

# REDUCING COMPLIANCE BURDEN

# ON NEW ZEALAND SMALL BUSINESSES

OCTOBER 2024



# **A COLLABORATIVE CONVERSATION WITH GOVERNMENT**

In today's dynamic business environment, small businesses face many compliance and regulatory challenges. These can involve inconsistencies in standards, complex regulations, and the substantial administrative burden of adhering to various requirements.

The government is interested in the compliance cost pain points for small business, along with ways they can be reduced. After discussions with various government agencies, the BusinessNZ Network, through its broad membership, provided a direct avenue to tap into the small business community to help with the Government's policy direction.

This report provides a comprehensive overview of the key issues faced by small businesses, as identified in recent roundtable discussions and stakeholder inputs<sup>1</sup>. It also identifies solutions that the government can undertake to alleviate the small business compliance workload.

## **BACKGROUND**

During July 2024 the BusinessNZ Network organised five roundtable meetings with small businesses that covered a range of sectors. They were invited to share their experience about government compliance, in particular where this was costly (both directly, and through creating opportunity costs), time-consuming, created uncertainty, or generally limited options for their business operations.

The conversation and feedback at these meetings was honest and wide-ranging. It was important that the Government heard the truth - especially through a small business lens, to better understand how the issues raised could be addressed, to reduce the compliance and administrative burdens small businesses are currently facing.

The small businesses that did attend noted their good experiences with government, and made it clear they generally agree with the intent of government regulation. Most of their feedback was not an objection to regulation in principle, but rather complaints about aspects of operational practice and/or regulatory design.

The BusinessNZ Network sincerely thanks all members who provided their valuable time and resources in assisting compiling this report.

## **THE COMPLIANCE CHALLENGE SMALL BUSINESSES FACE**

Small businesses face a number of compliance pain points on a daily basis. These include the high costs associated with meeting compliance requirements, the administrative burden of managing compliance, and the operational disruptions caused by disjointed standards. They often struggle to

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<sup>1</sup> Roundtable meetings were conducted during July 2024 in Dunedin, Christchurch, Auckland, Hamilton, and Wellington. The events were attended by 81 New Zealand businesses from various industries and regions, including manufacturing, retail, hospitality, business services and not for profit. They were led by the BusinessNZ network, which includes the Employers and Manufacturers Association (EMA), Business Central, Business Canterbury and Business South. Officials from the Ministry of Business, Innovation and Employment (MBIE), the Ministry for Regulation and Inland Revenue were present, along with the Minister for Small Business, who attended the Auckland and Wellington events.

maintain consistent practices and stay updated on regulatory changes. This can lead to potential legal consequences and reputational damage.

Small businesses outlined many ways to respond to these challenges, including harmonised regulatory standards, streamlined compliance processes to reduce administrative burdens, and enhanced support services to offer small businesses the necessary tools and guidance for effective compliance.

Combined, these solutions can alleviate the compliance burden on small businesses, enabling them to operate more efficiently, remain competitive, and contribute to economic growth.

## **BIG PICTURE LENS ON SMALL BUSINESS COMPLIANCE CONCERNS**

Several compliance issues were frequently mentioned throughout the roundtable meetings. While these issues were mentioned in relation to various government departments, there was often a consistent theme that enabled small businesses to outline both the problem and potential solutions.

### **WHAT ARE THE BROAD PROBLEMS?**

- **Ambiguity and uncertainty:** Complex or changing rules create confusion, which means small businesses often lack the resources to meet regulatory demands efficiently. To meet this gap, consultants are often hired, leading to costly consultant reliance and inconsistency.
- **Disproportionate response:** Regulatory demands do not scale appropriately to the size or risk of the business, leading to many small businesses feeling overregulated.
- **Not fit for purpose:** Small businesses question if certain compliance rules are effective or necessary for their industry. In some cases, they are tougher than international standards.
- **Inconsistent government interactions:** Inconsistency regarding the quality of customer service, slow responses, unclear information, and conflicting guidance hinder compliance requirements.
- **Outdated processes:** The continued use of older communication options and duplication of information creates inefficiency.
- **Prescriptive regulations:** Existing rules can sometimes stifle small business innovation or fail to adapt to new practices, particularly given the increasing pace of new technological options.

### **WHAT ARE THE BROAD SOLUTIONS?**

- **Allow flexibility:** Encourage regulations that promote innovation, avoid over-prescriptive regulations, and prevent unintended outcomes.
- **Embrace technology to enhance government communications and processes:** Ensure government departments are consistent when it comes to introducing new technology for communication and explaining/assisting with regulations.
- **First port of call for small business:** Better promotion and development of *business.govt.nz* as the initial small business website to go to when navigating and interacting with government.
- **Graduated response/tailor compliance:** Apply rules at the group level where appropriate and give businesses discretion when managing compliance for low-risk issues. Tailor compliance based on the size of the business or specific risks.
- **Improve government engagement:** Provide better and consistent customer service, timely information, and collaboration for compliance support so that businesses are treated as a customer to government.

