population of town and industry were the main predictors of the differences in the impact on processes as shown in column three.

Sources of Help	Mean (Std. Dev.)*	Kruskall-Wallis Results	Step-Wise Regression Results
Tax Office Hotline	1.8067 (1.044)	Ext Accountant (2.817, .010)	*Model:* R2=1% (F=6.182, p=.013) *Significant Predictors:* Gender (.218, 2.486, .013)
Tax Office Printed Material	2.1367 (1.050)	Gender (7.570, .006) Ext Account (3.136, .005)	Model: R2=1.3% (F=7.570, p=.006) Significant Predictors: Gender (.242, 2.751, .006)
Tax Office Website	1.4983 (.904)	No. of employ (5.028, .001)	*Model:* R2=2.8% (F=8.592, p=.000) *Significant Predictors:* No employ (9.682E-02, 2.810, .005) Education (5.527E-02, 2.606, .009)
Tax Office Seminars	1.5400 (.943)	Gender (8.247, .004) Pop of Town (3.124, .015)	*Model:* R2=5% (F=10.518, p=.000) *Significant Predictors:* No. of employ (.139, 3.929, .000) Regionality (.252, 3.116, .002) Gender (.236, 3.018, .003)
GST Start-Up Assistance	1.6017 (.965)	None significantly different	*Model:* not significant
Visit from tax office	1.5050 (1.017)	Gender (6.597, .010)	*Model:* R2=2.2% (F=6.641, p=.001) *Significant Predictors:* Gender (.223, 2.624, .009) BusinessLife(9.634E-02, 2.574, .01)
External Accountant	3.1350 (1.122)	Regionality (5.658, .018) No. of locations (4.172, .016) Equity	*Model:*R2=2.8%(F=17.347, p=.000) *Significant Predictors:* Equity (-.428, -4.165, .000)
Industry Body	1.4817 (.977)	No of employ (9.274, .000) Business Life (6.148, .000) Total Sales (5.125, .000 Pop of Town (4.551, .001)	*Model:*R2=9.8%(F=16.147, p=.000) *Significant Predictors:* No of employ (.201, 5.483, .000) Regionality (.287, 3.409, .001) Business Life (.103, 2.887, .004) Education (6.012E-02, 2.665, .008)
Specialist Bookkeeping	1.4050 (.953)	Total sales (3.414, .003)	*Model:* R2=2.6% (F=8.056, p=.000)

			Significant Predictors: ExtAccount(8.324E-02, 3.254, .001) Education(-5.849E-02, -2.632, .009)

*Four point Likert scale used: 4- Most Helpful, 3 – Quite helpful, 2 – Not really, 1 – Don't know

Table 10: Sources of Help for Administrating the New Tax System

Business Process	Small Business Respondents			Comparison of Small Business and CPA Responses Independent Samples t-test (Levene's)		
	Small Business Mean (S.D)*	Kruskall-Wallis	One sample t-test test value=1	CPA Mean	F	Sign.
Management Information	1.07 (.692)		2.477 (.014)	1.634 (.624)	.013	.910
Cash Flow	.5750 (.713)		-14.598 (.000)	.2692 (.578)	37.238	.000
Monitoring of Cash	1.09 (.750)	Ext account (31.055, .002)	2.939 (.003)	1.509 (.763)	1.629	.202
Speed of Payments by Debtors	.6650 (.594)	Region (13.125, .001) Industry (65.389, .000) Pop of town (23.868, .002)	-13.804 (.000)	.3558 (.606)	.776	.379
Bookkeeping	1.05 (.823)	Region (11.945, .003) Ext account (28.002, .006) Pop ofTown (19.976, .010)	1.586 (.113)	1.721 (.614)	27.403	.000
Invoicing procedures	1.07 (.708)	Region (14.847, .001)	2.652 (.008)	1.605 (.629)	.000	.994
Own Workload	.38 (.663)	Region (18.128, .000) Industry 40.124, .010) Pop ofTown (28.921, .000)	-22.760 (.000)	.250 (.603)	10.791	.001
Workload of Staff	.65 (.619)	Employ (39.66. .000) Ext account (32.095, .001) Total Sales (39.962, .000) Pop ofTown (21.721, .005)	-13.707 (.000)	.298 (.605)	8.564	.004
Speed of payments to Suppliers	.8767 (.534)	Industry (39.827, .011)	-5.656 (.000)	.365 (.540)	8.569	.004
Business Performance Overall	.8067 (.734)	Industry (45.159, .003)	-6.443 (.000)	.548 (.651)	.596	.440
Total Averaged	.8767 (.409)		-10.468 (.000)	.855 (.297)	14.931	.000

