

# POLICY BRIEF #10

## SMEs and People Movement Between the EU and Australia



Small businesses are the backbone of local economies around the world, and supporting their growth and success is essential to getting the global economy back on track in the wake of the pandemic. Anything that affects small and medium-sized enterprises (SMEs) has a knock-on effect on our local economies. As in many OECD countries, young firms have been core drivers of economic activity and job creation in Australia. Over the period 2007-19, young firms accounted for the majority of net employment growth in Australia, in particular small startups. However, the employment share of such firms (i.e. young SMEs) declined over the period from 22% in 2007 to 18% in 2019 (1). In total, more than 7.4 million Australians are employed by SMEs, making a

major contribution to the employment market (2). However, sole-traders continue to dominate the sector, making up almost two-thirds of all SMEs. Restrictions on the movement of people/business persons (such as problems obtaining visas, quotas, limited duration of stay, etc.) represent barriers to SMEs accessing to international markets (3).

Currently, there are not many visa options for small business owners in Australia. Normally, a business owner would explore the *Business Innovation and Investment Visa*. However, this option requires the applicant to meet quite onerous financial thresholds relating to their assets and business revenue. *Subclass 491* offers

small business owners an alternative option when nominated by Tasmania, Queensland or the Australian Capital Territory (ACT). This is a new skilled provisional independent visa, requiring a specific skill set and level of business experience. The visa came into effect on 16 November 2019. Subclass 491 visa holders will be eligible for permanent residency via *subclass 191*, which comes into effect on 16 November 2022. These criteria require you to:

- live in the ACT, Queensland or Tasmania for at least three years; and
- earn a minimum taxable income of \$53,900 for at least three fiscal years (4)

Visa facilitation is clearly an important issue in relation to the labour and skills shortages and rising costs we are seeing around the country. While companies of all sizes are facing these issues, smaller companies are being hit hardest. They simply cannot compete with larger companies in trying to attract and retain talent without getting into a spiral of damaging wage inflation. As a result, Australia's SMEs need to think more creatively to ensure they have access to the skills at a price they can afford. Recent research by Cloudstaff shows that, as 76% of Australian businesses admit that finding skilled staff is the single biggest issue facing their business, almost half (48%) are considering hiring offshore. They realise it's time to think beyond borders and look to the new global workforce for the cost-effective talent needed to drive their business forward. At the same time, many SMEs

are also looking at how they can automate their operations through technology rather than people (5).

Issues related to visa and people movement between the EU and Australia should be covered in the FTA. This includes market access limitations such as residency requirements and restrictions to legal corporate forms for services providers. It also includes an array of issues affecting the temporary movement of natural persons (e.g. mutual recognition agreements of professional qualifications). It needs to be clearly understood that negotiations are only aimed at easing the movement of natural persons for a temporary period and only for those persons whose activity is related to business and trade). This is completely separate from, and has nothing to do with, permanent migration. The aim, therefore, is to make sure that restrictions that apply to migration do not impinge upon or hamper business activity. In the EU, visa policies fall under Member States competence, and therefore are not part of trade policy per se. However, with a view to facilitating trade, it might be of interest for the two parties to discuss how to facilitate business visa delivery. Australia negotiated such a parallel deal on this with the United States (US) in the Australia-US FTA. Simultaneous with the trade talks, the negotiators at that time convinced the US Congress to create a new category of visas through legislation separate to the FTA (6).

## REFERENCES

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of the European Union