- **Rethink regulations and reduce uncertainty:** Align compliance processes with actual risks and combine redundant processes. Also, provide clearer responsibilities that small businesses undertake and prevent unnecessary rule changes.

# DEEP DIVE INTO SMALL BUSINESS COMPLIANCE BURDEN ISSUES

The feedback received from small businesses covered a wide range of compliance issues across various sectors. While we cannot outline every single issue mentioned, this section examines the main issues identified across the various roundtables. This includes a summary table and a deep dive into each compliance burden issue small businesses raised.

**TABLE 1: AT A GLANCE – WHAT SMALL BUSINESSES SAID**

Issue	Govt Agencies	Small Business Challenges	What Small Business Wants to See
Health and Safety Regulations	WorkSafe	<ul style="list-style-type: none"> <li>• Large and ongoing administrative burden</li> <li>• Increased risk of non-compliance</li> <li>• Inconsistency across regions of compliance standards</li> </ul>	<ul style="list-style-type: none"> <li>• WorkSafe small business page</li> <li>• Rationalise information provided and regularly update small businesses on changes</li> <li>• Clarity of standards through WorkSafe provides online training videos/webinars</li> <li>• Harmonised standards for consistency</li> </ul>
Immigration Compliance	ImmigrationNZ	<ul style="list-style-type: none"> <li>• Constant stream of changes</li> <li>• Needing to outsource</li> <li>• Operational disruption</li> <li>• Online application challenges</li> </ul>	<ul style="list-style-type: none"> <li>• Clearer communication of changes</li> <li>• Streamline online applications</li> <li>• Streamline accreditation process</li> </ul>
Employment Agreements	MBIE	<ul style="list-style-type: none"> <li>• Insufficient expertise in drafting agreements</li> <li>• Inappropriate terms and conditions</li> <li>• Time-consuming</li> </ul>	<ul style="list-style-type: none"> <li>• Pointing small businesses in the right direction</li> <li>• Build on the employment agreement builder</li> <li>• Further promote best practices</li> </ul>
Employment Leave and Disputes	MBIE ERA	<ul style="list-style-type: none"> <li>• Complexity and confusion regarding leave</li> <li>• Perceived bias in employment dispute resolutions</li> <li>• Burden of personal grievances and disputes</li> </ul>	<ul style="list-style-type: none"> <li>• Easy to understand holidays act</li> <li>• Rebalancing disputes process</li> <li>• Rebalancing the burden between employers and employees</li> </ul>
Anti-Money Laundering Obligations	Across Government	<ul style="list-style-type: none"> <li>• Repetitive and inconsistent information requests</li> <li>• Excessive procedures and high costs</li> <li>• Digital and verification challenges</li> <li>• Lack of unified system for AML</li> </ul>	<ul style="list-style-type: none"> <li>• Centralised data service</li> <li>• Simplify AML processes</li> <li>• Provide clear guidance</li> <li>• Leverage digital tools (i.e. RealMe)</li> <li>• Implement unified verification</li> <li>• Accredited business concept</li> <li>• Support for immigrants</li> </ul>
Duplication of Data Requirements	Across Government StatsNZ Lead	<ul style="list-style-type: none"> <li>• Volume and repetition of information</li> <li>• Digitisation challenges</li> <li>• StatsNZ surveys</li> <li>• Personal property securities register</li> </ul>	<ul style="list-style-type: none"> <li>• General data repository</li> <li>• Enhanced digitisation</li> <li>• StatsNZ – opt-out option</li> <li>• StatsNZ – online option</li> <li>• StatsNZ - levelling the playing field</li> <li>• StatsNZ – better timeframes for completion</li> </ul>
Government Procurement and Contracting	Across Government	<ul style="list-style-type: none"> <li>• Procurement transparency and communication</li> <li>• Contracting requirements</li> <li>• Health and safety compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Improved procurement communication</li> <li>• Tailored contracting requirements</li> <li>• Health &amp; safety standards</li> </ul>

