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11 November 2022

Dear Productivity Commission,

MYOB welcomes the opportunity to contribute to the current Productivity Inquiry.

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

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

In light of recent high-profile cyber-attacks across public and private institutions, it has never been more important to support SME access to secure digital tools. Productivity flows from digitisation, and sustained trust in digital operations flows from access to secure frameworks.

However, we know one in five SMEs – nearly half a million businesses – have no or very low engagement with digital tools and are at risk of suffering a significant productivity gap.

We believe two recently proposed measures, the Technology Investment Boost and Skills and Training Boost, when legislated, will provide a necessary safety net for these businesses and their employees. While these measures are yet to be legislated, the draft legislations are set to expire in June 2023 and 2024 respectively. We risk their productivity benefits not being realised due to insufficient time.

We also know there is an opportunity for the Government to boost digital skills by centralising and enriching existing skills programs. Looking to learnings from Aotearoa New Zealand, providing SMEs with easy-to-access and easy-to-understand digital skills pathways creates growth opportunities and increases revenue.

The time is right to kickstart SME productivity. Recovering from the impacts of COVID-19 and feeling the skills pipeline pinch, we know SMEs want, and need, support to keep pace with global markets.

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

Yours sincerely

Helen Lea
Chief Employee Experience Officer
MYOB

Secure Productivity Growth for SMEs: *Building a Future-Ready Economy*

Background

MYOB has been a trusted business management platform provider for over 30 years, providing local solutions to 1.3 million small and medium sized businesses (SMEs) in Australia and New Zealand. Our software is used to pay one in five Australians, providing us with deep connections to the priorities, needs and opportunities of our SME community.

We recognise and understand the unique needs of SMEs and are seeking to deliver a single Software as a Service (SaaS) platform to boost business productivity, helping SMEs make confident business decisions underpinned by data-driven, digital operations. Our integrated solutions allow businesses to spend less time manually taking care of their business practices and more time innovating.

As the global economy becomes increasingly reliant on technology, digital fluency - the ability to use digital business tools skilfully, decisively, and confidently – is increasingly vital to the sustainability and growth of the economy and to the wellbeing of local SME owners and the people they employ. Building the advanced skills necessary for a truly future-ready economy will rely on an individual's ability to adapt and adopt technology.

We support the findings of the Productivity Commission's Interim Report on the Data and Digital Dividend, which notes that productivity flows from business digital uptake¹.

Secure digital engagement is essential for productive growth

The Productivity Commission's Interim Report on Australia's Data and Digital Dividend identifies that increasing digital adoption and engagement is crucial for Australia to keep pace with global technological developments, while a lack of skills, security concerns and legacy systems are among key barriers to furthering domestic digital adoption².

As the report notes, while some of these barriers will likely be addressed with time and further technological developments, there is an opportunity for the Government to play a key role in facilitating more and better use of technology³. This is especially the case in technical digital and data skills⁴.

Creating the right conditions for productivity will involve supporting Australian businesses to grow their digital fluency, while enabling those with existing digital engagement to deepen their usage so we can continue to keep pace. Productivity will stem from better use and understanding of digital tools, at whatever stage of digitisation a business might be.

Reality: Many SMEs are on the backfoot when it comes to secure digital access

It has never been more important to ensure Australia's SMEs have access to technology solutions that support business growth and fortify the ecosystem. As noted in the Department of Home Affairs' 2022 Cyber Security Annual Report, written and published prior to recent cyber attacks, an

¹ Productivity Commission, Interim Report Number 2: Australia's Data and Digital Dividend, August 2022, p.24.

² Productivity Commission, Interim Report Number 2: Australia's Data and Digital Dividend, August 2022.

³ *Ibid*, p.x.

⁴ *Ibid*.

easy step SMEs can take to adopt appropriate cyber-security protections is to use digital business solutions that provide automatic security updates⁵.

Opportunity: Boost productivity and cyber-security by supporting SME digitisation

MYOB's modelling estimates almost half a million Australian SMEs – one in five – have no to low levels of digitisation⁶, creating a productivity and security divide within Australia's private sector.

In our recent (October 2022) survey of 1000 consumers and SME owners from across Australia, 62% of respondents reported a productivity problem in Australia. Sixty-six per cent of these said upskilling support would address this problem, and 35% called for Government encouragement to use digital business tools⁷. It is clear the public sees skills, digital engagement and productivity as intrinsically linked.

As Treasurer Dr Jim Chalmers noted, productivity flows from investing in people and their ability to adapt and adopt new technology⁸. Two measures currently considered by the Government – the Technology Investment Boost and the Skills and Training Boost (the Boosts) – will be essential in bridging the productivity divide facing Australia's SMEs.