* Three point Likert Scale: 2-positive, 1-neutral, 0-negative

Table 11: The Effect of the New Tax System on Various Business Processes and a Comparison of Small Business and CPA Respondents

Similar statistical tests were carried out to investigate the ease of complying with the new Business Activity Statement (BAS). These results are presented in Table 12 and demonstrate that the greater the number of business locations the greater the difficulty with complying with the BAS requirements and the greater the payment to an external accountant the easier to comply with requirements. The only significant state difference found that Queensland respondents felt easier about completing on time than did NSW respondents. The perceptions between small business respondents and accountants were significantly different. Accountants felt that small businesses found it more difficult to complete and to submit on time than did small businesses themselves.

	Small Business Respondents			Comparison of Small Business and CPA Responses Independent Samples t-test (Levene's)		
	Small Business Mean (std dev)*	Kruskall-Wallis	One sample t-test test value=3	CPA Mean	F	Sign.
Ease of complying with BAS	2.7967 (1.0804)	No locations (24.633, .002) Ext account (53.575, .000)	-4.610 (.000)	1.8462 (.821)	22.3	.000
Completing BAS on time	2.9867 (1.1468)	State (58.120, .001) No locations (21.355, .006)	-.285 (.776)	2.0769 (1.021)	6.509	.011

* Five point Likert Scale: 1-Very Difficult to 5-Very Easy

Table 12: Ease and Timeliness of BAS Completion and Comparison of Small Business and CPA Respondents

Surprising, 315 and 412 of the 600 respondents were not aware of the changes to Capital Gains Tax legislation and the new rules to personal services income, respectively. The only significant association found with these responses and the classification variables was that respondents who held equity were more likely to know about the CGT changes.

Conclusion

The purpose of this study was to investigate the small business and CPA responses to three surveys on business risk, employment practices and tax issues. Specifically, its aim was to analyse the responses while considering the classification variables collected in an endeavour to uncover significant differences across demographic groups. Given the number of practices and issues covered it is not practical to give a summary of all the results here.

Generally the results show that the larger the firm (total sales, payment to external accountant and number of staff) the greater the susceptibility to business risk. However it was also found that those with greater susceptibility to risk were more likely to consider strategies to deal with risk. Females tended to perceive their susceptibility to risk higher than males, although males indicated a greater vulnerability to interest rate exposure and felt competition in their market was fiercer. Males were more likely to have strategies in place to deal with business risk. Rural/regional respondents felt that the relationship with their bank affects their business success to a greater degree then city respondents, but also signified a better relationship with their bank.

Total sales and number of locations/offices were the main predictors of employment. Employment status (full time, casual, etc.) was significantly affected by industry. Small Business felt above average confidence in dismissing in line with the unfair dismissal legislation, although CPAs were not as confident that their small business clients were aware of all obligations. The more educated the respondent the more aware of the unfair dismissal legislation. While the older the respondent the greater the perception that payroll tax, superannuation and workcover are barriers to employment. The overall use of work practices, such as allowing staff to work from home or promotion, was low.

The external accountant was the most helpful to small business in complying with their obligations under the new tax system. Small business felt the introduction of the new tax system had some negative and positive effects on specific business processes but overall rated the effect as negative. Generally, small business respondents found the ease of complying with the BAS requirements and submitting on time was difficult. Less than half the respondents were aware of changes in capital gains tax and personal services income rules.

References

Coakes, S. J. and Steed, L. G. 1999. SPSS: Analysis without Anguish, John Wiley & Sons, Australia.

CPA Australia Small Business Survey Program: Employment Issues, March 2002.

CPA Australia Small Business Survey Program: The Economy and Business Performance and the New Tax System and July 2001.

CPA Australia Small Business Survey Program: Perceptions of Risk, August 2002.

Wagner, S. F. 1992, Introduction to Statistics, HarperCollins Publishers Inc., New York