Workplace Accidents and Injuries	ACC	<ul style="list-style-type: none"> <li>• Lack of thorough investigation &amp; system abuse</li> <li>• Lack of case management consistency</li> <li>• Burden on employers</li> <li>• Delayed workplace assessments</li> <li>• Arbitrary injury classifications</li> <li>• Inconsistent interagency communication</li> </ul>	<ul style="list-style-type: none"> <li>• Better classification system</li> <li>• Bolster case managers</li> <li>• Thorough medical oversight</li> <li>• Improve claims validation</li> </ul>
Tax	IRD	<ul style="list-style-type: none"> <li>• Fringe Benefit Tax (FBT) confusion</li> <li>• MyIR not quite the full package</li> <li>• Quasi debt collector role</li> </ul>	<ul style="list-style-type: none"> <li>• Simplify FBT rules</li> <li>• Next stage MyIR</li> <li>• Garnishee order to banks</li> </ul>
Food Safety	MPI	<ul style="list-style-type: none"> <li>• Disproportionate fees for small businesses</li> <li>• Complex and lengthy compliance processes</li> <li>• Inconsistent standards and over-regulation</li> <li>• Inflexible licensing regime</li> </ul>	<ul style="list-style-type: none"> <li>• Scale fees based on business size</li> <li>• Streamline compliance processes</li> <li>• Better recognition of international standards</li> <li>• Provide kitchen license flexibility</li> </ul>
Forklift Licensing	WorkSafe NZTA	<ul style="list-style-type: none"> <li>• Frequent renewal requirements</li> <li>• Over-certification</li> <li>• Inconsistent certification rules</li> <li>• Licensing for street use</li> </ul>	<ul style="list-style-type: none"> <li>• In-house competency assessments</li> </ul>
Hairdressing Regulations	Across Government	<ul style="list-style-type: none"> <li>• Outdated regulations</li> <li>• Costly compliance requirements</li> <li>• Inflexible support</li> </ul>	<ul style="list-style-type: none"> <li>• Update hairdressing regulations</li> <li>• Simplify compliance processes</li> <li>• Improve support services</li> </ul>

# HEALTH & SAFETY REGULATIONS

## At a glance

### Key government department

WorkSafe

### Key challenges

- Large and ongoing administrative burden
- Increased risk of non-compliance
- Inconsistency across regions of compliance standards

### Recommendations

- WorkSafe small business page
- Rationalise information provided and regularly update small businesses on changes
- Clarify standards through WorkSafe-provided online training videos/webinars
- Harmonised standards for consistency

## Big picture - what small businesses said

Small businesses were consistent in their main messages regarding how health and safety compliance currently works in New Zealand. They want a system that protects employees and ensures safe working environments. However, they often find it challenging to navigate the current regulations due to their complexity and variability of feedback from the inspectorate. For many small businesses, this lack of uniformity for health and safety standards leads to significant compliance issues and increased operational costs.

## What are the challenges?

- **Large and ongoing administrative burden:** The extensive and detailed nature of health and safety regulations demands significant administrative efforts and resources. Small businesses often struggle to allocate the necessary time and manpower to ensure compliance, resulting in increased costs and potential operational inefficiencies. Often, they have to hire external consultants which adds to the total cost of compliance. Businesses feel there is a lot of interpretation required of legislation and they lack time and skills for this.
- **Increased risk of non-compliance:** Complexity and frequent changes to regulations means there is a heightened risk of non-compliance. Businesses report there is a high level of interpretation required of legislation and they lack time and skills for this. This can lead to legal consequences, fines, and damage to a business's reputation.
- **Inconsistency across regions of compliance standards:** The way the inspectorate engages in health and safety regulations varies widely between regions. This creates a fragmented compliance landscape for small businesses. This means operating in multiple areas to maintain uniform safety practices and meet varying local requirements is difficult.

## What small businesses want to see

- **WorkSafe small business page:** Create a dedicated small business page on the WorkSafe website and/or business.govt.nz where simplified compliance guidelines and toolkits specifically tailored for small businesses are stored. More straightforward guidelines all in one place can help businesses better understand and manage health and safety requirements, making compliance more manageable.
- **Rationalise information provided and regularly update small businesses on changes:** Introduce systems to keep small businesses informed in advance about key changes in health and safety regulations that will likely affect them. This could be through WorkSafe, as well as other government department online small businesses subscription services.
- **Clarify standards through WorkSafe-provided online training videos/webinars:** WorkSafe to provide online training videos and webinars that target small business issues. This would help them stay up to date with compliance requirements and provide an opportunity to ask questions and clarify issues.
- **Harmonised standards for consistency:** WorkSafe to promote the development of standardised health and safety regulations to reduce regional discrepancies. This would help simplify compliance for all types of businesses operating across different regions, ensuring consistent safety practices and reducing administrative burdens.

# IMMIGRATION COMPLIANCE

## At a glance

### Key government department

Immigration New Zealand

### Key challenges

- Constant stream of changes
- Needing to outsource
- Operational disruption
- Online application challenges

### Recommendations

- Clearer communication of changes
- Streamline online applications
- Streamline accreditation process

## Big picture - what small businesses said

Immigration compliance is crucial for small businesses employing foreign workers to ensure they are correctly following rules around visa regulations and employment laws. However, ongoing changes in immigration policies and complex application processes create significant compliance challenges for small businesses, which can often be a barrier to either applying or re-applying for workers from offshore.