Ensuring these measures are in place for a time sufficient for businesses to benefit will be essential.

Boosting access to secure technology to optimise the digital dividend

The Government's recently proposed Boosts, targeting SMEs' ability to adapt and adopt technology, are a welcome step towards encouraging productive use of digital tools, and the skills growth of SME employees.

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

We believe the two Boosts, when legislated, can act in unison to address the digital dividend awaiting Australia's economy, supporting better use and understanding of digital tools. By offering an additional 20% tax deduction on investments to increase and sustain digital business operations, these measures are a demonstration of the Government playing a key role in facilitating fluent technology use.

Cyber-hygiene is integral to innovation, but SMEs need – and want – support

As the Productivity Commission's Data and Digital Dividend report notes, under-investment in cyber-security protections could limit digital tool uptake and jeopardise the productivity gains that flow from greater use of technology⁹. This is especially the case for SMEs, many of whom need support to understand and implement cyber-security practices¹⁰.

Home Affairs' 2022 Cyber Security Annual Report notes SMEs need to work on their cyber-hygiene. Doing so involves focusing on the 'basics'; choosing technology products that have consistent

⁵ Department of Home Affairs, Cyber Security Industry Advisory Committee Annual Report, 2022, pp.22, 27.

⁶ MYOB, Closing the Digital Gap: An Incentive for SMEs, May 2021.

⁷ MYOB, Federal Budget Snapshot, October 2022, p.7.

⁸ Dr Jim Chalmers, Address to the Jobs and Skills Summit, Parliament House Canberra, 1 September 2022.

⁹ *Ibid*, p.24

¹⁰ Department of Home Affairs, Cyber Security Industry Advisory Committee Annual Report, 2022, pp.22, 27.

patching and security updates, training staff in a human-centric way, ensuring digital innovations build in cyber-security solutions from the start, and using a professional business advisor to make sure Government incentives – such as the Boosts – are optimised¹¹.

MYOB's October 2022 survey found Australia's SMEs are concerned about their cyber hygiene. This survey, conducted during the recent high-profile cyber-attacks, found 72% of small business owners have become more concerned about cyber security in the last year, and 66% believe they should spend more on cyber-security protection¹². However, 33% of SMEs report the cost of cyber-security solutions remains a key barrier¹³.

There has never been a better time to support safe and productive use of technology for SMEs. As the Productivity Commission notes, the impact to trust and the broader sectoral vulnerabilities that come from low levels of digitisation can reduce innovation, and the costs of cyber-attacks to individual businesses are often less than the costs of such attacks to society more broadly¹⁴.

Policy Opportunity: Extend the Boosts to strengthen SME cyber-security protections

The Boosts have the potential to help SMEs protect themselves from cyber-attacks and, once legislated, will be integral to skilled adoption of productivity-enhancing technology. However, at present, the Boosts are time-limited, with the Exposure Draft of the Technology Investment Boost having an end date of June 2023, and the Skills and Training Boost scheduled to end in June 2024.

These end dates are not sufficient to encourage adoption of the incentives and will not enable enough of the SME sector to adopt critical cyber-security protections. This not only poses broader risks to the community, but also risks deepening the productivity divide facing Australia's SMEs.

We recommend the Productivity Commission calls for the Boosts to be applied for an initial five-year duration and linked to the Productivity Commission Inquiry Process. Benchmarking such measures against productivity will allow the full benefits of any such measures to be quantified.

Enhance access to SME-friendly skill frameworks

As the Government's Digital Economy Strategy notes, growing digital skills is key for Australia's productivity now and in the future¹⁵. Supporting ongoing growth of SME digital skills will play a crucial role in the economy and will encourage Australia's SMEs to be a vital part of the increasingly digital global economy.

However, centralising these programs into one easy-to-find, easy-to-use platform, that offers the same standard and support to all SMEs, will be crucial. When assessing the existing digital and technology skills frameworks available to SMEs, we note there are a range of offerings and systems that exist, and offerings vary between States, Territories, and regional locations¹⁶.

¹¹ *Ibid.*, p.28.

¹² MYOB, MYOB: Federal Budget Snapshot, October 2022, p.6.

¹³ *Ibid.*

¹⁴ Productivity Commission, Interim Report Number 2: Australia's Data and Digital Dividend, August 2022, pp. x, 21.

¹⁵ Department of Prime Minister and Cabinet, 'Australia's Digital Economy. Fact Sheet: Digital Skills', 29 March 2022.

¹⁶ Some existing digital skills programs for SMEs include the Australian Taxation Office's (ATO's) Small Business Newsroom, the Australian Signal Directorate small business resources, Business.gov.au's small business info-pages, the Digital Skills Organisation's (DSO's) increasing small business voice, and the Australian Small Business Advisory Service (ASBAS).. ASBAS provides valuable digital skill mentoring programs, however services differ in access and offerings between geographic locations.