## What are the challenges?

- **Constant stream of changes:** Constant immigration policy changes make it difficult for small businesses to stay compliant, particularly when they are hiring foreign workers. This uncertainty can disrupt workforce planning and operations.
- **Needing to outsource:** Complicated processes and ongoing changes means small businesses often have to outsource to get the task done, which is costly.
- **Operational disruption:** Uncertainty around visa approvals and policy changes can lead to delays in hiring foreign talent, causing operational disruptions and affecting productivity. Some businesses decide to withdraw from applying or cease doing so because of the ongoing compliance and administrative costs.
- **Online application challenges:** Immigration New Zealand's online interface for immigration applications process is often challenging for small businesses to complete. Often, the guidance provided does not match the steps when applying online.

## What small businesses want to see

- **Clearer communication of changes:** Immigration New Zealand develop a plan to improve the communication of policy changes to small businesses, ensuring they have ample time to adapt and comply with new regulations.

- **Streamline online applications:** Immigration New Zealand develop a more streamlined and simplified visa application process to reduce the administrative burden on small businesses.
- **Streamline accreditation process:** Immigration New Zealand to develop an online tool for small businesses that creates an easier to understand process for accreditation, as well as identify ways in which existing business information provided to government can be incorporated in the application process.

# EMPLOYMENT AGREEMENTS

## At a glance

### Key government department

Ministry for Business, Innovation and Employment (MBIE)

### Key challenges

- Insufficient expertise in drafting agreements
- Inappropriate terms and conditions
- Time-consuming

### Recommendations

- Pointing small businesses in the right direction
- Build on the employment agreement builder
- Further promote best practices

## Big picture - what small businesses said

Employment agreements are essential and legally required for defining the terms and conditions of employment. They protect both employers and employees by setting clear expectations and legal obligations. However, the lack of appropriate templates for employment agreements poses challenges for small businesses, including significant legal risks.

## What are the Challenges?

- **Insufficient expertise in drafting agreements:** Small businesses often lack the expertise to draft comprehensive and legally sound employment agreements. This increases the risk of non-compliance with employment laws and potential legal disputes, which can be costly and time-consuming.
- **Inappropriate terms and conditions:** The absence of suitable templates for employment agreements can lead to small businesses introducing inappropriate contract terms and conditions. This can result in legal uncertainties and potential disputes between employers and employees.
- **Time-consuming:** Crafting individual employment agreements for each employee can be time-consuming and burdensome for small businesses, diverting resources from core business activities.

## What small businesses want to see

- **Pointing small businesses in the right direction:** MBIE to provide information to small businesses regarding legal advice and support services options to assist them in drafting and reviewing employment agreements. This can help ensure that agreements are legally sound and reduce the risk of disputes.
- **Broaden the Employment Agreement Builder:** MBIE to add employment agreement templates that businesses can easily tailor to the specific needs of a small business. These additions should cover essential legal requirements and common terms, making it easier for businesses to draft compliant agreements. Also, include guidance for small businesses regarding what terms they likely should include or exclude, depending on the sector.

- **Further promote best practices:** MBIE examines ways to educate businesses on best practices for creating employment agreements, including key clauses and legal requirements. Training sessions and workshops can help businesses understand the importance of clear and comprehensive contracts.

# EMPLOYMENT LEAVE & DISPUTES

## At a glance

### Key government departments

Ministry for Business, Innovation and Employment (MBIE)

Employment Relations Authority (ERA)

### Key challenges

- Complexity and confusion regarding leave
- Perceived bias in employment dispute resolutions
- Burden of personal grievances and disputes

### Recommendations

- Easy to understand Holidays Act
- Rebalancing disputes process
- Rebalancing the burden between employers and employees

## Big picture - what small businesses said

Small businesses face various employment leave and disputes challenges. The complexity of the Holidays Act is time-consuming and leads to errors, especially with manual leave tracking. Many perceive the Employment Relations Authority (ERA) to be biased towards employees, leading to disproportionate penalties. Handling personal grievances is also costly, worsened by "no win, no fee" advocates and slow dispute resolution.

## What are the challenges?

- **Complexity and confusion regarding leave:** Understanding and complying with complex regulations like the Holidays Act and distinctions between employee types is time-consuming and costly. Managing and tracking leave manually can be labour-intensive and prone to errors. Small businesses may struggle with the administrative burden of accurately recording and managing employee leave, leading to inefficiencies and potential errors.
- **Perceived bias in employment dispute resolutions:** Many small businesses perceive that employment dispute processes through the ERA favour employees and result in disproportionate penalties, creating uncertainty and financial strain for the small businesses involved.
- **Burden of personal grievances and disputes:** Handling personal grievances and disputes is particularly costly and complicated for small businesses, exacerbated by "no win, no fee" advocates and slow dispute resolution processes.

## What small businesses want to see

- **Easy to understand Holidays Act:** Changes to the Holidays Act that speak the language of business (i.e. hours and not days as a reference point), along with being more prescriptive and easier to navigate regulatory settings, so that case law does not become the primary way of following it.

- **Rebalancing disputes process:** Rebalance the dispute resolution system to ensure fair treatment of both employers and employees, and review penalty structures for proportionality. At the very least, a return to the focus on employers and employees coming to a solution as a first priority.
- **Rebalancing the burden between employers and employees:** Better quality regulation regarding 'no win, no fee' advocates and introduce verification/requirement that they are an approved employment advocate who operates in accordance with good faith and sound process.

# ANTI-MONEY LAUNDERING (AML) OBLIGATIONS

## At a glance

### Key government department

Across government

### Key challenges

- Repetitive and inconsistent information requests
- Excessive procedures and high costs
- Digital and verification challenges
- Lack of unified system for AML

### Recommendations

- Centralised data service
- Simplify AML processes
- Provide clear guidance
- Leverage digital tools
- Implement unified verification
- Accredited business concept
- Support for immigrants

## Big picture - what small businesses said

Small businesses struggle with AML regulations due to repetitive information requests, excessive procedures, and inconsistent requirements. The need to provide the same information to multiple entities for different activities is time-consuming and inefficient. Small businesses also face high costs and difficulties navigating varying standards and verification processes for AML.

## What are the challenges?

- **Repetitive and inconsistent information requests:** Small businesses are frustrated with having to repeatedly provide the same information for different AML-related activities. In some cases, they have to provide the same information to different organisations for the same activity. Combined with inconsistency in the information and documentation required by different entities (e.g. real estate agents, lawyers, banks) this leads to duplication of effort and confusion.
- **Excessive procedures and high costs:** Small businesses consider AML processes to be overly complex and time-consuming, often outweighing the perceived benefits. The varying standards among different organizations causes further angst. This leads to the costs associated with AML compliance, including notarization and in some cases maintaining dead companies are burdensome. These costs can also be exacerbated by the need to have dedicated staff for AML.
- **Digital and verification challenges:** The current AML system is not well integrated with digital tools, leading to inefficiencies. Small businesses also face difficulties with verification processes and inconsistent application of AML standards.
- **Lack of unified system for AML:** The absence of a central system for managing and validating AML information leads to inefficiencies and excessive paperwork for small businesses.

## What small businesses want to see

- **Centralised data service:** Government to introduce a centralised data service or opt-in system where businesses and individuals can submit and manage their AML information. This could streamline the process and reduce repetitive data requests.
- **Simplify AML processes:** Standardise requirements across different sectors. Streamline documentation processes to minimise duplication and reduce the overall burden on small businesses.
- **Provide clear guidance:** Develop clear, accessible guidance and support for small businesses to navigate AML requirements. This includes providing consistent information and addressing discrepancies in standards.
- **Leverage digital tools:** Make better use of digital tools and technologies to manage AML compliance more efficiently. Consider systems similar to “RealMe” for storing and validating identity and compliance information.
- **Implement unified verification:** Consider a system where small businesses can voluntarily complete a comprehensive AML verification once a year, adhering to the highest standards. This could reduce the frequency and redundancy of verification processes.
- **Accredited business concept:** Consider introducing a concept of accredited businesses that have demonstrated compliance with AML regulations and are exempt from certain requirements to reduce the overall burden.
- **Support for immigrants:** Investigate an adjustment to AML regulations to facilitate the inclusion of immigrants in the financial system, making it easier for them to open accounts and conduct business.

# DUPLICATION OF DATA REQUIREMENTS

## At a glance

### Key government department

Across government – StatsNZ lead

### Key challenges

- Volume and repetition of information
- Digitisation challenges
- StatsNZ surveys
- Personal property securities register

### Recommendations

- General data repository
- Enhanced digitisation
- StatsNZ – opt-out option
- StatsNZ – online option
- StatsNZ - levelling the playing field
- StatsNZ – better timeframes for completion

## Big picture - what small businesses said

Small businesses are often required to produce a significant volume of data and information for various government agencies, particularly from StatsNZ. This involves a considerable amount of time spent on form-filling, survey completion and other regulatory requirements. Much of this becomes duplication across Government agencies and also repetition within certain agencies.

## What are the challenges?

### General

- **Volume and repetition of information:** The cumulative amount of information businesses must provide to Government is extensive. An estimated 10-15% of a full-time employee's time is spent on administrative tasks such as form filling and survey completion.
- **Digitisation challenges:** Despite advancements, online form filling often resembles paper-based processes, as calculations are done offline and then manually entered online. There is often little ability to integrate with accounting systems or use in-form calculations.

### Specific

- **StatsNZ surveys:**
  - Small businesses often have to provide background information on repeated occasions for the same survey, rather than having certain boxes pre-populated to save time.
  - A number of small businesses feel over-surveyed by StatsNZ in that once they are on board for one survey, they end up being selected for others.