In July 2022 MYOB and Master Builders Australia (MBA) delivered an online digital business training solution for women in construction. Our modelling found the sector has the lowest level of SME digitisation in the country¹⁷.

We have similarly partnered with the Digital Skills Organisation (DSO) with the intent to deliver SME sector-wide digital training programs and workshops. With the DSO's funding not set to run past 2023, there is an opportunity for the Government to enrich this model and deliver policy targeting future digital skills for SMEs.

We know SME owners and operators deal with significant time and resource constraints, impacting their ability to search multiple service offerings and de-code technical information to determine the best solution for their needs. Having a centralised source of truth for digital skills would address an existing gap in a way that supports the user.

As such, **we recommend the Productivity Commission consider the benefits of a single platform for digital skills education and training, that is easy to locate and easy to use.**

Policy Opportunity: Regional learnings – Aotearoa New Zealand's Digital Boost

There is an opportunity for the Government to adopt regional learnings when growing digital skills for SMEs.

The Aotearoa New Zealand Government's Digital Boost program supports SME owners to digitally transform their operations. Digital Boost is Government-run, through the Ministry of Business, Innovation and Employment, in partnership with industry experts to ensure it meets the targeted needs of local SME owners and operators, regardless of their sector or geographical location.

It supports SMEs to adopt technology, process changes, new capabilities, and enables SMEs to harness insights from their business data to inform innovation. Notably, Digital Boost is a single platform offering the same benefit and accessibility to all businesses. This presents an opportunity for a scalable skills solution that can reach all SMEs, however remote – a solution that does not currently exist in Australia.

Launched at the end of 2020, Digital Boost has recently undertaken its 18-month evaluation review and found increased digital capabilities of participants have correlated with an increase in revenue. Thirty-nine per cent of Digital Boost users who engaged weekly with the platform, and 23% of overall users, report increased revenue in 18 months¹⁸. Almost one third (28%) of SMEs who joined Digital Boost to grow their digital operations now derive 50% or more of their revenue through online sales¹⁹.

Crucially, Digital Boost is expanding its offerings to enable SMEs to check their cyber-security footprint. They are planning on building a search function to let SMEs take a cyber health check: to see if email addresses or webpages are associated with phishing or other known scams, and to check if their details have been included in a data leak.

Now more than ever, cyber-security needs to be placed at the fore when designing policy and tools intended to support business growth. As such, **we recommend the Productivity Commission**

¹⁷ MYOB, White Paper: Modelling the Digital Divide, 2021.

¹⁸ Aotearoa New Zealand Ministry for Business, Innovation and Employment, 'Digital Boost: Evaluation Research', August 2022.

¹⁹ *Ibid.*

encourage cyber-security assessment tools as a best practice integration for all Government platforms intended to support SMEs.

With a digital skills and productivity gap present for Australian SMEs, we see an opportunity for a Digital Boost-style platform to exist in our market and believe it would generate notable return both to the economy and to SME revenue. As such, **we recommend the Productivity Commission consider proposing that the Government looks to regional learnings when considering digital skills and adopt a Digital Boost-style platform in Australia.**

Summary

MYOB thanks the Government for the opportunity to contribute to the Productivity Commission Inquiry process. We also look forward to continuing our engagement with the Productivity Commission and are happy to share any data any insights mentioned in this submission that may be helpful as the Government creates the foundations for a productive economy that keeps pace with the rest of the world.

A core part of boosting the economy's productivity will lie in giving Australia's SMEs the opportunity to access secure digital tools with confidence and skill. Government support in incentivising digital business tools and digital skills will be crucial in lessening the productivity gap facing the almost half a million SMEs with low levels of digitisation.

We believe this can be achieved through enriching existing initiatives, such as the Technology Investment Boost, Skills and Training Boost, and existing approaches to digital skills.

We are enthused by the Government's focus on supporting productivity within the SME sector, and on improving the skills opportunities for all Australians. We look forward to continuing to work with the Government to make Australia's SME sector future-ready.

To boost secure productivity in the SME sector, MYOB recommends the Government:

- 1. Legislate the Technology Investment Boost and Skills and Training Boost and apply them for an initial five year period, linked to the Productivity Commission Inquiry process. This will help the full benefits of the measures to be quantified.**
- 2. Create a single platform for digital skills education and training, that is easy to locate and easy to use.**
- 3. Embed cyber-security assessment tools as best practice integration for all Government platforms intended to support SMEs.**
- 4. Look to Aotearoa New Zealand's learnings when considering digital skills delivery for SMEs, and adopt a Digital Boost-style platform.**