- Little changes when small businesses point out to StatsNZ that the survey they are asked to complete has no relevance to their business.
- Some surveys still only have the option of being paper-based and cannot be filled out on-line. Filling out the paper takes longer and there is no acknowledgement of receipt of the paper copy.
- Timeframes to complete surveys are often too short. A lot of the data is held across multiple systems and takes time to assemble.
- **Personal property securities register:** The process of deregistering old companies and registering new acquisitions is time-consuming and still largely paper-based. Each transaction incurs a fee, and the process could be streamlined.

## What small businesses want to see

### General

- **General data repository:** Implementing a central data repository that all government departments could access would reduce the need for businesses to repeatedly provide the same information. This would streamline processes and reduce administrative burdens. StatsNZ may be the best government agency to house this within.
- **Enhanced digitisation:** Develop more integrated online forms that can handle calculations internally or interface with accounting systems to minimise manual entry and improve efficiency.

### StatsNZ

- **Opt-out option:** StatsNZ to provide a more transparent and easier opt out process for businesses that are in the sample group for surveys that has no relevance to their business.
- **Online option:** All StatsNZ business surveys have the option of being online to complete.
- **Levelling the playing field:** StatsNZ investigates businesses being unfairly chosen on a regular basis to complete more surveys.
- **Better timeframes for completion:** StatsNZ undertakes a review around likely timeframes required to complete business surveys.

# GOVERNMENT PROCUREMENT AND CONTRACTING

## At a glance

### Key government department

Across government

### Key challenges

- Procurement transparency and communication
- Contracting requirements
- Health and safety compliance

### Recommendations

- Improved procurement communication
- Tailored contracting requirements
- Health & safety standards

## Big picture - what small businesses said

Small businesses often find government procurement and contracting processes challenging. Dealing with sudden shifts in policy or requirements that may not account for the realities of smaller operations creates a natural barrier for many to either drop out of applying or not even try. Also, issues relating to procurement transparency, compliance requirements, and the practicalities of contracting can lead to significant financial losses and operational difficulties for small businesses.

## What are the Challenges

### Procurement transparency and communication

- **Unexpected purchases and procurement protocols:** An example includes a situation where the Ministry of Health announced a large purchase of COVID rapid antigen tests shortly after a small business had already procured a substantial quantity. The lack of prior indication or tender process rendered the small business' inventory obsolete, leading to financial loss. When the small business approached HealthNZ to sell their stock, they were met with rigid procurement protocols that prevented any consideration of their offer, resulting in wasted resources and financial loss.

### Contracting requirements

- **Liability insurance and compliance:** Some contracts require extensive liability insurance and compliance with various procedures, such as business continuity plans and health and safety meeting minutes. These requirements can be burdensome for small businesses with limited staff and resources.
- **Standards Applicability:** For many small businesses, especially those in niche industries, understanding and meeting certain standards can be challenging. For example, the scope and thoroughness of site inspections and training records are not always clear for small operators.

## Health and safety compliance

- **Inconsistent standards:** There is often a mismatch between the required health and safety standards and the actual needs of small operations. The need for comprehensive compliance certificates, despite the relatively simple nature of the work, adds an extra layer of complexity.

## What small businesses want to see

- **Improved procurement communication:** The government should give advance notice of major procurement decisions and ensure a transparent, fair tender process to help small businesses prepare and compete effectively.
- **Tailored contracting requirements:** Tailor compliance and insurance requirements to suit small businesses' scale and nature, and adopt flexible approaches to liability and procedures based on business size and capacity.
- **Health and safety standards:** Reassess health and safety standards for small operators, creating size-appropriate guidelines and using private sector systems to simplify compliance.

# WORKPLACE ACCIDENTS AND INJURIES

## At a glance

### Key government department

Accident Compensation Corporation (ACC)

### Key challenges

- Lack of thorough investigation and system abuse
- Lack of case management consistency
- Burden on employers
- Delayed workplace assessments
- Arbitrary injury classifications
- Inconsistent interagency communication

### Recommendations

- Better classification system
- Bolster case managers
- Thorough medical oversight
- Improve claims validation

## Big picture - what small businesses said

Small businesses face several challenges with ACC, including insufficient investigation of claims, which leads to system abuse by employees. Rising ACC levies add financial strain, while inconsistent case management creates communication gaps and delays in workplace assessments. Small businesses feel burdened with managing return-to-work plans and acting as intermediaries between ACC and employees. They also experience difficulties with arbitrary injury classifications, lack of timely feedback from medical professionals, and unclear guidelines on "light duties," all of which impact workforce planning and increase compliance costs.

## What are the challenges?

- **Lack of thorough investigation & system abuse:** Small businesses feel ACC often does not sufficiently investigate claims, especially for pre-existing conditions. This allows some employees to "game the system," leading to uncertainty and operational disruptions.
- **Lack of case management consistency:** The case management system that ACC has in place is supported by small businesses, but regular turnover of dedicated case managers and an impression that there are fewer of them has led to inconsistent advice, fragmented communication, and longer timelines for return-to-work assessments. This leads to small businesses finding this lack of continuity disruptive.
- **Burden on employers:** Small businesses feel ACC shifts responsibilities onto them, such as facilitating workplace assessments, engaging with employees during their return to work, and managing compliance in an area they are not experts in. This increases their administrative burden and costs.

- **Delayed workplace assessments:** Timely assessments by ACC are critical for managing employee return-to-work cases. Small businesses have experienced delays of up to six months that create risks of either bringing employees back too soon (creating health and safety risks) or too late (disrupting workforce planning).
- **Arbitrary injury classifications:** There is frustration by small businesses with how ACC classifies injuries, particularly when incidents that happen at work but are unrelated to work (e.g., medical events) count against the employer. This distinction drives up levies unfairly and increases financial exposure.
- **Inconsistent interagency communication:** Small businesses struggle with navigating between ACC and other agencies like Work & Income, due to inconsistent advice and poor information sharing.

## What small businesses want to see

- **Better classification system:** The current ACC classification system is seen as outdated. Small businesses want to see a more stratified system that aligns better with workforce structure and risk profiles.
- **Bolster case managers:** ACC to devote more resourcing to case managers for continuity and more effective communication with small businesses.
- **Thorough medical oversight:** Promote and bolster ACC-accredited doctors to assess injuries regularly and provide detailed feedback on what employees can or cannot do when returning to work.
- **Improve claims validation:** ACC to implement a process to review claims more thoroughly, especially for long absences (e.g. over three months), and investigate pre-existing conditions.

# TAX

## At a glance

### Key government department

Inland Revenue Department (IRD)

### Key challenges

- Fringe Benefit Tax (FBT) confusion
- MyIR not quite the full package
- Quasi debt collector role

### Recommendations

- Simplify FBT rules
- Next stage MyIR
- Garnishee order to banks

## Big picture - what small businesses said

Overall, small businesses praised IRD for its user-friendly online systems, such as MyIR, making tax filing and payroll preparation easier for small businesses. While small businesses generally find IRD's systems and approach much better compared with previous years, there are still elements of the tax system that remain bugbears for them that need to be addressed.

## What are the challenges?

- **Fringe Benefit Tax (FBT) confusion:** Small businesses find the rules surrounding FBT unclear and time consuming, particularly for small value items like gift vouchers. This has the effect of increasing administrative costs and discouraging employee rewards.
- **MyIR not quite the full package:** While small businesses find MyIR useful, there are still elements of MyIR that need further development to provide additional functionality. For instance, MyIR can only do full credit transfer, not a partial one.
- **Quasi debt collector role:** Small businesses must act as intermediaries for IRD when deducting child support from employees' wages, leading to awkward conversations and adding stress to the employer-employee relationship<sup>2</sup>. Also, having to advise IRD when a deduction notice cannot continue due to employment ceasing is frustrating and time-consuming as this information is already supplied when filing payroll as the employee in question is not on the return.

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<sup>2</sup> This issue also applies to other government departments, such as the Ministry of Justice where employers receive notice of fines for employees and request for deduction. Very little information is provided detailing what has caused the deduction to be sought. This again does not allow the employer to offer and substance when advising their employee.

## What small businesses want to see

- **Simplify FBT rules:** IRD to undertake a root and branch review of FBT policy in New Zealand, with the aim of providing clearer, more streamlined guidance on FBT - especially for small, non-cash benefits like gift vouchers.
- **Next stage MyIR:** IRD offers additional features in their MyIR software that has a direct focus on alleviating small business compliance issues.
- **Garnishee order to banks:** IRD considers Garnishee Order to banks to deduct funds from the bank account of the employee and remove the small business from always acting as the agent.

# FOOD SAFETY

## At a glance

### Key government department

Ministry for Primary Industries (MPI)

### Key challenges

- Disproportionate fees for small businesses
- Complex and lengthy compliance processes
- Inconsistent standards and over-regulation
- Inflexible licensing regime

### Recommendations

- Scale fees based on business size
- Streamline compliance processes
- Better recognition of international standards
- Provide kitchen license flexibility

## Big picture - what small businesses said

There are a few areas where the Ministry for Primary Industries (MPI) is doing well, particularly in its support for small businesses through long-standing relationships and good industry knowledge. This demonstrates that MPI has built trust and expertise, which can help businesses navigate regulatory requirements more effectively. However, while some small businesses feel that compliance with food health and safety requirements is manageable and not overly burdensome, many believe there is a disproportionate cost to them compared with larger businesses. In addition, changes still need to be made regarding risk management programs due to the current risk-averse nature of MPI, along with better balancing with international standards.

## What are the challenges?

- **Disproportionate fees for small businesses:** The MPI food levy is not scaled according to business size. This means small businesses pay the same as large corporations, which places an unfair proportional burden on them with limited resources.
- **Complex and lengthy compliance processes:** A number of small businesses face high compliance costs and long approval times for food safety and export compliance. Many small businesses now feel MPI has become so risk-averse, minor changes in risk management programs can require extensive documentation and costly re-evaluations, which greatly hampers smaller businesses given their resources are more limited.
- **Inconsistent standards and over-regulation:** The Food Standards Australia New Zealand's (FSANZ) standards (which New Zealand adopts and MPI enforces), such as those for "gluten-free" products, exceed international norms (i.e. no detectable gluten, compared with the world standard of 20 parts per million). This increases costs for small businesses without providing any additional safety benefits. Some small businesses feel there is an inconsistency in communication of the standards between central and local government.

- **Inflexible Licensing regime:** The commercial kitchen license provides little flexibility when it comes to testing variations of products or slightly different ways to prepare food. For instance, a food producer may have a license to cut fruit and vegetables for jams/pickles, but has to apply for a variation on their license to sell cut produce, like halved pumpkins.

## **What small businesses want to see**

- **Scale fees based on business size:** MPI examines a fee structure based on business turnover and/or size, ensuring that smaller businesses do not bear the same financial burden as larger corporations.
- **Streamline compliance processes:** MPI to simplify the risk management program to allow for quicker approvals, especially for changes that are identified as minor and therefore low-risk for an incident to occur.
- **Better recognition of international standards:** MPI to undertake an assessment of New Zealand regulations with international guidelines, such as those for gluten-free products, to reduce unnecessary testing costs and complexity for small businesses.
- **Provide kitchen license flexibility:** Within the licensing regime, allow limited trials for new products to enable market testing before requiring full compliance. Also, provide a practical streamline licensing process to cover associated/similar activities.

# FORKLIFT LICENSING

## At a glance

### Key government departments

WorkSafe

New Zealand Transport Agency (NZTA)

### Key challenges

- Frequent renewal requirements
- Over-certification
- Inconsistent certification rules
- Licensing for street use

### Recommendation

- In-house competency assessments

## Big picture - what small businesses said

Small businesses want to see their forklift drivers having the right skill set to do their assigned tasks, but the ongoing regular nature of forklift operators having to renew their certification every two years, no matter their skill level or prior work experience, creates operational disruptions and complexity.

## What are the challenges?

- **Frequent renewal requirements:** Forklift operators must renew their certification every two years, no matter their skill level or prior work experience. For a small business, this involves paid time off for a 0.5-day course, leading to operational disruptions.
- **Over-certification:** Businesses must certify more operators than needed to avoid being short-staffed when employees attend the compulsory course.
- **Inconsistent certification rules:** Unlike forklifts, similar heavy machinery, such as small diggers, does not require certification.
- **Licensing for street use:** Operating a forklift on the street requires an F endorsement, adding complexity when moving items on public roads.

## What small businesses want to see

- **In-house competency assessments:** After the initial certification, an annual in-house competency assessment is conducted and signed off internally to reduce the need for external recertification courses.

# HAIRDRESSING REGULATIONS

## At a glance

### Key government departments

Across government

### Key Challenges

- Outdated regulations
- Costly compliance requirements
- Inflexible support

### Recommendations

- Update hairdressing regulations
- Simplify compliance processes

## Big picture - what small businesses said

Small business hairdressers find themselves working with outdated and rigid government regulations due to the current hairdressing regulations, which has not been updated in decades. Many operate from their own home, which means high compliance costs, such as the requirement for three separate basins and the need for expensive architectural plans for basic setups. Furthermore, limited support from local councils and authorities, who are only available during business hours, adds difficulty for small businesses trying to comply with complex rules.

## What are the challenges?

- **Outdated regulations:** Hairdressing is regulated under old legislation, which mandates strict requirements (e.g., having three separate basins) that may not align with modern practices or business setups.
- **Costly compliance requirements:** Businesses are required to submit professionally drawn plans (e.g. basin locations), leading to high compliance costs (e.g. \$10,000 for building consent), which is burdensome for small or home-based salons.
- **Inflexible support:** Local authorities provide limited support, often only available during business hours, making it difficult for small business owners to navigate regulations given they are attending to customers/clients during those hours.

## What small businesses want to see

- **Update regulations:** Modernise the regulatory framework for hairdressing to reflect current industry practices and reduce unnecessary requirements, like mandating multiple basins.
- **Simplify compliance processes:** Allow more flexible documentation, such as accepting hand-drawn plans for small businesses, to lower compliance costs.
- **Improve support services:** Extend local government advisory services to after-hours or provide more accessible resources for small business owners to navigate compliance independently.